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

Combined Financial Statements

As of and for the year ended December 31, 2019

(With Independent Auditors' Report Thereon)

Content

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Independent Auditors' Report

To the Shareholders of Distribuidora de Electricidad de Oriente, S.A. and Distribuidora de Electricidad de Occidente, S.A.:

Opinion

We have audited the accompanying combined financial statements of Distribuidora de Electricidad de Oriente, S.A. and Distribuidora de Electricidad de Occidente, S.A. (hereinafter the "the Group"), which comprise the combined statement of financial position as of December 31, 2019 and the combined statements of profit or loss, comprehensive income, changes in net parent investment and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Distribuidora de Electricidad de Oriente, S.A. and Distribuidora de Electricidad de Occidente, S.A. as of December 31, 2019, and its combined financial performance and its combined cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Combined Financial Statements*" section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the combined financial statements in Guatemala, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Combination

We draw attention to Note 3a to the combined financial statements, which describes their basis of preparation, including the approach to and the purpose for preparing them. The combined financial statements were prepared for the use of Parent Company and to comply with a debt covenant. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

1) Verification of impairment of cash generating units that include goodwill

The key audit matter	***How the matter was addressed in our audit***
As of December 31, 2019, the Group has recorded a goodwill in the amount of US$118,208 thousand and it follows the practice of submitting this goodwill to annual impairment tests or more frequently if there is any indication of impairment. The goodwill is allocated to the cash generating units (CGUs) that represent the lower level within the Group, in which the goodwill is allocated and supervised for internal managing purposes. An estimate of the recoverable amount of the net assets related to the cash generating units associated with goodwill, were performed by the Group. It is considered that the annual impairment tests of goodwill are a key audit matter due to the complexity of the accounting requirements and the significant judgment required to determine what the assumptions would be to estimate the recoverable amount. The recoverable amount of the CGUs, based on the greater amount between the value in use and the fair value, less cost disposal, has derived from discounted projected cash flows models. These models use several key assumptions including estimates of volumes and future sales prices, operating costs, growth rates of terminal value and weighted average cost of capital (discount rate).	Our audit procedures in this area include, among others: – involve our own specialist to assist us in the evaluation of the adequacy of the applied discount rates; – evaluate the adequacy of the assumptions applied to the key input data as volumes and sales prices, operating costs, inflation and long-term historical growth rates, which included our own evaluation based on our knowledge of the Group and the energy industry; – review the sensitivity analysis performed by the management, which included evaluating the effect of the reasonably possible reductions on the growth rates and the projected cash flows in order to assess the impact on the margin currently estimated for the CGUs for distribution of energy, and assess the adequacy of the disclosures in the combined financial statements, including disclosures of key assumptions, judgments, and sensitivity analysis.

(Continues)

2) Allowance for uncollectible trade accounts

The key audit matter	***How the matter was addressed in our audit***
As of December 31, 2019, the Group has recorded a provision for expected credit losses amounting to US$162,097 thousand. This provision is based on two customer portfolios, these being the client portfolio without a payment plan agreement and the portfolio of agreements that includes a payment plan. For each of the categories and subcategories, the provision for uncollectible accounts is estimated using a documented and systematic methodology that uses their respective expected loss rates (PD and LGD) that are based on the historical trend of the turnover rates for each delinquency category. The Group exercises significant judgements using key assumptions considering that credit losses according to IFRS 9 are based on expected losses rather than an incurred loss model. The Group considers certain information that is relevant and available without undue cost, both quantitative and qualitative, and analysis, based on the Group's historical experience and forward-looking information.	Our audit procedures in this area include, among others: – involve our own specialist to assist us with: – the evaluation of the adequacy of the key data sources and assumptions for data used in the Expected Credit Loss (ECL) model used by the Group in order to determine the provision, including forward-looking information; – the appropriateness of the calculation of the Probability of Default (PD) used in the ECL model; – checking the calculation of the Loss Given Default (LGD) used by the Group in the ECL calculation; – checking the consistency of various inputs and assumptions used by the management to determine the provision for expected credit losses. – evaluate the financial statements disclosures arising on adoption of IFRS 9.

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Responsibilities of Group's 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 International Financial Reporting Standards, 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 Group's 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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

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

Víctor Castañeda
Partner

Guatemala, March 16, 2020

Combined Statements of Financial Position

As of December 31, 2019 and 2018
(Stated in thousands of US dollars, except otherwise indicated)

	2019 US$	2018 US$ (Reclassified note 31)
Assets		
Non-current:		
Property, plant and equipment, net (note 14)	638,108	508,460
Intangible assets, net (note 15)	120,561	121,089
Non-current tax assets (note 19)	66,346	61,125
Right of use of assets	5,550	-
Trade receivables, net (note 17)	20,582	20,074
Other receivables (note 18)	32,965	33,291
Total non-current assets	884,112	744,039
Current:		
Other assets	364	675
Inventory, net (note 16)	4,797	5,506
Trade receivables, net (note 17)	75,327	69,412
Other receivables (note 18)	2,922	2,728
Taxes receivable (note 19)	30	30
Accounts receivable from related parties (note 21)	1,442	181
Cash (note 20)	22,601	17,781
Total current assets	107,483	96,313
Total assets	991,595	840,352
Net Parent Investment and Liabilities		
Net parent investment (note 22)	87,860	44,720
Non-current liabilities:		
Debt with financial entities-long term (note 23)	427,255	433,729
Deferred revenues, net (note 24)	111,036	120,101
Accounts payable to related parties, long-term (note 21)	87,033	-
Provision for contingences (note 25)	9,114	9,570
Deferred income tax liability (note 13)	40,736	7,102
Provision for labor indemnities (note 26)	6,920	7,664
Lease liabilities	4,610	-
Total non-current liabilities	686,704	578,166
Carried forward	686,704	578,166

Combined Statements of Financial Position

As of December 31, 2019 and 2018
(Stated in thousands of US dollars, except otherwise indicated)

	2019 US$	2018 US$ (Reclassified note 31)
Brought forward	686,704	578,166
Current liabilities:		
Debt with financial entities-short term (note 23)	16,723	-
Accounts payable to related parties (note 21)	16,356	15,018
Trade and other accounts payables (note 27)	100,070	127,037
Taxes payable (note 19)	8,144	6,696
Other liabilities (note 28)	75,738	68,715
Total current liabilities	217,031	217,466
Total liabilities	903,735	795,632
Commitments and contingencies (note 29)		
Total net parent investment and liabilities	991,595	840,352

See notes accompanying the combined financial statements.

Combined Statements of Profit or Loss

Years ended December 31, 2019 and 2018
(Stated in thousands of US dollars, except otherwise indicated)

	2019 US$	**2018 US$ (Reclassified note 31)**
Revenue:		
Energy sales (note 4)	594,784	576,989
Services rendered (note 5)	15,038	13,325
Other revenue (note 6)	8,868	6,634
Total revenue	618,690	596,948
Cost of sales:		
Energy purchases (note 7)	(405,800)	(400,912)
Other costs of sales (note 8)	(99,411)	(102,180)
Total cost of sales	(505,211)	(503,092)
Gross profit	113,479	93,856
General, selling and administrative expenses (note 9)	(32,734)	(34,415)
Impairment loss on trade receivables (note 17)	(14,546)	(14,883)
Other income (note 10)	16,514	17,860
Operating profit	82,713	62,418
Finance income (note 11)	5,183	2,824
Finance costs (note 12)	(36,204)	(57,697)
Net finance costs	(31,021)	(54,873)
Profit before income tax	51,692	7,545
Income tax:		
Current (note 13)	(16,450)	(11,597)
Deferred, expense (note 13)	(1,520)	(632)
Income tax expense (note 13)	(17,970)	(12,229)
Net profit (loss) for the year	33,722	(4,684)

See notes accompanying the combined financial statements

Combined Statements of Comprehensive Income

Years ended December 31, 2019 and 2018
(Stated in thousands of US dollars, except otherwise indicated)

	2019 US$	2018 US$ (Reclassified note 31)
Net profit (loss) for the year	33,722	(4,684)
Other comprehensive income (loss), net of income tax:		
Items that will not be reclassified subsequently to profit or loss:		
Revaluation surplus, net of income tax (note 3c.3)	98,094	-
Translation differences	209	(2,531)
Remeasurement of defined benefit obligation	(1,852)	(1,454)
Other comprehensive income (loss) for the year, net of income tax	96,451	(3,985)
Total comprehensive income (loss) for the year	130,173	(8,669)

See notes accompanying the combined financial statements.

Combined Statements of Net Parent Investment

Years ended December 31, 2019 and 2018
(Stated in thousands of US dollars, except otherwise indicated)

	2019 US$	2018 US$
Balance at beginning of year	44,720	63,356
Adjustment on initial application of IFRS 9 (net of tax)	-	(9,967)
Adjusted balance at beginning of year	44,720	53,389
Comprehensive income for the year		
Net profit (loss) for the year	33,722	(4,684)
Other comprehensive income for the year		
Revaluation surplus, net of income tax (note 3c.3)	98,094	-
Remeasurement of defined benefit obligation, net of income tax	(1,852)	(1,454)
Foreign currency translation effect for the year	209	(2,531)
Total other comprehensive income (loss) for the year	96,451	(3,985)
Total comprehensive income (loss) for the year	130,173	(8,669)
Transactions with equity owners		
Transfer of economic benefits of income taxes receivable (note 29 a) xiii.)	(87,033)	-
Balance at end of year	87,860	44,720

See notes accompanying the combined financial statements.

Combined Statements of Cash Flows

Years ended December 31, 2019 and 2018
(Stated in thousands of US dollars, except otherwise indicated)

	2019 US$	**2018 US$**
Cash flows from operating activities:		
Net profit (loss) for the year	33,722	(4,684)
Reconciliation items between net profit (loss) for the year and net cash flows provided by operating activities:		
Depreciation and amortization	39,645	43,959
Depreciation of right of use assets	1,206	-
Accrued revenue - government grants	(9,660)	(10,726)
Impairment loss on trade receivables	14,546	14,883
Loss on disposal of property, plant and equipment	5,551	4,855
Provisions for labor indemnities	297	386
Provision for contingencies	70	235
Interest of labor benefits	747	512
Interest from deposits received from consumers	5,531	5,266
Financial discount on long-term payment agreements	193	1,285
Collection of interest	(3,235)	(2,824)
Finance costs recognized in profit or loss	29,109	29,165
Exchange differences	(1,914)	17,826
Current Income tax	16,450	11,597
Deferred income tax	1,520	632
Assets donated	(5,380)	(4,645)
Interest expenses on liabilities for leases	517	-
Provision for obsolete inventories	-	38
Impairment to assets revaluation	1,085	-
	130,000	107,760
Net changes in assets and liabilities:		
Inventory	4,433	(7,289)
Other current assets	311	(535)
Trade receivables	(20,720)	(32,399)
Other receivables	310	(1,073)
Related parties	4	159
Payments of labor indemnities	(4,295)	(1,127)
Payments of Provisions for contingencies	(574)	(193)
Taxes payable	1,385	955
Carried forward	110,854	66,258

Combined Statements of Cash Flows

	2019 US$	2018 US$
Brought forward	110,854	66,258
Other liabilities	-	(917)
Trade and other accounts payable	(27,274)	33,879
Creditors	411	241
Employee benefits payable	(595)	134
	83,396	99,595
Income tax payments	(21,340)	(13,679)
Net cash flows provided by operating activities	62,056	85,916
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(39,608)	(37,441)
Payments for intangible assets	(217)	(368)
Collection of interest	3,235	2,824
Proceeds from disposal of property, plant and equipment	57	50
Net cash flows used in investing activities	(36,533)	(34,935)
Cash flows from financing activities:		
Loans obtained from Banks - Short term borrowings	115,429	215,754
Payment of interest	(28,098)	(28,496)
Repayment of short-term borrowings	(106,747)	(218,754)
Payment of capital reduction	(35)	(5,887)
Payment of lease liabilities	(1,404)	-
Dividends paid	(52)	(429)
Transaction cost of debt	-	(64)
Net cash flows used in financing activities	(20,907)	(37,876)
Net increase in cash	4,616	13,105
Cash at beginning of year	17,781	5,550
Effect of exchange rate fluctuations on cash held	204	(874)
Cash at end of year	22,601	17,781

Combined Statements of Cash Flows

Non-cash transactions:

As of December 31, 2019 the Group recognized revenues on assets received from customers in the amount of US$5,380 (US$4,645) as of December 31,2018) (see note 10) and recognized right-of-use assets and lease liabilities for US$7,660 as a result of the first-time adoption of IFRS 16 (see note 3c 1.c.).

Additionally, as a result of signing a supplemental agreement (see note 29 a) xiii.), as of December 31, 2019 the Group recognized an account payable to Nautilus Holdings Distribution (LLC) in the amount of US$87,033, which was debited to other capital reserves within the Net Parent Investment

See notes accompanying the combined financial statements.

Notes to the Combined Financial Statements

As of December 31,2019 and 2018
(Stated in thousands of US Dollars unless otherwise indicated)

1 Reporting Entity

Distribuidora de Electricidad de Occidente, S.A. a majority-owned subsidiary of DEOCSA B.V. and Distribuidora de Electricidad de Oriente, S.A. a majority-owned subsidiary of DEORSA B.V. were 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. Unless otherwise specifically indicated in the notes, the above companies will be referred to collectively as the "Group". The Group's main activity is the distribution of electricity to end consumers in the western and eastern departments of the Republic of Guatemala, such as Quetzaltenango, San Marcos, Totonicapán, Huehuetenango, Chimaltenango, Sololá, Suchitepéquez, Retalhuleu, Quiché, El Progreso, Santa Rosa, Jalapa, Jutiapa, Chiquimula, Zacapa, Izabal, Baja Verapaz, Alta Verapaz and El Petén.

Its registered office is at Diagonal 6, 10-50 zona 10, Interaméricas World Business Center, Guatemala City.

All revenue and non-current assets of the Group are generated and are located, respectively, in Guatemala.

The Group's end customers are residential, commercial, and industrial customers, municipalities and government entities. In order to carry out its activity, the Group buys electricity 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 Agreements No.401-98 and 381-98 of the Ministry of Energy and Mining dated December 14, 1998 and November 23, 1998 respectively, the Empresa de Distribución de Energía Eléctrica del INDE (the Electric Energy Distribution Company of INDE) – Western Region – EDEEROC and – Eastern Region – EDEEROR, was authorized to transfer to the Group for a fifty-year period the service of final distribution of electricity in the above mentioned departments in the western and eastern region of the Republic of Guatemala (the "Concession").

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.

Notes to the Combined Financial Statements

The former holder/holders of the Concessions can participate of the auction process except in the event the authorization had been terminated due to poor quality of the service. From the value obtained in the auction process, the Ministry of Energy and Mining will deduct the expenses incurred and debts that the former holder/holders of the Concessions may have and the remaining amount will be transferred to the former holder/holders of the Concessions.

Under the General Electricity Law and the regulations of the National Commission of Electric Energy (CNEE in Spanish), the tariffs that the Group charges to its customers are subject to the approval of the CNEE. The Group charges distribution tariffs for all electricity delivered through its distribution system, whether to its customers or wholesale electricity brokers. There are seven different tariffs that are applicable to the Group's customers.

The Group’s 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 Group 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 Group 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 Group 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 Group 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.

Notes to the Combined Financial Statements

The results of this tariff adjustment process is reflected by the CNEE through quarterly resolutions and communicated to the Group for its application in subsequent periods.

The "VAD" component of the tariff is revised every five years with semi-annual adjustments for inflation and local currency exchange rates against the US dollar. The VAD charges are set by a panel of three regulators who are appointed based on certain technical and professional criteria. The VAD charge was last set in July 2019 and will expire in June 2024.

The following events are relevant to understand the entities shareholders' composition:

- Electric Energy Distribution Company “INDE” was the former majority shareholder of the Group; on December 15, 1998, INDE sold its shares in the Group to Compañía Distribuidora Eléctrica del Caribe, S.A. – DECSA, a subsidiary of Unión Fenosa Internacional (an international operator that owned 99.99% of DECSA and subsidiary of Union Fenosa, S.A.). As part of the obligations assumed by Unión Fenosa Internacional, the Group 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 Group and INDE.

- In October 2004 Compañía Distribuidora Eléctrica del Caribe, S.A. transferred its 90.83% ownership in Distribuidora de Electricidad de Occidente, S.A. and its 92.84% ownership in Distribuidora de Electricidad de Oriente, S.A. to Unión Fenosa Internacional. As a consequence, Unión Fenosa Internacional became the parent company of the Group.

- Gas Natural SDG, S. A. acquired 95.2% of Unión Fenosa, S.A. during the first quarter of 2009, accordingly, beginning on April 23, 2009, Gas Natural, SDG, S.A. took over the management of the financial and exploitation policies of the Group.

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

Notes to the Combined Financial Statements

Both DEOCSA B.V. and DEORSA B.V. are organized under the laws of The Netherlands and were wholly owned by Actis Investing Fund.

- On June 17, 2011 the General Shareholders' Meeting of Distribuidora de Electricidad de Occidente, S.A. agreed to merge the entity with ASCOED, S.A. and the General Shareholders' Meeting of Distribuidora de Electricidad de Oriente, S.A. agreed to merge the entity with ASROED, S.A through the acquisition of the latter and the acceptance of the inherent rights and obligations from the entities, respectively. The mergers took effect on November 2, 2011 and November 3, 2011, respectively.

  As a result of the acquisition, the Group 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, IC Power Ltd., a subsidiary of Kenon Holdings Ltd ("Kenon"), acquired all of the shares of DEOCSA B.V, owner of 90.70% of Distribuidora de Electricidad de Occidente, S.A.'s capital stock and all of the shares of DEORSA BV, owner of 92.70% of Distribuidora de Electricidad de Oriente, S.A.'s capital stock.

- On November 24, 2017 the Group's indirect parent company, Inkia Energy and one of its subsidiaries (collectively, the "Sellers"), entered into a Share Purchase Agreement pursuant to which the Sellers sold, effective December 31, 2017, substantially all of their Latin American and Caribbean businesses to Nautilus Inkia Holdings LLC, and other newly formed holding companies that are indirectly owned by certain funds managed by I Squared Capital Advisors (US) LLC and one or more minority co investors.

2 Basis of Preparation

a Basis of Accounting

The combined financial statements as of and for the year ended December 31, 2019 were prepared according to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board (IASB) and were approved for issue by the Board of Directors of the Group on March 16, 2020.

b Basis of Measurement

The accompanying combined financial statements have been prepared on the historical cost basis, except for certain financial instruments, the technical installations and the provision for labor indemnities that are measured at fair values at the end of each reporting period, as explained in the accounting policies described in note 3.

Notes to the Combined Financial Statements

c Functional and Presentation Currency

Group's functional currency is the Quetzal (Q), which is the currency of the primary economic environment in which it operates. The Quetzal is the monetary unit of Guatemala.

These combined financial statements are presented in thousands of United States dollars (US$) and were prepared for use of shareholders and for presentation to financial entities (see note 22). Rounding differences may occur in respect of individual amounts or percentages.

d Use of Estimates and Judgments

The accounting policies of the Group 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 from 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.

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.

The Group prepares 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:

i. Energy purchase provision: The Group records 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 Group (see note 3).

Notes to the Combined Financial Statements

ii. Energy Supplied Pending Invoicing: At each monthly accounting close, the Group records 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. (see note 4)

iii. Useful Lives of Property, Plant and Equipment: The Group reviews the estimated useful life of property, plant and equipment at the close of each annual reporting period. Estimated useful lives are detailed in note 3 l.

iv. Leases: Whether an arrangement contains a leases.

v. Measurement of defined benefit obligations: Key actuarial assumptions.

vi. Recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and taxes losses carried forward can be utilized.

vii. Impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts, including the recoverability of development cost;

viii. Recognition and measurement of provision and contingences: key assumptions about the likelihood and magnitude of an outflow of resources;

ix. Measurement of ECL allowance for trade receivables: key assumptions in determining the weighted-average loss rate.

x. 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 (see note 25).

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.

Notes to the Combined Financial Statements

The Group has 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 Group 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 and the possibility of renewal.

Measurement of fair values

Some of the accounting policies and disclosures of the Group require the measurement of fair values of the financial assets and liabilities as well as the non-financial assets.

The Group has a control framework related to the measurement of fair values. This includes a valuation team that has the general responsibility to supervise all-significant measurements of fair value, including level 3 fair values, and that reports directly to the Group’s Chief Financial Officer.

This supervisory role reviews the significant non observable variables and valuation adjustments at least once a year. If information from third parties is used to measure fair values, the valuation team reviews the evidence obtained from third parties to support the conclusion that valuations are in accordance with International Financial Reporting Standards, including the level within the hierarchy of fair values where these valuations belong.

Significant valuation matters are informed to the board of directors.

When the fair value of an asset or liability is assessed, the Group uses observable market data whenever possible. Fair values are classified in levels within a hierarchy of fair values, based on the variables used in each valuation technique, as follows:

- Level 1: prices quoted in active markets (unadjusted) for identical assets or liabilities.

- Level 2*:* data different to quoted prices in Level 1, that is observable either directly (prices) or indirectly (i.e. from derived from prices) for assets or liabilities.

- Level 3*:* data for assets or liabilities that is not based on observable market data (unobservable variables).

Notes to the Combined Financial Statements

If the variables used when measuring the fair value of an asset or liability may be classified in different levels of the hierarchy of fair values, then the fair value measurement is classified in its entirety in the same level as the variable belonging to the lowest level that is significant for the total measurement.

The Group records transfers between levels of the hierarchy of fair values at the end of the period it is reporting, during which the transfer occurred.

Note 30 provides a summary of financial assets and liabilities measured at fair value, either for recording purposes or for purposes of disclosure only, including their classification between the relevant level of hierarchy. In addition, note 3j provide the basis used to determine the fair value of technical installations and note 26 describes the methodology used to determine the fair value or provision for labor indemnities.

3 Summary of Significant Accounting Policies

The accounting policies described in this note have been applied consistently by each of the companies included in the combination ("the Group") and during the periods presented in the accompanying combined financial statements except as explained in note 3c.

a Basis of Combination

The combined financial statements as of and for the years ended December 31, 2019 and 2018 have been derived from the aggregation of the assets, liabilities, income and expenses of Distribuidora de Electricidad de Oriente, S.A. and Distribuidora de Electricidad de Occidente, S.A. All balances, income, expenses and unrealized gains and losses arising from transactions between the combined entities were eliminated when preparing these combined financial statements. Transactions with I Squared Capital companies, which do not belong to the Group, have been disclosed as transactions with related parties**.**

Management considers it is appropiated to prepare these combined financial statements because the combined entities (collectivelly "the Group") are under common control and operate under common management and accounting policies, and are financially controlled by Nautilus Inkia Holdings LLC, and other newly formed holding companies that are indirectly owned by certain funds managed by I Squared Capital Advisors (US) LLC and one or more minority co investors**.**

Besides being under a common control and having a common management, the Group's combined entities have as main activity the distribution of electricity to end consumers in the country side of the Republic of Guatemala.

Notes to the Combined Financial Statements

Moreover, certain debt covenants require the presentation of combined financial statements expressed in U.S. dollars (see note 23).

In determining the entities to be included in the accompanying combined financial statements, management has considered the electricity distribution entities. The Group does not have a single parent in Guatemala.

The combined financial statements may not be indicative of the Group's 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 has been made on a reasonable basis.

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

b Foreign Currency

i. Foreign currency transactions and balances

When preparing these 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. The foreign currency gains or losses on monetary assets and liabilities expressed in foreign currency are the difference between the amortized cost in functional currency at beginning of period, adjusted by the effective rate of interest and payments made during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting period.

Foreign currency differences resulting from this translation are recognized in the combined statement of profit or loss.

Notes to the Combined Financial Statements

The Group has presented its combined financial statements in U.S. dollars; therefore, the combined financial statements prepared in 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 translated 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 translated 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).

- Items of the net parent investment are translated at historical cost.

All translations differences resulting from the foregoing are recognized under "Other Comprehensive Income" and accumulated in the net parent investment.

ii. 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, 2019 and 2018, the reference exchange rate published by the Bank of Guatemala was Q.7.70 and Q.7.74, 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.

Notes to the Combined Financial Statements

c New Standards Adopted and Changes in Significant Accounting Policies

The Group has adopted IFRS 16 Leases and IFRIC 23 Uncertain over income tax treatments (see ii. below) from January 1, 2019. A number of other new standards are effective since January 1, 2019, but they do not have a material effect on the combined financial statements.

i. Adoption IFRS 16 Leases

The Group has applied IFRS 16 using the modified retrospective approach, under which they recognized a right of use asset and a lease liability for the same value as the cumulative effect at the date of initial application as at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated. – i.e. it is presented, as previously reported, under IAS 17. The details of the changes in accounting policies are disclosed below:

a. Definition of a lease

The Group assesses whether a contract is or contains a lease based on the new definition of lease under IFRS 16 where a contract is, or contains, a lease if the contract conveys a right to control the use of an identified assets for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to not to apply requirements of IFRS 16 to leases for which the lease term ends within 12 months of the date of initial application.

b. As a lessee

The Group leases many assets including properties and equipment. As a lessees, they previously classified leases as operating or finance leases based on its assessment whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right of use and lease liabilities for most leases. Therefore, these leases are recorded in the combined statements of financial position.

c. Impacts on financial statements
Impacts on transition

The Group recognized right of use assets and lease liabilities for the same value with no effect on retained earnings. The impact on transition was:

	January 1, 2019 **US$**
Right of use assets presented as a separate line in the combined statement of financial position	7,660
Lease liabilities	7,660

Notes to the Combined Financial Statements

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate. The weighted average rate applied is 7.76%. Operating lease commitments at 31 December 2018 as disclosed under IAS 17 amount to US$11,225; discounted using the incremental borrowing rate at 1 January 2019 is (US$3,131) and lease liabilities at January 1, 2019 amounts to US$7,660.

Impacts for the period

The following are the impacts as of and for the year ended December 31, 2019, as a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases.

	Right of use assets
Balance at January 1, 2019	7,660
Depreciation charge for the year	(1,206)
Additions to right of use assets	291
Derecognition of right of use assets, net	(1,215)
Translation	20
Balance as of December 31, 2019	5,550

Amounts recognized in profit or loss

	2019 US$
Interest expense on lease liability	517
Expenses relating to short term leases	-
Expenses relating to leases of low-value assets, excluding short term leases	-
Income from subleasing right of use assets presented in other revenue	-

Amounts recognized in statement of cash flow

	2019 US$
Total cash outflow for leases	1,404

ii. Adoption of IFRIC 23 Uncertainty over income tax treatments

IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 Income taxes are applied when there is uncertainty over income taxes. Under IFRIC 23, uncertain taxes liabilities or assets are recognized applying the definition of liabilities or assets for current or deferred taxes according to IAS 12. Therefore, those tax balances are presented as current or deferred tax assets or liabilities. Such balances are not presented as provisions nor in other lines as other receivables or other payables. Comparative tax balances as of December 31, 2018 are reclassified.

Notes to the Combined Financial Statements

If there is uncertainty about an income tax treatment, then the Group considers whether it is probable that a tax authority will accept the Group tax treatment included or planned to be included in its tax filing. The underlying assumption in the assessment is that a tax authority will examine all amounts reported and will have full knowledge of all relevant information.

The accounting of interest and penalties are not specified under IAS 12 or IFRIC 23 and it is not a policy choice whether to account for interest and penalties under IAS 12 or IFRIC 23. The Group determines if interest or a penalty itself meets the definition of income tax to apply IAS 12, if not it is accounted under IAS 37.

As of result of the evaluation of IFRIC 23, the Group has identified the portion of fines and interest receivables previously recorded as long-term taxes receivable and reclassified them to the other long-term accounts receivable by US$28,892 (for comparative purposes the balance as of December 31, 2018 by US$28,749 has been reclassified from long-term taxes receivable to other long-term accounts receivable) (see note 31).

	2019 US$	**2018 US$**
Other long-term receivables:		
Fines and interest receivable (note 18)	28,892	28,749

iii. Change in the method to measure technical facilities

As of December 31, 2019 technical facilities, which are part of the property, plant and equipment of the Group is measured at revalued values determined by independent appraisers, less the subsequent accumulated depreciation and any recognized impairment loss (see note 3j). Up to December 30, 2019 these facilities were measured at cost, less the subsequent accumulated depreciation and any recognized impairment loss.

This change in accounting policy generated an increase in the value of technical facilities for US$130,783 (see note 14) as well as an increase in the revaluation surplus for US$98,094, net of the deferred income tax effect. Revaluation surplus is accounted for as a separate component within the Net Parent Investment.

d Revenue

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

Notes to the Combined Financial Statements

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

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

Identify the contract with a customer and performance obligations in the Contract:
The Group has signed contracts for the provision of the electric enegy service with its customers, through which the group undertakes to transfer the service and in turn the customer undertakes to pay for the service received.

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

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

Notes to the Combined Financial Statements

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

e Financial Instruments

i. Recognition and initial measurement

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

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

ii. Classification and subsequent measurement

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

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

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

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

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

iii. Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control over the financial asset.

Financial liabilities

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

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

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the combined statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

v. Impairment

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

Notes to the Combined Financial Statements

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

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

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

The Group consider a financial asset to be in a default when: (a) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (b) the financial asset is more than 90 days past due.

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

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

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

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

For the estimation of the forward looking factor within the expected credit loss (ECL) model, regression techniques are used, which allow modeling the behavior of different risk drivers based on macroeconomic variables, in order to obtain estimates that directly impact about the Business Plan in the different scenarios that arise.

In this work, we seek to model the entity's default rate based on macroeconomic variables that impact its behavior, in order to obtain a forecasting of this risk driver, and to be able to make adjustments to the calculated default probability in the expected loss model (ECL).

f Government Grants – Funds provided under the Rural Electrification Program (PER in Spanish)

Government grants related to the construction of distribution assets under the Rural Electrification Program (see note 14) are not recognized until there is reasonable assurance that the Group 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 Group recognizes 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 (see note 24).

The distribution assets constructed by the Group with funds coming from the Trust 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.

g Recognition of Costs and Expenses

Costs and expenses are recognized in the combined statements of profit or loss when incurred, that is, by the accrual method.

h Finance Income and Finance Cost

The Group’s finance income and finance costs include:

- Interest income;
- Interest expense;
- The net gain or loss on financial assets at fair value through profit or loss (FVTPL);
- The foreign currency gain or loss on financial assets and financial liabilities;
- The reclassification of net gains previously recognized in OCI.

Notes to the Combined Financial Statements

Interest income or expense is recognized using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

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

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

i Income Tax

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

The Group has determined that interest and penalties related to income taxes, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

i. 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 tax rates that have been enacted or substantively enacted at the end of the reporting period.

ii. Deferred taxes

They are 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.

Notes to the Combined Financial Statements

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 liability is 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 tax 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 and assets from deferred taxes will reflect the tax consequences which would be derived from the way in which the Group 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 the statement of profit or loss and are included in profit or loss for the year or in other comprehensive income, as corresponds.

The assets and liabilities from deferred taxes are offset if there is a legal right of offsets the assets and liabilities from current income tax and the deferred taxes which have relation with the same Tax Authority and the same Tax jurisdiction.

iii. Uncertain income tax provision

A provision for uncertain income tax positions, including additional income tax payable or income tax receivable are recognized by the Group when it analyzes an Uncertain Tax Treatment (UTT). If the Group concludes that it is probable that the tax authority will accept an UTT that has been taken or is expected to be taken on a tax return, it should determine its accounting for income taxes consistently with that tax treatment. If the Group concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made as an additional income tax liability.

Notes to the Combined Financial Statements

The Group measures the impact of the uncertainty using the method that best predicts the resolution of the uncertainty; either "the most likely amount method" or "the expected value method".

In selecting the most appropriate method, the Group uses the "most likely method" in those cases where there are binary outcomes and the concentration in one value is greater than 75%. If the outcomes are binary and the concentration in one value is 75% or less, the Group uses the "expected value method.

Assets and liabilities balances related uncertain income tax provisions must be included in the assets and liabilities balances from current and deferred income tax; therefore, those balances are not presented as provisions nor in other lines of the Group's combined statement of financial position as other receivable or other payables.

j Property, Plant and Equipment

As of December 31, 2019 technical facilities are recorded at revalued values determined by independent appraisers, less the subsequent accumulated depreciation and any impairment loss. Up to December 30, 2019 they were recorded at cost, less the subsequent accumulated depreciation and any recognized impairment loss. Other items of property, plant and equipment are recorded at cost, less the subsequent accumulated depreciation and any impairment loss.

The carrying value of technical facilities as of December 31, 2019 amounts to US$614,497, and the revaluation surplus before the income tax effect as a result of this revaluation amounts to US$130,783 (see note 14).

The revaluation of technical facilities used for the energy distribution as was determinated by the independent appraisers Protecna Consultores,S.A.C.

The valuation methodology developed considers that the appraised assets will remain in use, as they are installed and for the purposes that were considered. The methodology considers the determination of the new similar value (standard investment costs) less depreciation (calculated based on the remanence factor), which results in the appraised value.

The new value was calculated as the standard investment cost for electrical distribution facilities, it was calculated for the assets of the lines and networks, medium voltage line and network protection equipment, distribution substations, low voltage networks and household connections.

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 Group's 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.

Property, plant, and equipment assets that require a process of construction are recorded at cost, which corresponds mainly to the following concepts:

i. Feasibility studies: The Group has 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.

ii. Contractor costs: Workforce 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.

iii. Materials: All important materials used in the construction and that comply with the recognition criteria (for example: posts, transformers, cables, among others).

iv. 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 Group allocates to property, plant and equipment personnel expenses according to the effective time dedicated by each worker to the process of construction of these assets.

   During 2019 and 2018, the Group capitalized as property, plant and equipment personnel expenses in the amount of US$3,132 and US$3,603, respectively.

Notes to the Combined Financial Statements

v. 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.

vi. 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.

vii. Depreciation is recognized in profit or loss. Freehold land is not depreciated. Depreciation is recognized 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:

Asset class	Subclass of asset	Estimated useful life (in range of year)
Air Distribution Lines MT/LT	Lines MT/LT	30
	Transformer MT/LT	30
	Online Equipment	20
Sub distribution station MT/LT	Power transformer MT	30
	Equipment in SEE MT	20
	Communications and remote control	15
Measurement equipment and connections		15
Computer, technological and telecommunication equipment		5
Vehicles, furniture and office equipment		10
Tools and other immobilized equipment		5
Buildings and improvements		30
Improvement in leased buildings		According to contract

Notes to the Combined Financial Statements

The estimated useful life, residual value and depreciation method are reviewed at the end of each reporting period and the effect of any change is recorded on 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.

k Intangible Assets

The Group records as intangible assets the following items:

i. 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 acquire, and the fair value of the acquirer's previously held equity interest in the acquire (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 Group recognized goodwill that arose from the reverse merger of Distribuidora de Electricidad de Occidente, S.A. with ASCOED, S.A. (former Distribuidora de Electricidad de Occidente, S.A.'s parent) and Distribuidora de Electricidad de Oriente, S.A. with ASROED S.A. (former Distribuidora de Electricidad de Oriente, S.A.'s parent), in 2011. In such merger the Distribuidora de Electricidad de Occidente, S.A. absorbed ASCOED, S.A. and Distribuidora de Electricidad de Oriente, S.A. absorbed ASROED S.A. and hence, Distribuidora de Electricidad De Occidente, S.A. and Distribuidora de Electricidad de Oriente, S.A. 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 Distribuidora de Electricidad de Occidente, S.A.'s and Distribuidora de Electricidad de Oriente, S.A.'s accounting records, respectively. Goodwill, for impairment assessment purposes, is allocated to the only cash generating the Group has.

ii. 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 Group records 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.

iii. Derecognition 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 derecognition 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.

Notes to the Combined Financial Statements

iv. Test of impairment of tangible and intangible assets including Goodwill

The carrying amounts of non-financial assets, other than inventories and deferred income tax assets, are reviewed at each reporting date in order to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For purposes of impairment testing, goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the combination.

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.

The recoverable amount of an asset or cash-generating unit (the "cash-generating unit", or "CGU") is the greater of its value in use and its fair value less cost of disposal. The value in use corresponds to the estimated future cash flows from the continuous use of an asset and its final disposition, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks of the asset.

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.

In respect of other non-financial assets, impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

Notes to the Combined Financial Statements

l Inventories

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 cost and 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.

m Cash

Cash includes balances in cash and banks. Balances in banks are available on demand and there is no restriction that limits their use.

n Legal Reserve

Under Articles 36 and 37 of the Code of Commerce of the Republic of Guatemala, companies must separate annually 5% of net profits of each period to form the legal reserve. This reserve may not be distributed in any form whatsoever among shareholders before liquidation of the company; however, at the end of each year the companies may capitalize the excess over the 5% referred to above, when the accumulated legal reserve exceeds 15% of paid-in capital at the close of the immediately preceding period, although the 5% annually mentioned must continue to be reserved. The Group's policy is to transfer each year to legal reserve the 5% of the net profits for the year.

o Advanced Payments of Debtors for Third-party Construction Works

The Group records a liability in the account "Advanced payments of debtors for third-party works" included in "Other liabilities". The Group also reduces such liability according to the progress of the construction activity.

p Provisions for Contingencies

The Group recognizes a provision only when it has a present obligation (legal or constructive) as a result of a past event, it is probable that Group will be required to settle the obligation and a reliable estimate of the obligation amount can be made.

Provisions are revised at the combined 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 29). 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).

Notes to the Combined Financial Statements

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.

q Provision for Labor Indemnities

In conformity with the Labor Code of the Republic of Guatemala, the Group is obligated to pay severance compensation to employees dismissed under certain circumstances, like reorganizations, at an amount equal to one-month salary plus a twelfth part of their Christmas bonus and mid-year bonus for each year of service rendered.

The Group charges to profit or loss the severance payments when the employees are actually dismissed, except the following cases: a) employees of INDE payroll, which are under a specific collective agreement and b) some employees who have this benefit according their labor contract, where the Group has to pay the severance compensation irrespective of the circumstances that trigger the termination of their employment with the Group (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, 2019, and 2018, the Group carried out an actuarial study to determine the maximum obligation for the referred severance obligation. The Group has 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 combined statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognizes the following changes in the net defined benefit obligation under ‘cost of sales’, ‘administration expenses’ and ‘selling and distribution expenses’ in the combined statement of profit or loss (by function): Service costs comprising current service costs and the interest expense or income.

At December 31, 2019 and 2018, this obligation amounts to US$6,920 and US$7,664, respectively. The abovementioned maximum obligation represents the present value of the future benefits that the employees will receive (note 26).

Notes to the Combined Financial Statements

r 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 must 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 represent 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 Group.

The Group has classified these deposits as current liabilities based on the fact that the Group does not have legal rights to defer this payment in a period that exceed a year. However, the Group does not anticipate making significant payments in the next year.

During years ended on December 31, 2019 and 2018, deposits repaid to consumers amounted to US$464 and US$513 respectively; and the interests paid amounted to US$194 and US$195, respectively.

s 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 Group. The Group established by INDE and despite the sale of its shares, as indicated in Note 1, transferred employees remain covered under the pension fund. The Group and such employees contribute on a monthly basis with 8.59 per cent and 5.53 per cent of such employees' salaries.

The part of the contributions that correspond to the Group 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 Group does not have the obligation to record a provision for pension fund.

During the years ended at December 31, 2019 and 2018, the Group's contributions to FOPINDE amounted to US$610 and US$684 respectively.

t Subsequent Events

The Group has evaluated subsequent events until the date of approval of the 2019 combined financial statements to assess the need for potential recognition or disclosure in these combined financial statements. 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 29, 2020, CNEE published the resolutions CNEE-31-2020 and CNEE-32-2020, which approved the new non-social and social tariffs, respectively for DEOCSA. Under such resolutions, the electricity adjustment surcharge (see Note 1) was determined by the CNEE in order to be considered as tariff adjustments for the quarter period from February 1 to April 30, 2020 of the non-social and social tariffs the amounts of US$598 and US$1,091, respectively.

- On January 29, 2020, CNEE published the resolutions CNEE-33-2020 and CNEE-32-2020, which approved the new non-social and social tariffs, respectively for DEORSA. Under such resolutions, the electricity adjustment surcharge (see Note 1) was determined by the CNEE in order to be considered as tariff adjustments for the quarter period from February 1 to April 30, 2019 of the non-social and social tariffs the amounts of US$703 and US$598, respectively.

u New Standards issued But Not Yet Effective

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these combined financial statements.

The following amended standards and interpretations are not expected to have a significant impact on Group's combined financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance Contracts.
-

Notes to the Combined Financial Statements

4 Energy Sales

The summary of this account is as follows:

	Years ended December 31	
	2019	**2018**
	US$	**US$**
Social tariff	349,385	381,029
Simple low voltage	130,788	79,862
Street lighting	38,771	43,947
Low voltage on demand off peak	41,793	38,522
Low voltage on demand peak	19,792	19,753
Non-regulated tariff	6,140	6,595
Medium voltage on demand off peak	6,688	5,657
Non-regulated special tariff	507	868
Medium voltage on demand	920	756
	594,784	576,989

5 Services Rendered

The summary of this account is as follows:

	Years ended December 31	
	2019	**2018**
	US$	**US$**
Reconnection of electrical grids a)	5,111	4,139
Tolls b)	9,927	9,186
	15,038	13,325

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.

Notes to the Combined Financial Statements

6 Other Revenue

The summary of this account is as follows:

	Years ended December 31 2019 US$	2018 US$ (Reclassified note 31)
Energy consumption without prior authorization a)	4,573	4,263
Others b)	2,856	1,211
Leasing c)	1,439	1,160
	8,868	6,634

a) For the years ended December 31, 2019 the Group recognized revenues for energy consumption without prior authorization. Until December 31, 2018 this kind of revenue was classified as other income and presented below the line of “operating income”. As of December 1, 2019 they are included within “other revenue” and presented above the line of operating income as they are part of the ordinary business of the Group.

b) Revenue received from clients through invoicing of other commercial activities

c) 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. The value of the transfer of rights is 20% of the annual net profit after taxes obtained by Ufinet Guatemala, S.A. in each of the financial years for the time of the contract.

Notes to the Combined Financial Statements

The breakdown of revenue by category and by the region where customers are located is as follows:

	Distribuidora de Electricidad de Occidente, S.A. (Guatemalan West region) Years ended December 31		Distribuidora de Electricidad de Oriente, S.A. (Guatemalan East region) Years ended December 31		Total revenue Years ended December 31	
	2019 US$	**2018 US$**	**2019 US$**	**2018 US$**	**2019 US$**	**2018 US$**
Energy sales:						
Social tariff	208,719	225,577	140,666	155,452	349,385	381,029
Simple low voltage	62,434	36,402	68,354	43,460	130,788	79,862
Street lighting	24,219	27,487	14,552	16,460	38,771	43,947
Low voltage on demand off peak	20,124	18,272	21,669	20,250	41,793	38,522
Low voltage on demand peak	8,646	8,558	11,146	11,195	19,792	19,753
Non-regulated tariff	4,089	4,107	2,051	2,488	6,140	6,595
Medium voltage on demand off peak	2,605	2,350	4,083	3,307	6,688	5,657
Non-regulated special tariff	143	166	364	702	507	868
Medium voltage on demand	665	518	255	238	920	756
	331,644	323,437	263,140	253,552	594,784	576,989
Services rendered:						
Reconnection of electrical grids	2,944	2,528	2,167	1,611	5,111	4,139
Tolls	4,137	3,851	5,790	5,335	9,927	9,186
	7,081	6,379	7,957	6,946	15,038	13,325
Other revenue:						
Energy consumption without prior authorization	3,009	2,528	1,564	1,735	4,573	4,263
Leasing	934	746	505	414	1,439	1,160
Others	1,829	682	1,027	529	2,856	1,211
	5,772	3,956	3,096	2,678	8,868	6,634
	344,497	333,772	274,193	263,176	618,690	596,948

Notes to the Combined Financial Statements

7 Energy Purchases

The summary of this account is as follows:

	Years ended December 31	
	2019	**2018**
	US$	**US$**
Contract with suppliers	384,363	376,348
In the spot market	21,437	24,564
	405,800	400,912

The Group manages 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.

8 Other Costs of Sales

The summary of this account is as follows:

	Years ended December 31	
	2019	**2018**
	US$	**US$**
Depreciation and amortization	39,645	43,959
Personnel expenses b)	16,771	15,528
Sundry services a)	12,953	13,034
Maintenance expenses	8,945	9,675
Professional services	6,044	6,384
Cost of fixed assets retired	5,609	4,905
Taxes	3,975	3,851
Maintenance material	2,257	1,597
Impairment to assets revaluation	1,085	-
Sundry expenses	208	1,003
Fuel	685	784
Advertising, marketing, and public relations	155	436
Travel expenses	270	394
Provision	671	254
Leasing and royalty expenses	29	184
Supplies	61	81
Guarantee expenses work and transportation	18	76
Depreciation expense-Right of use assets	30	-
Provision for obsolete inventories	-	35
	99,411	102,180

Notes to the Combined Financial Statements

a) It corresponds mainly to residential operations, and readers and delivery contractors.

b) Personnel expenses incurred were as follows:

	Years ended December 31 2019 US$	2018 US$
Employee remuneration	15,331	16,776
Post-employment benefits	3,225	889
Social security	1,314	1,419
Social benefits	33	47
Capitalization to property, plant and equipment a)	(3,132)	(3,603)
	16,771	15,528

a) Corresponds to the amount of expenses for "Works for Property, Plant and Equipment", which were capitalized in distribution and transmission works (note 14).

9 General, Selling and Administrative Expenses

The summary of these accounts is as follows:

	Years ended December 31 2019 US$	2018 US$
Personnel expenses b)	12,790	11,215
Sundry services a)	8,561	8,875
Professional services	3,440	4,256
Maintenance	2,841	2,461
Supplies	1,255	1,563
Depreciation expense-Right of use assets	1,176	-
Advertising, marketing and public relations	799	1,989
Leasing and royalties	168	1,319
Travel expenses	599	1,086
Sundry expenses	578	812
Insurance premiums	205	459
Maintenance materials	146	163
Banking expenses	118	158
Taxes	58	59
	32,734	34,415

Notes to the Combined Financial Statements

a) These are made up mainly of expenses incurred in the management, administration and supervision for the businesses of the Group, 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) These expenses are made up of:

	Years ended December 31	
	2019	**2018**
	US$	**US$**
Employee remuneration	8,330	8,421
Post-employment benefits	2,439	266
Social benefits	1,339	1,788
Social security	682	740
	12,790	11,215

10 Other Income

The summary of this account is as follows:

	Years ended December 31	
	2019	**2018**
	US$	**US$**
Accrued revenue a)	9,660	10,726
Assets donated b)	5,380	4,645
Reversal of provision for legal disputes d)	588	61
Revenue from supplier penalties	377	229
Income from penalties to hydroelectric c)	-	1,310
Other	509	889
	16,514	17,860

a) Accrued revenue relates to government grants for the construction of distribution assets under the Rural Electrification Program during the years ended December 31, 2019 and 2018.

b) For the years ended December 31, 2019 and 2018 the Group recognized revenue on assets and facilities received from customers in order to connect them to the network.

Notes to the Combined Financial Statements

c) In 2018, this item includes payments received from hydroelectric plants due to breach of contract.

d) During 2019 and 2018 the reversal relates to fiscal contingencies legally expired.

11 Finance Income

The summary of this account is as follows:

	Years ended December 31	
	2019	**2018**
	US$	**US$**
Moratorium interest	2,475	2,350
Interest income on bank accounts	690	474
Gain on exchange difference, net	1,904	-
Other financial income	114	-
	5,183	2,824

12 Finance Costs

The summary of this account is as follows:

	Years ended December 31	
	2019	**2018**
	US$	**US$**
Interest expenses on financial debt	29,109	29,165
Interest on customers deposits	5,531	5,266
Loss on exchange differences, net	-	21,293
Interest on lease liabilities	517	-
Financial expenses employee benefits	747	512
Long term agreements of customers	263	1,285
Fines, penalties and interest of tax contingences	37	169
Other financial expenses	-	7
	36,204	57,697

Notes to the Combined Financial Statements

13 Income Tax

Income tax of the year is made up as follows:

Tax on profit recognized in profit or loss and in comprehensive income of the year:

	Years ended December 31	
	2019	**2018**
	US$	**US$**
Current income tax	16,450	11,597
Deferred income tax	1,520	632
Income tax charged to profit or loss	17,970	12,229
Income tax charged to other comprehensive income	32,081	(4,066)
	50,051	8,163

Since January 1, 2013 new regulations of the Income Tax are in force and are included on Book I of the Fiscal Updating Act, Decree 10-2012. 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% on the taxable income determined from the accounting profit. Tax is paid through three (3) quarterly advance payments (April, July and October) with the remaining balance paid at year-end.

b) Simplified Optional Regime on Income from Profit Activities consisting on applying a rate of 5% to 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$3,878 of monthly taxable revenues are taxed at a 5% rate, and the additional balance is taxable at 7%.

For the years ended December 31, 2019 and 2018, the Group has chosen the Regime on Earnings from Profit Activities.

Income tax regulations establish a tax of 5% on the dividend and profit distributions for both residents and non-residents corporations. In addition, Regime on Capital Income, Capital Gains and Losses, sets out a rate of 10% for capital income related to movable property and real estate, as well as net capital income.

The income tax returns for the years ended December 31, 2014 to 2018 and the corresponding to 2019 are open for review by the tax authorities. The statute of limitation for review of the income tax returns expires in 4 years from the date on which payment of the obligation was due.

Notes to the Combined Financial Statements

Reconciliation of Effective Tax Rate

For the years ended December 31, 2019 and 2018, the reconciliation of the income tax expense calculated at the statutory income tax rate and the income taxes recorded in the combined statement of profit or loss and other comprehensive income is as follows:

	Years ended December 31	
	2019	**2018**
	US$	**US$**
Profit before income tax	51,692	7,545
Income tax expense at the statutory income tax rate (25%)	12,923	1,887
Income tax on capital gains	314	282
Exempt income	(1,190)	(851)
Effect from non-deductible expenses a)	5,658	10,109
Effect from adjustments of previous years	265	802
Income tax expense charged to profit or loss (34.71% in 2019, 162.08% in 2018)	17,970	12,229

a) For the years ended December 31, 2019 and 2018, non-deductible expenses recognized during the year to determine the taxable income, according to their nature, are set out as follows:

	December 31	
	2019	**2018**
	US$	**US$**
Interest on foreign debt	14,801	21,525
Foreign exchange losses	-	11,481
Interest on deposits received from customers	5,518	5,055
Financial expenses of bad debts	263	1,285
Translation costs of loan agreements	1,039	357
Sundry expenses	-	319
Fines and penalties	10	164
VAT due	133	162
Non-deductible expenses	352	89
Accelerated depreciation of property, plant and equipment	517	-
Service penalty	-	-
	22,633	40,437

Notes to the Combined Financial Statements

For the years ended December 31, 2019 and 2018, 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:

	December 31	
	2019	**2018**
	US$	**US$**
Current tax of the year	16,450	11,597
Income tax paid or to be paid under protest (notes 19 and 29)	3,679	3,661
(-) Adjustments of previous years	(264)	(58)
(-) Income tax payments from capital earnings	(314)	(282)
(-) Tax credits	(15,163)	(10,245)
(+) Translation effect	(1)	(317)
Tax payable (note 19)	4,387	4,356

Deferred Income Tax Benefit (Expense), Net
The income tax rate used to calculate the deferred income tax for the years ended December 31, 2019 and 2018 is 25%, which corresponds to the rate that will be in force in the years in which temporary items are expected to be reversed.

Net deferred income tax is as follows:

	Years ended December 31	
	2019	**2018**
	US$	**US$**
Deferred income tax:		
Expense	(6,416)	(6,650)
Benefit	4,896	6,018
Expense, net	(1,520)	(632)

Notes to the Combined Financial Statements

December 31, 2019:	December 31, 2018 US$	Recognized in the results of 2019 US$	Recognized directly in net parent investment US$	Translation effect US$	December 31, 2019 US$
Asset:					
Allowance for uncollectible accounts	40,609	2,362	-	201	43,172
Provision for contingencies	1,500	(104)	-	7	1,403
Provision of variable Retribution	687	18	-	3	708
Remeasurement of defined benefit obligation	733	(183)	617	4	1,171
Vacation period	619	(131)	-	3	491
Impairment of fixed assets	-	271	-	-	271
Leases	-	73	-	-	73
Government grants	9,191	(1,079)	-	46	8,158
Total deferred tax asset	53,339	1,227	617	264	55,447
Liability:					
Goodwill	(19,156)	(4,919)	-	(95)	(24,170)
Property, plant and equipment	(41,285)	2,172	-	(204)	(39,317)
Revaluation surplus	-	-	(32,698)	2	(32,696)
Total deferred tax liability	(60,441)	(2,747)	(32,698)	(297)	(96,183)
Net deferred tax liability	(7,102)	(1,520)	(32,081)	(33)	(40,736)

Notes to the Combined Financial Statements

December 31, 2018:	December 31, 2017 US$	Recognized in the results of 2018 US$	Recognized directly in net parent investment US$	Translation effect US$	December 31, 2018 US$
Asset:					
Allowance for uncollectible accounts	38,015	1,155	3,581	(2,142)	40,609
Provision for contingencies	1,631	(50)	-	(81)	1,500
Provision of variable retribution	-	707	-	(20)	687
Remeasurement of defined benefit obligation	476	(194)	485	(34)	733
Vacation period	588	61	-	(30)	619
Government grants	11,084	(1,370)	-	(523)	9,191
Total deferred tax asset	51,794	309	4,066	(2,830)	53,339
Liability:					
Goodwill	(15,023)	(5,036)	-	903	(19,156)
Property, plant and equipment	(47,683)	4,095	-	2,303	(41,285)
Total deferred tax liability	(62,706)	(941)	-	3,206	(60,441)
Net deferred tax liability	(10,912)	(632)	4,066	376	(7,102)

As of December 31, 2019, and 2018 the Group maintains US$5,350 and US$3,950 of unrecognized deferred tax assets related to deductible temporary differences about 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.

Notes to the Combined Financial Statements

14 Property, Plant and Equipment, net

The summary and the movement of this account as of and for the year ended December 31, 2019, is as follows:

	+Land and construction US$	**Technical facilities at revalued value a) US$**	**Other installations, machinery, tools, furniture and equipment US$**	**Assets under construction b) US$**	**Spare parts US$**	**Total US$**
Acquisition cost:						
Balance at January 1, 2019	5,109	906,850	24,495	8,985	14,351	959,790
Additions	213	38,963	1,208	4,604	-	44,988
Disposals	-	(13,507)	(187)	-	-	(13,694)
Transfers	67	3,800	4,133	(8,000)	(3,696)	(3,696)
Increase due to revaluation	-	130,783	-	-	-	130,783
Accumulated depreciation offset		(455,818)				(455,818)
Translation differences	26	4,511	99	47	68	4,751
Total cost	5,415	615,582	29,748	5,636	10,723	667,104
Accumulated depreciation:						
Balance at January 1, 2019	(2,828)	(429,149)	(18,752)	-	(601)	(451,330)
Additions	(241)	(36,561)	(1,498)	-	-	(38,300)
Disposals	-	7,899	187	-	48	8,134
Transfers	-	4,115	(4,115)	-	-	-
Accumulated depreciation offset		455,818				455,818
Translation differences	(14)	(2,122)	(94)	-	(3)	(2,233)
Total accumulated depreciation	(3,083)	-	(24,272)	-	(556)	(27,911)
Asset impairment	-	(1,085)	-	-	-	(1,085)
Carrying value at:						
December 31, 2018	2,281	477,701	5,743	8,985	13,750	508,460
December 31, 2019	2,332	614,497	5,476	5,636	10,167	638,108

Notes to the Combined Financial Statements

The summary and the movement of this account as of and for the year ended December 31, 2018, is as follows:

	Land and construction US$	Technical facilities at cost US$	Other installations, machinery, tools, furniture and equipment US$	Assets under construction b) US$	Spare parts US$	Total US$
Acquisition cost:						
Balance at January 1, 2018	5,575	921,634	25,061	12,991	11,780	977,041
Additions	31	35,122	863	6,070	3,260	45,346
Disposals	(218)	(11,776)	(138)	-	-	(12,132)
Transfers	-	9,514	-	(9,514)	-	-
Translation differences	(279)	(47,644)	(1,291)	(562)	(689)	(50,465)
Total cost	5,109	906,850	24,495	8,985	14,351	959,790
Accumulated depreciation:						
Balance at January 1, 2018	(2,716)	(418,635)	(17,630)	-	(713)	(439,694)
Additions	(258)	(39,748)	(2,210)	-	-	(42,216)
Disposals	-	7,091	136	-	80	7,307
Translation differences	146	22,143	952	-	32	23,273
Total accumulated depreciation	(2,828)	(429,149)	(18,752)	-	(601)	(451,330)
Carrying value at:						
December 31, 2017	2,859	502,999	7,431	12,991	11,067	537,347
December 31, 2018	2,281	477,701	5,743	8,985	13,750	508,460

Notes to the Combined Financial Statements

a) The carrying amount that would have been recognized on Technical Facilities as of December 31, 2019 had these been carried out under cost method amounts to US$462,149.

b) Assets under construction: As part of technical installations and other installations as of December 31, 2019 and 2018, the primary assets included are distribution lines, transformers and electrical measuring equipment for US$5,636 and US$8,985, respectively.

c) Property, plant and equipment received from clients:
As of December 31, 2019 and 2018, the Group recognized US$5,380 and US$4,645, as income from donated assets and tangible fixed assets (electrical networks and transformers). These assets are transferred by its customers to be used in the electricity distribution process. The initial gross amount was estimated at fair value, taking as reference the market value of these assets on the date on which control is obtained.

d) An impairment loss of US$1,085 related to the revaluation of the Group's electric assets measuring devices at the lowest value between their carrying amount and fair value less costs of disposal has been recognized in the heading Other costs of sales (See note 8). Impairment losses have been applied to reduce the carrying amount of property, plant and equipment within the group of electrical assets measuring devices.

During 2018, the Group conducted an operational analysis and changed the expected useful life of distribution lines and other equipment. As a result, the expected useful life of the distribution lines and other equipment became shorter and its carrying amount decreased by US$15,824. The effect of these changes on actual and expected depreciation expense, included in "cost of sales", was as follows:

	Depreciation				
	2018 US$	**2019 US$**	**2020 US$**	**2021 US$**	**2022 US$**
Decrease in the net profit (loss) for the year	15,824	11,474	11,075	8,255	7,757

Notes to the Combined Financial Statements

15 Intangible Assets, net

The summary and the movement of this account as of and for the year ended December 31, 2019, is as follows:

	Goodwill a) US$	**Software applications US$**	**Costs of implementation of software applications US$**	**Cost of development and licenses in progress US$**	**Total US$**
Acquisition cost:					
Balance at January 1, 2019	117,625	34,482	1,002	40	153,149
Additions	-	147	-	70	217
Transfers	-	-	-	-	-
Translation differences	583	171	5	-	759
Total cost	118,208	34,800	1,007	110	154,125
Accumulated amortization:					
Balance at January 1, 2019	-	(31,058)	(1,002)	-	(32,060)
Additions	-	(1,345)	-	-	(1,345)
Translation differences	-	(154)	(5)	-	(159)
Total accumulated amortization	-	(32,557)	(1,007)	-	(33,564)
Carrying value at December 31,2018	117,625	3,424	-	40	121,089
Carrying value at December 31, 2019	118,208	2,243	-	110	120,561

a) As of December 31, 2019 the carrying value of Goodwill corresponding to DEOCSA amounts to US$73,291 while those corresponding to DEORSA amounts to US$44,917. The recoverable amount of total Goodwill as of December 31, 2019 exceeds the carrying value by US$899,749.

Notes to the Combined Financial Statements

The summary and the movement of this account as of and for the year ended December 31, 2018, is as follows:

	Goodwill a) US$	Software applications US$	Costs of implementation of software applications US$	Cost of development and licenses in progress US$	Total US$
Acquisition cost:					
Balance at January 1, 2018	123,906	35,811	1,055	176	160,948
Additions	-	347	-	22	369
Transfers	-	153	-	(153)	-
Translation differences	(6,281)	(1,829)	(53)	(5)	(8,168)
Total cost	117,625	34,482	1,002	40	153,149
Accumulated amortization:					
Balance at January 1, 2018	-	(30,932)	(1,055)	-	(31,987)
Additions	-	(1,743)	-	-	(1,743)
Translation differences	-	1,617	53	-	1,670
Total accumulated amortization	-	(31,058)	(1,002)	-	(32,060)
Carrying value at December 31, 2017	123,906	4,879	-	176	128,961
Carrying value at December 31, 2018	117,625	3,424	-	40	121,089

a) As of December 31, 2018 the carrying value of Goodwill corresponding to DEOCSA amounts to US$72,929 while those corresponding to DEORSA amounts to US$44,696. The recoverable amount of total Goodwill as of December 31, 2019 exceeds the carrying value by US$1,127,992.

Notes to the Combined Financial Statements

(a) Impairment test of Cash Generating Units that Include Goodwill

It is the Group's practice to subject the carrying amount of goodwill to impairment tests annually or more frequently if there is any indication of impairment.

For purposes of impairment testing, the goodwill is allocated to the operative division that represents the smallest level within the Group, in which it is allocated and monitored for internal management purposes.

An estimate was thus made of the recoverable amount of net assets belonging to the cash generating units associated with the goodwill derived from the acquisitions of the electricity distribution businesses, which have been defined as the cash generating units (CGUs). Each of the combined entities represent a separate CGU, thus separate impairment tests have been performed.

The recoverable amount of the cash generating units is determined by calculating the value in use. Financial projections are made in Quetzals. The calculations of the value in use are based on projections of established cash flows, on the basis of actual and projected results of operation.

For subsequent periods, these cash flow projections are extrapolated to the end of the useful life of the essential CGU asset, using a stable long-term growth rate that does not exceed the total growth of the economy of the country or the industry in which the cash generating unit operates. The values assigned to the key assumptions represent the judgments and expectations of management regarding the future trends of their business and the market for products used in the energy industry.

Specifically, the value in use was determined by discounted cash flows estimated for the continuous use of each CGUs. The assumptions used by the Group in performing the goodwill impairment test were considering the experience, the growth of the Guatemalan economy and the projected growth of the industry. Also, it was considering the following:

- Cash flows were projected in Quetzals.

- The projection period comprehends a 5-year business plan from 2020 to 2024.

- The expected devaluation of the *Quetzal* in relation to the US Dollar is 0.7% per annum on average for the valuation period (2020-2024).

Notes to the Combined Financial Statements

- The assumptions used in the cash flow projections and the discount rate used to determine the value in use is very similar for the two CGUs since both operate in the same country and industry.

- The annual revenue growth assumption, on average, for the valuation period (2020-2024) is 5.86%.

- The annual projected gross margin, on average, for the valuation period (2020-2024) is 35.56% for both CGU.

- The value of the cash flows following 2024 was calculated by using a terminal value. To calculate this value the cash flows were extrapolated until the end of the useful life of the essential asset of the cash generating unit (CGU). Also, a growth rate and a discount rate before taxes were used in the calculation. In the long term, it is expected that the cash flows will grow at a similar rate as the economy. Projections for the growth of the Guatemalan economy were used for the calculation of the long-term growth rate. The estimated cash flows were discounted using a discount rate before taxes of 9.5% for both CGUs., which is the free risk discount rate from the US sovereign debt.

- The sensitivity analysis does not show a goodwill impairment for both CGUs using annual revenue growth of 1% during the valuation period.

- According to the analysis referred to above, the estimated recovery value as of December 31, 2019 exceeds the carrying amount of goodwill by US$899,749 (US$1,127,992 for 2018). Therefore, the Group's management concluded there is no goodwill impairment.

16 Inventory, net

Stock of materials at December 31, 2019 and 2018 is as follows:

	December 31	
	2019	**2018**
	US$	**US$**
Spare parts and materials	6,106	6,920
Less: Net realizable value adjustment	(1,309)	(1,414)
	4,797	5,506

Notes to the Combined Financial Statements

17 Trade Receivables, net

As of December 31, 2019 and 2018, the balance of trade receivable is composed as described below:

	December 31 2019 US$	December 31 2018 US$
Commercial, industrial, residential zones, public lighting, rates and tariffs a)	269,109	254,178
Instituto Nacional de Electrificación-INDE b)	16,416	16,541
Energy consumed not billed c)	30,415	29,604
Client tolls	734	625
Other clients	1,088	1,017
	317,762	301,965
Long-term account receivables with payment agreements	(31,981)	(25,493)
Financial discount to long-term payment agreements	3,142	2,969
	(28,839)	(22,524)
Allowance for expected credit losses d)	8,257	2,450
Total non-current trade receivables, net	(20,582)	(20,074)
	288,923	279,441
Offsetting of municipalities receivables e)	(59,756)	(58,568)
Allowance for expected credit losses d)	(153,840)	(151,461)
	75,327	69,412

a) The combined trade receivable portfolio per states at December 31, 2019 and 2018 is shown as follows:

	December 31 2019 US$	December 31 2018 US$
Normal supply clients	169,270	176,126
Interrupted supply non-payment	43,698	28,572
Repeated auto reclosing	28,326	31,703
Administrative suspension outstanding invoice	13,088	11,972
Forced power cut	13,792	4,780
Shut down non-payments	865	972
Active without charges	51	36
Voluntary power cut	12	10
Eventual supply	7	7
	269,109	254,178

Notes to the Combined Financial Statements

The credit period granted to customers 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 2019, the late interest applied fluctuated between 1%, and 1.02% monthly on the outstanding

Information about the Group exposure to credit and market risk, and impairment losses for trade receivables is included in note 30 ii.

b) 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 Group 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.

c) It corresponds to the estimated amount of services accrued, but not billed, from the sale of electric energy and toll at December 31, 2019 and 2018 net from the estimate of technical loss. This value is billed in full in the next billing cycle.

d) Expected credit losses - The movement of the allowance for expected credit losses during years ended December 31, 2019 and 2018 is shown as follows:

	Years ended December 31	
	2019 US$	**2018 US$**
Balance at the beginning of year	153,911	143,390
Adjustment related to unrecognized revenue (IFRS 9)	-	14,324
Allowance charged to profit or loss for the year	14,546	14,883
Uncollectible for agreements accounts	(7,122)	(9,509)
Application of provision and other movements	-	(1,047)
Translation differences	762	(8,130)
	162,097	153,911
Allowance for uncollectible accounts long-term	(8,257)	(2,450)
Allowance for uncollectible accounts short-term	153,840	151,461

Notes to the Combined Financial Statements

The allowance for expected credit losses is based on two customer portfolios, these being the client portfolio without a payment plan agreement and the portfolio of agreements that includes a payment plan.

The portfolios are divided in turn into the following segments, the client portfolio without a payment plan agreement is divided into three subcategories: a) government (which includes facilities used by the Government of Guatemala for public administration); b) residential and others (which includes clients in the residential sector, commerce, industry sector, large clients and other); and c) municipalities (which includes accounts receivable from municipalities in relation to public lighting, water pumps and other buildings). Finally, each category is subdivided into good and bad clients, taking into account the collection history of distributors.

The portfolio of a payment plan is subdivided into Municipalities and rest of clients.

For each of the categories and subcategories, the provision for expected credit losses is estimated using a documented and systematic methodology that uses their respective expected loss rates (PD and LGD) that are based on the historical trend of the turnover rates for each delinquency category.

e) The Group bills and collects the public lighting to end customers on behalf of the municipalities. Those payables to municipalities are offset with the accounts receivables from the municipalities for the energy usage.

18 Other Receivables

As of December 31, 2019 and 2018 other receivables are composed as follows:

	December 31	
	2019	**2018**
	US$	**US$**
		(Reclassified note 31)
Other receivables long-term:		
Fines and interest receivable c)	28,892	28,749
Judicial bonds a)	2,755	2,615
Other receivables b)	1,318	1,927
	32,965	33,291
Other receivables short-term:		
Ufinet Guatemala, S.A.	1,610	1,261
Other receivables	1,024	1,018
Advance salaries	288	449
	2,922	2,728

Notes to the Combined Financial Statements

a) Guarantees in cash made to the Judicial Department and the Regional Operator Entity.

b) Include the balance for tariff survey expenses pending to be applied in the amount of US$1,315 and US$1,260 as of December 31, 2019 and 2018, respectively.

c) The balances are made up of fines and interest on taxes paid under protest which were reclassified from taxes receivable as a result of the adoption of IFRIC23. The movement during the year was as follows.

	December 31	
	2019 US$	**2018 Reclassified US$**
Balance at beginning of year	28,749	30,284
Effect of exchange rate fluctuation	143	(1,535)
Balance at end of year	28,892	28,749

19 Tax Assets and Liabilities

At December 31, 2019 and 2018, tax assets and liabilities are composed as follows:

	December 31	
	2019 US$	**2018 US$**
Non-current tax assets:		
Income tax advance payments (note 29) and a)	66,346	61,125
Taxes receivable:		
Other	30	30
Taxes payable:		
Income tax payable (note 13)	4,387	4,356
Income tax withholdings payable	202	382
Value Added Tax withholdings-VAT	201	373
Value Added Tax-VAT	3,332	1,583
Income tax payable on capital gains	20	-
Property tax (municipal levy)	2	2
	8,144	6,696

a) The movement during the year was as follows:

	December 31	
	2019 US$	2018 Reclassified US$
Balance at beginning of year	61,125	59,233
Taxes paid under protest	4,919	4,895
Effect of exchange rate fluctuation	302	(3,003)
Balance at end of year	66,346	61,125

20 Cash

The summary of this account is as follows:

	December 31	
	2019 US$	2018 US$
On hand	905	3,232
In banks		
Local currency	18,132	4,912
Foreign currency	3,499	9,572
Restricted cash	65	65
	22,601	17,781

21 Related Parties

Accounts receivable from and payable to related parties are composed by the following balances:

	December 31	
	2019 US$	2018 US$
Accounts receivable from affiliated companies:		
Comercializadora Guatemalteca Mayorista de Electricidad, S.A.	141	181
Redes Eléctricas de Centroamérica, S.A. a)	1,301	-
	1,442	181
Accounts payable – long-term :Nautilus Distribution Holdings LLC (see 29 xiii)	87,033	-
	87,033	-

Notes to the Combined Financial Statements

	December 31	
	2019	**2018**
	US$	**US$**
Accounts payable short-term:		
Parent companies:		
Dividends payable to DEORSA, S.A., B.V.	8,342	8,301
Dividends payable to DEOCSA, S.A., B.V.	6,436	6,405
Affiliated companies:		
Inkia Chile Inversiones Limited	-	153
Puerto Quetzal Power, LLC	-	85
Servicio de Valor Agregado, Limitada	1,578	74
	16,356	15,018

a) This balance corresponds to billing of works performed on behalf of Redes Eléctricas Centroamérica, S.A. (an affiliated company).

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.

Transactions with related parties during the year were as follows:

	Years ended December 31	
	2019	**2018**
	US$	**US$**
Toll billing to affiliated companies:		
Comercializadora Guatemalteca Mayorista de Electricidad, S.A.	1,537	1,527
Toll billing received from affiliated companies:		
Redes Eléctricas de Centroamérica, S.A.- Toll of secondary system in distribution lines	812	838
Energy supplied to affiliated companies:		
Redes Eléctricas de Centroamérica, S.A.	36	28
Energy sales to affiliated companies:		
Comercializadora Guatemalteca Mayorista de Electricidad, S.A.	81	105
Orazul Energy Guatemala, Cia S. C.A.	54	-
	135	105

Notes to the Combined Financial Statements

	Years ended December 31	
	2019	**2018**
	US$	**US$**
Administrative Outsourcing from affiliated company:		
Servicios de Valor Agregado Limitada	3,396	68
Electric infrastructure lease from affiliated company:		
Comercializadora Guatemalteca Mayorista de Electricidad, S.A.	10	36
Purchase energy from affiliated companies:		
Puerto Quetzal Power LLC	179	576
Orazul Energy Guatemala, Cia S. C.A.	655	-
	834	576
Purchase to spot market:		
Orazul Energy Guatemala, Transco	5	-
Technical assistance from affiliated company:		
Inkia Chile Inversiones Limited	1,440	1,508
Reimbursable expenses from affiliated companies:		
Inkia Chile Inversiones Limited	28	31
Kallpa Generacion, S.A.	-	11
	28	42

The remuneration paid to executive officers by Distribuidora de Electricidad de Occidente, S.A. and Distribuidora de Electricidad de Oriente, S.A. amounted to US$3,455 and US$3,827, for 2019 and 2018 respectively. The remuneration of executive officers includes salaries, performance bonuses and severances, which is determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to the Combined Financial Statements

22 Net Parent Investment

The combined net parent investment is made up by the capital stock of Distribuidora de Electricidad de Occidente, S.A. and Distribuidora de Electricidad de Oriente, S.A. as well as by the summation of the other historical components of equity of each of the entities that comprise the Group. The breakdown of the combined net parent investment as of and for the year ended December 31, 2019 is as follows:

	Capital stock US$	Remea-surement of defined benefit obligation US$	Revaluation reserve US$	Other reserve US$	Legal reserve (c) US$	Retained earnings US$	Translation reserve US$	Total net parent investment US$
Balance at January 1, 2019	32,578	(6,406)	-	-	21,556	(1,196)	(1,812)	44,720
Comprehensive income for the year								
Net income for the year	-	-	-	-	-	33,722	-	33,722
Other comprehensive income for the year								
Remeasurement of defined benefit obligation, net of income tax	-	(1,852)		-	-	-	-	(1,852)
Revaluation surplus, net of income tax	-		98,094	-	-	-	-	98,094
Foreign currency translation effect for the Year	-			-	-	-	209	209
Total other comprehensive income for the year	-	(1,852)	98,094	-	-	-	209	96,451
Total comprehensive income for the year	-	(1,852)	98,094	-	-	33,722	209	130,173
Transfer from legal reserve					1,696	(1,696)		-
Transfer of economic benefits of taxes receivable (note 29 a) xiii.)	-	-	-	(87,033)	-	-	-	(87,033)
	-	-	-	(87,033)	1,696	(1,696)	-	(87,033)
Balance at December 31, 2019	32,578	(8,258)	98,094	(87,033)	23,252	30,830	(1,603)	87,860

Notes to the Combined Financial Statements

As of and for year ended December 31, 2018

	Capital stock US$	Remea-surement of defined benefit obligation US$	Legal reserve (c) US$	Retained earnings US$	Translation reserve US$	Total net parent investment US$
Balance at January 1, 2018	32,578	(4,952)	21,556	13,455	719	63,356
Adjustment on initial application of IFRS 9 (net of income tax, note 3c)	-	-	-	(9,967)	-	(9,967)
Adjusted balance at 1 January, 2018	32,578	(4,952)	21,556	3,488	719	53,389
Comprehensive income for the year						
Net loss for the year	-	-	-	(4,684)	-	(4,684)
Other comprehensive income for the year						
Remeasurement of defined benefit obligation, net of income tax	-	(1,454)	-	-	-	(1,454)
Foreign currency translation effect for the year	-	-	-	-	(2,531)	(2,531)
Total other comprehensive loss for the year	-	(1,454)	-	-	(2,531)	(3,985)
Total comprehensive loss for the year	-	(1,454)	-	(4,684)	(2,531)	(8,669)
Balance at December 31, 2018	32,578	(6,406)	21,556	(1,196)	(1,812)	44,720

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i. Capital Stock

At the date of its incorporation, the authorized capital of Distribuidora de Electricidad de Occidente, S.A. was US$12,861 (Q85,000) represented by common shares with a face value of US$ 0.15 (Q1) 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 Distribuidora de Electricidad de Occidente, S.A.'s authorized capital was increased in US$17,294 (Q115,000), consequently, its authorized capital amounted up to US$30,155 (Q200,000).

Likewise, the authorized capital of the Distribuidora de Electricidad de Oriente, S.A. was US$14,374 (Q95,000) represented by common shares with a face value of US$0.13 (Q1) 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 Distribuidora de Electricidad de Oriente, S.A.'s authorized capital was increased in US$27,069 (Q180,000), consequently, its authorized capital amounted up to US$41,442 (Q275,000).

Distribuidora de Electricidad de Occidente, S.A. according 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 (Q0.34), instead of US$0.15 (Q. 1). Based on the reduction of the face value, the authorized capital was modified in US$29,570 (Q195,500), represented by 575,000,000 common, nominal or bearer shares **(a/).**

Distribuidora de Electricidad de Oriente, S.A. according 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 (Q0.50) instead of US$0.13 (Q1). Based on the reduction of the face value, the authorized capital was modified in US$41,442 (Q275,000), 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 Distribuidora de Electricidad de Occidente, S.A.'s authorized capital in US$34,647 (Q268,038) and Distribuidora de Electricidad de Oriente, S.A.'s authorized capital in US$3,882 (Q30,034), 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 (Q463,5378) for Distribuidora de Electricidad de Occidente, S.A.'s and US$44,018 (Q305,033) for Distribuidora de Electricidad de Oriente, S.A.'s, divided into and represented by 1,363,344,407 and 610,066,991 in common shares **(a/)** with a value of US$0.04 (Q0.34) and US$ 0.07 (Q0.50) cents each, respectively.

Notes to the Combined Financial Statements

Through the annual ordinary general shareholders' meeting of Distribuidora de Electricidad de Occidente, S.A. and Distribuidora de Electricidad de Oriente, S.A., 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 (Q95,437), which represents US$0.01 (Q0.07) per share for Distribuidora de Electricidad de Occidente, S.A. and of US$15,986 (Q 122,013), which represents US$0.03 (Q0.20) per share for Distribuidora de Electricidad de Oriente, S.A. and their payment was made on April 30, 2016.

On November 2016, the Group 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$28,750 (Q218,958).

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 Q0.34 (US$0.04) to Q0.10. (US$0.01) for Distribuidora de Electricidad de Occidente, S.A. and from Q0.50 (US$0.07) to Q0.14 (US$0.02) for Distribuidora de Electricidad de Oriente, S.A.. This implied a reduction in the capital subscribed and paid for an amount of Q327,203 (US$44,683) for Distribuidora de Electricidad de Occidente, S.A. and Q219,624 (US$29,957) for Distribuidora de Electricidad de Oriente, S.A.. According to the Guatemala's Commerce Code the reduction of capital can be recorded when it is registered in the Commercial Register. The capital reduction was registered on July 4, 2017 for Distribuidora de Electricidad de Oriente, S.A. and on July 7, 2017 for Distribuidora de Electricidad de Occidente, S.A..

As a consequence of the above, the capital stock subscribed and paid of the of Distribuidora de Electricidad de Occidente, S.A. was reduced and modified from Q463,537 (US$63,200) to Q136,334 (US$18,518) divided and represented by 1,363,344,407 common, registered shares **(a/)**, with a nominal value of Q0.10 (US$0.014) per share and Distribuidora de Electricidad de Oriente, S.A. from Q305,033, (US$44,018) to Q85,409 (US$14,060) divided and represented by 610,066,994 common, registered shares **(a/)**, with a nominal value of Q. 0.14 (US$0.019) per share.

Through the annual ordinary general shareholders' meeting of Distribuidora de Electricidad de Occidente, S.A. and Distribuidora de Electricidad de Oriente, S.A., both held on April 25, 2017, the distribution of dividends was agreed and approved in deed no. AG001-2017. The dividends declared for distribution to the shareholders were in the amount of Q80,301 (US$10,941), which represents Q.0.0589 (US$0.008) per share for Distribuidora de Electricidad de Occidente, S.A. and of Q128,785 (US$17,547) which represents Q0.211 (US$0.0288) per share for Distribuidora de Electricidad de Oriente, S.A.

Notes to the Combined Financial Statements

As of December 31, 2019, the authorized capital stock amounts to Q463,537 (US$61,568) represented by 4,635,370,983 common shares **(a/)** for Distribuidora de Electricidad de Occidente, S.A. and Q305,033 (US$40,515) represented by 2,178,810,682 common shares **(a/)** for Distribuidora de Electricidad de Oriente, S.A. Notes to the Combined Financial Statements

The subscribed and paid capital stock as of the that date amount to Q136,334 (US$18,518) represented by 1,363,344,407 common shares **(a/)** for Distribuidora de Electricidad de Occidente, S.A. and Q85,409 (US$14,060) represented by 610,066,991 common shares **(a/)** for Distribuidora de Electricidad de Oriente, S.A.

a/ The share units are not presented in thousands.

Distribution of shares at December 31, 2019 and 2018 in proportion to the shareholders is as follows:

Shareholders of DEOCSA	Sharing participation	Amounts in units of US$	Number of shares
DEOCSA B.V.	90.62%	16,780,468	1,235,454,765
Remaining shareholders	9.38%	1,737,051	127,889,642
	100%	18,517,519	1,363,344,407

Shareholders of DEORSA	Sharing participation	Amounts in units of US$	Number of shares
DEORSA B.V.	92.68%	13,032,070	565,437,007
Remaining shareholders	7.32%	1,028,623	44,629,987
	100%	14,060,693	610,066,994

Notes to the Combined Financial Statements

23 Debt with Financial Entities

The summary of this account is as follows:

	Nominal annual interest rate	Currency	Maturity	December 31 2019 US$ Current	December 31 2019 US$ Non-Current	December 31 2018 US$ Current	December 31 2018 US$ Non-Current
Revolving credit line:							
Banco G&T Continental, S.A. c)	TAAP 4.25%	US$	2018	8,677	-	-	-
Loan from banks							
Banco Industrial, S.A. a)	TAAP minus 6.0% (floor 7%)	GTQ	2027	8,046	105,810	-	113,181
Debentures							
Credit Suisse AG Cayman Islands b)	5.875%	US$	2027	-	321,445	-	320,548
				16,723	427,255	-	433,729

Notes to the Combined Financial Statements

a) On April 7, 2017 Distribuidora de Electricidad de Occidente, S.A. and Distribuidora de Electricidad de Oriente, S.A. on an individual basis as borrowers- entered into senior unsecured Quetzal-denominated loans with Banco Industrial for up to Q684.0 million (approximately US$93.2 million) and Q456.0 million (approximately US$62.2 million), respectively. The loans accrue interest on a monthly basis at the weighted average active interest rate (Tasa Activa Promedio Ponderada), as published monthly by the Guatemalan Central Bank, less 6.0% (subject to a floor rate of 7.0%) and quarterly principal repayments beginning on September 2020, with final maturity occurring in June 2027. The final amounts disbursed to Distribuidora de Electricidad de Occidente, S.A. and Distribuidora de Electricidad de Oriente, S.A. were Q528.5 million (approximately US$71.95 million) and Q352.3 million (approximately US$47.97 million), respectively. The loan agreements are governed by the laws of the State of New York.

The gross proceeds from the previously listed borrowings were used to repay all amounts outstanding under the existing syndicated loan agreement (US$309.0 million) on May 3, 2017, 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 Distribuidora de Electricidad de Occidente, S.A. and Distribuidora de Electricidad de Oriente, S.A. held on November 15, 2016, 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 Distribuidora de Electricidad de Occidente, S.A. and Distribuidora de Electricidad de Oriente, S.A. held on April 25, 2017, capital reductions in an aggregate amount of Q546.8 million (approximately US$74.6 million), approved at extraordinary shareholders meetings of Distribuidora de Electricidad de Occidente, S.A. and Distribuidora de Electricidad de Oriente, S.A. held on December 2, 2016, as well as for the payment of fees and expenses related to such transactions.

The previously described transactions are subject to the compliance of certain customary covenants for transactions of this nature, including but not limited to limitations on investments and dividend payments, mergers, asset sales and the incurrence of additional debt, the latter based on compliance with incurrence tests as follows:

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

Notes to the Combined Financial Statements

The calculations of the ratios described above are carried out over a combined basis of the financial results of the Group. There were no breaches of covenants during the years ended December 31, 2019 and 2018.

b) On May 3, 2017, the Group entered into a senior unsecured long-term loan -as Co-Borrowers- with Credit Suisse AG, Cayman Islands Branch for an aggregate principal amount of US$330 million. Distribuidora de Electricidad de Occidente, S.A. received US$191.4 million or 58% of the notional amount -of the proceeds of this transaction while Distribuidora de Electricidad de Oriente, S.A. received US$138.6 million or 42% of the notional amount- of the proceeds of this transaction. The loan accrues interest at a rate of 5.875%, payable semi-annually and one single principal repayment on the final maturity date on May 3, 2027. The loan agreement is governed by the laws of the State of New York.

c) Revolving Credit Facilities:
In addition, on October 27, 2017, Distribuidora de Electricidad de Occidente, S.A., Distribuidora de Electricidad de Oriente, S.A. and Banco G&T Continental, S.A. entered into 5 year senior unsecured loan agreements for the extension of US$20.0 million and Q74.5 million in committed short-term revolving credit facilities for working capital purposes for each company. Loans under such facilities accrue interest on a monthly basis at 3-month LIBOR + 4.25% and bullet principal repayment, with maximum tenor of 180 days from the disbursement date. The loan agreements are governed by the laws of the Republic of Guatemala.

Notes to the Combined Financial Statements

As of December 31, 2019 and 2018, the amortization schedule of the financial obligations is as follows:

	December 31	
Year	**2019 US$**	**2018 US$**
2019	-	-
2020	16,723	8,128
2021	16,337	16,257
2022	16,337	16,257
2023	16,337	16,257
2024 onwards	387,350	386,945
Sub-total	453,084	443,844
(-) Transaction costs (a)	(9,106)	(10,115)
	443,978	433,729

a) The transaction costs are being amortized over the life of the financial obligations.

Notes to the Combined Financial Statements

Reconciliation of movements of liabilities to cash flows financing activities

	Bank loans and notes payable US$	Other liabilities US$	Total US$
Balance at 1 January 2019	433,729	20,259	453,988
Changes from financing cash flows			
Loans obtained from Banks - Long term debt	115,429	-	115,429
Payment of interest	-	(28,098)	(28,098)
Payment - Short-term borrowings	(106,747)	-	(106,747)
Payment of capital reduction	-	(35)	(35)
Payment of dividends	-	(52)	(52)
Payment of lease liabilities	-	(1,404)	(1,404)
Transaction cost of debt	-	-	-
Total net cash flows used in financing activities	8,682	(29,589)	(20,907)
Effect of exchange rate fluctuations	(1,588)		(1,588)
Other changes			
Interest expense recorded in profit or loss	-	29,109	29,109
Translation effect	2,142	344	2,486
Other changes	1,013	-	1,013
Balance at December 31, 2019	443,978	20,123	464,101

Notes to the Combined Financial Statements

Reconciliation of movements of liabilities to cash flows financing activities

	Bank loans and notes payable US$	Other liabilities US$	Total US$
Balance at 1 January 2018	442,224	26,681	468,905
Changes from financing cash flows			
Loans obtained from Banks - Long term debt	215,754	-	215,754
Payment of interest	-	(28,496)	(28,496)
Payment - Short-term borrowings	(218,754)	-	(218,754)
Payment of capital reduction	-	(5,887)	(5,887)
Payment of dividends	-	(429)	(429)
Transaction cost of debt	(64)	-	(64)
Total net cash flows used in financing activities	(3,064)	(34,812)	(37,876)
Effect of exchange rate fluctuations	17,346	170	17,516
Other changes			
Interest expense recorded in profit or loss	-	28,558	28,558
Translation effect	(23,384)	(338)	(23,722)
Other changes	607	-	607
Balance at December 31, 2018	433,729	20,259	453,988

Notes to the Combined Financial Statements

24 Deferred Revenues, net

As of December 31, 2019 and 2018, the Group has received government grants in the amount of US$255,062 and US$253,806 respectively. Balances and movements of the deferred revenues are shown as follows:

	December 31	
	2019 US$	2018 US$
Balance at beginning of the year	253,806	267,356
Translation differences	1,256	(13,550)
Total deferred revenues at year-end	255,062	253,806
Less – Accumulated accrued revenues		
Balance at the beginning of the year	(133,705)	(129,861)
Accrued revenues for the year (note 10)	(9,660)	(10,726)
Translation differences	(661)	6,882
Accumulated accrued revenues at year-end	(144,026)	(133,705)
Deferred revenues, net	111,036	120,101

25 Provision for Contingencies

At December 31, 2019 and 2018, the balances of the provisions were as follows:

	December 31	
	2019 US$	2018 US$
Provisions for contingencies (a)	9,114	9,570

(a) Provisions recorded by the Group at December 31, 2019 and 2018 correspond mainly to penalties imposed by the National Electric Energy Commission, as well as unfavorable judgments in litigations (note 29).

The movement of this account is shown as follows:

	Years ended December 31	
	2019 US$	2018 US$
Balance at beginning of year	9,570	10,037
Payments	(574)	(193)
Reversal of provision (note 10)	(553)	(61)
Provision	623	296
Translation differences	48	(509)
Balance at end of year	9,114	9,570

Notes to the Combined Financial Statements

26 Provision for Labor Indemnities

As indicated in Note 3q, the Group pays universal labor indemnities on the described basis, plus the half part of an additional salary only for employees adhered to the collective agreement (former INDE's employees and expats employees). The movement of the account is shown as follows:

	Years ended December 31	
	2019	**2018**
	US$	**US$**
Balance at beginning of year	7,664	6,323
Service cost	297	386
Interests	747	512
Paid benefits	(4,295)	(1,127)
Demographic assumptions	(496)	221
Financial assumptions	418	653
Experience assumptions	2,547	1,064
Translation differences	38	(368)
Balance at end of year	6,920	7,664

The following assumptions were used to assess the liabilities of the benefits covered by the plan at December 31, 2019 and 2018:

Description	**Year 2018**	**Year 2019**
Discount rate	6.9583% for the obligations	6.695% for the obligations
Salaries increase	5.00% annual	5.50% annual
Mortality	CSO-2001 Male / Female	CSO-80 Commissioner Standard Ordinary 1980
Rotation	10.00%	5.55%
% of benefit for non – voluntary retirement	150%	150%
% of benefit for voluntary retirement	150%	150%
Number of employees	275	199
Average actuarial age	52	43
Years of average labor	18	-

Notes to the Combined Financial Statements

Sensitivity analysis 2019 and 2018

The obligation for defined benefits in the range is calculated of the +1% 7.695% and (-1% 5.695%).

2019	Increases US$ Discount rate (1% change) 7.695%	Decreases US$ Discount rate (1% change) 5.695%
Distribuidora de Electricidad de Occidente, S.A.	3,742	4,299
Distribuidora de Electricidad de Oriente, S.A.	2,739	3,108
	6,481	7,407

The obligation for defined benefits in the range is calculated of the +0.50% 6.4583% and (-0.5% 7.4583%).

2018	Increases US$ Discount rate (0.50% change) 6.46%	Decreases US$ Discount rate (0.50% change) 7.46%
Distribuidora de Electricidad de Occidente, S.A.	4,010	4,154
Distribuidora de Electricidad de Oriente, S.A.	3,514	3,654
	7,524	7,808

Notes to the Combined Financial Statements

27 Trade and Other Accounts Payable

At December 31, 2019 and 2018, trade and other accounts payable with suppliers are as follows:

	December 31	
	2019	2018
	US$	US$
Energy suppliers	75,623	92,234
Services suppliers	17,661	27,797
Other	6,786	7,006
	100,070	127,037

The Group manages 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.

28 Other Liabilities

At December 31, 2019 and 2018, other liabilities are made up as follows:

	December 31	
	2019	2018
	US$	US$
Accumulated interests from deposits received from consumers	40,114	34,619
Principal from deposits received from consumers	26,818	26,930
Accounts payable to shareholders	1,610	1,689
Interest payable	3,070	3,070
Others	4,126	2,407
	75,738	68,715

29 Commitments and Contingencies

a) Contingencies

The Group is subject to certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings. The Group accrues 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 Group. As of December 31, 2019 and 2018, the Group had established liabilities for contingencies of US$9,114 and US$9,570, respectively, to cover legal actions on which management has assessed that the likelihood to obtain an adverse outcome for the Group is probable.

Notes to the Combined Financial Statements

As of December 31, 2019 and 2018, the Group is subject to certain legal actions that their management and their legal counsel consider to be possible that a future disbursement will be incurred for an aggregate amount up to US$59,693 and US$68,358 respectively. No loss amount has been accrued for such possible legal actions. A description of the main contingent liabilities is detailed below.

For the purpose of the following legal claims it shall be considered that a provision has been accrued for all those processes qualified as “probable” that the Group will pay” and no provision was recorded for processes qualified as probable the Group will not pay.

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

i. Compensations for Technical Service Quality:

Based on the current legal framework in Guatemala, DEOCSA is obliged to compensate its customers for failures in technical service quality. The CNEE establishes parameters for continuity of services (number and length of interruptions) and establishes fines for failure to comply with such parameters. As of December 31, 2019 and 2018 sanction processes initiated by the National Energy Electric Commission related to these fines in an aggregate amount of Q146,109 and Q102,588 (US$18,978, and US$13,259), respectively. 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, 2019 and 2018 in the opinion of the Group’s management and their legal advisors, the chances of obtaining a negative impact in the processes by Q56,361 and Q72,980 thousand (approximately US$7,321 and US$9,433) respectively, is remote.

In addition, in the opinion of the Group’s management and their legal advisors it is probable that DEOCSA will not pay, as of December 31, 2019 and 2018, Q89,748 and Q29,608 (US$11,657 and US$3,827), respectively; therefore no provision has been recorded in relation to these amounts.

Notes to the Combined Financial Statements

ii. **Sanction processes initiated by the National Energy Electric Commission (CNEE) in an aggregate amount of US$2,833 and US$2,930 (Q21,811 and Q22,668), respectively, as of December 31, 2019 and 2018:**
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 Group's management and their legal advisors it is not probable that DEOCSA will pay as December 31, 2019 and 2018 Q12,500 and Q11,461 (US$1,624 and US$1,481) respectively; therefore no provision has been recorded in relation to these amounts.

In addition, in the opinion of the Group's management and their legal advisors it is probable that DEOCSA will pay as December 31, 2019 and 2018 Q9,311 and Q11,207 (US$1,209 and US$1,449 thousand), respectively; therefore DEOCSA has recorded the provision for this amount in its financial statements.

iii. **Sanction processes initiated by the National Energy Electric Commission in an aggregate amount up to US$2,888 and US$2,914 (Q22,231 and Q22,548) as of December 31, 2019 and 2018, respectively:**
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 Group' management and their legal advisors it is probable that DEOCSA will not pay Q5,494 and Q5,200 (US$714 and US$672); therefore, no provision has been recorded in relation to these amounts.

In addition, in the opinion of the Group's management and their legal advisors it is probable that DEOCSA will pay Q16,737 and Q17,348 (US$2,174 and US$2,242); therefore DEOCSA has recorded the provision for this amount in its financial statements.

Notes to the Combined Financial Statements

iv. **Civil petitions submitted by third parties for damages and several injuries to DEOCSA in the amounts of US$5,441 and US$5,570 (Q41,889 and Q43,095) as of December 31, 2019 and 2018, respectively:**
In the opinion of the Group's management and their legal advisors it is probable that DEOCSA will pay for Civil claims as December 31, 2019 and 2018, Q17,192 for both years (US$2,233 and US$2,222) respectively; therefore DEOCSA has recorded the provision for this amount in its financial statements.

In the opinion of the Group's management and their legal advisors it is probable that DEOCSA will not pay as of December 31, 2019 and 2018 for all other civil claims Q24,697 and Q25,903 (US$3,208 and US$3,348) respectively; therefore no provision has been recorded in relation to these amounts.

v. **Arbitration with INDE:**
DEOCSA and INDE are in arbitration related to DEOCSA's claims in connection with the termination of the Trust. 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 Q67,404 (US$8,712). 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 Group's management and their legal advisors it is probable DEOCSA will not pay the amount claimed by INDE; therefore, no provision has been recorded in relation to this claim.

vi. **Tax claim for Income Tax related to travel expenses:**
As of December 31, 2018 and 2017, the DEOCSA has a claim from the Superintendence of Tax Administration (SAT) initiated in 2002 of additional taxes and fines related to tax obligations related to Income Tax for a total amount of Q903 (US$123), including fines and interest. The original evaluation without fines and interest was Q224 (US$28). This, in relation to travel expenses that, according to the SAT's criteria, does not have the necessary support documentation for the period from November 1998 to June 1999. The date of the hearing was July 8, 2002. This case is pending a ruling of the Second Administrative Law Court.

Notes to the Combined Financial Statements

In the opinion of the Group's management and their legal advisors, it is probable that DEOCSA will not pay the indicated claim; therefore, no provision has been recorded in relation to this case.

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

vii. 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, 2019 and 2018 sanction processes initiated by the National Energy Electric Commission related to these fines in an aggregate amount of Q224,149, and Q166,778 (US$29,115 and US$21,556), respectively. 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, 2019, and 2018, in the opinion of the Group's management and their legal advisors, the chances of obtaining an unfavorable outcome in this processes by Q151,448 and Q131,098 (US$19,672 and US$16,944), respectively, is remote; therefore no provision has been recorded in relation to these amounts,

In addition, in the opinion of the Group's management and their legal advisors, it is probable that DEORSA will not pay as December 31, 2019 and 2018 Q72,701 and Q35,679 (US$9,443 and US$4,612) respectively; therefore no provision has been recorded in relation to these amounts.

viii. Sanction processes initiated by the National Energy Electric Commission (CNEE) in an aggregate amount of US$3,063 and US$3,192 (Q23,583 and Q24,694) as of December 31, 2019 and 2018, respectively:

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, 2019 and 2018 in the opinion of the Group's management and their legal advisors it is probable that DEORSA will not pay Q7,302, and Q8,169 (US$948 and US$1,056) respectively; therefore no provision has been recorded in relation to these amounts.

In addition, in the opinion of the Group's management and their legal advisors it is probable that DEORSA will pay as of December 31, 2019 and 2018 Q16,281 and Q16,525 (US$2,115 and US$2,136) respectively; therefore DEORSA has recorded the provision for this amount in its financial statements.

ix. **Sanction processes initiated by the National Energy Electric Commission in an aggregate amount up to US$5,141 and US$5,248 (Q39,579 and Q40,606) as of December 31, 2019 and 2018, respectively:**
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 Group's management and their legal advisors it is probable that DEORSA will not pay Q31,808 and Q29,619 (US$4,132 and US$3,828) respectively; therefore, no provision has been recorded in relation to these amounts.

In addition, in the opinion of the Group's management and their legal advisors it is probable that DEORSA will pay Q7,771 and Q10,987 (US$1,009 and US$1,420) respectively; therefore, DEORSA has recorded the provision for this amount in its financial statements.

x. **Civil petitions submitted by third parties for damages and several injuries to DEORSA in the amounts of US$2,546 and US$2,439 (Q19,604 and Q18,871) as of December 31, 2019 and 2018, respectively:**
In the opinion of the Group's management and their legal advisors it is probable that DEORSA will not pay Q18,493 for both years (US$2,402 and US$2,390) respectively; therefore, no provision has been recorded in relation to these amounts.

Notes to the Combined Financial Statements

In addition, in the opinion of the Group's management and their legal advisors it is probable that DEORSA will pay Q1,111 and Q378 (US$144 and US$49) respectively; therefore, DEORSA has recorded the provision for this amount in its financial statements.

xi. Arbitration with INDE:

DEORSA and INDE are in arbitration related to each parties' claims in connection with the termination of the Trust.

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 Q58,839 (US$7,605). 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 Group's management and their legal advisors it is probable that DEORSA will not pay the amount claimed by INDE; therefore, no provision has been recorded in relation to this claim.

xii. Tax claim for Value Added Tax (VAT) related to missing invoices:

As of December 31, 2019, and 2018, the DEORSA 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 Q182,642 (US$23,723), including assessment plus penalties and interest. The original assessment without penalties and interest was Q40,358 (US$5,242). 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.

In the opinion of the Group's management and their legal advisor it is probable that DEORSA will not pay as December 31, 2019 Q166,939 (US$21,683); therefore no provision has been recorded in relation to this amount.

Notes to the Combined Financial Statements

According to the Group's 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 as of December 31, 2019 of Q15,703 (US$2,040).

xiii. The Group Joint Tax claim:

In 2011, the previous owners of Distribuidora de Electricidad de Oriente, S.A. and Distribuidora de Electricidad de Occidente, S.A. 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 Distribuidora de Electricidad de Occidente, S.A. and another for Distribuidora de Electricidad de Oriente, S.A. (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 Distribuidora de Electricidad de Oriente, S.A. and Distribuidora de Electricidad de Occidente, S.A. (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 Group to pay Q130,499 (US$17,314) 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 Group. Pursuant to this and another court order of 12 December 2016, on August 10, 2016, the Group paid Q130,499 thousand (US$17,314) to the SAT corresponding to the alleged back taxes, and, on December 13, 2016, they paid Q192,974 (US$25,721) corresponding to the alleged fines and interest.

Due to the actions of the government and in order to avoid the initiation of complaints concerning tax years 2013, 2014, and 2015, and the corresponding imposition of further fines and interest, the Group 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 Group paid a total of Q137,505 (approximately US$18,244) for the years 2014 and 2015; and on 19 August 2016, they paid a total of Q100,236 (US$13,325) for the year 2013.

Notes to the Combined Financial Statements

In addition, during 2019, 2018, 2017 and 2016 the Combined Entities made additional payments of income tax in advance by Q37,870 (US$4,917); Q37,870 (US$5,054); Q55,535 (US$7,527) and Q40,728 (US$5,394), respectively also considering non-deductible the items related to goodwill's amortization and interests (until May 2017) 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 Group. 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 Group and its 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.

As of December 31, 2019 and 2018, the total taxes paid under protest, including fines and interest, amounts to US$97,496 (Q733,217) and US$89,874 (Q695,347) respectively. These tax payments have been recorded as Non-current tax receivable (see note 19).

The Group is defending against the SAT's complaint and considering all available remedies with respect to this matter and are confident of their position under applicable legal frameworks. Also, according to the most recent opinion of the Group' legal and tax advisors it is probable that the amount of US$97,496 will be recovered.

On December 19, 2019, Inkia Energy Limited and IC Power Distribution Holdings, together with DEOCSA and DEORSA signed a "Supplemental Agreement regarding Economic Benefits and SAT Criminal Proceedings" ("the Supplemental Agreement) related to the Group's Joint Tax Claim referred to above.

As a result of this supplemental agreement the Group recognized a long-term liability in favor of Nautilus Distribution Holdings (LLC) in the amount of US$87,033 with debit to other capital reserves within the Net Parent Investment.

b) Commitments

During its normal course of business, the Group enters into power purchase agreements to supply the electricity that it will deliver its end customers. As such, the Group's 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 Group pays only for energy they actually consumed.

Notes to the Combined Financial Statements

Current supply agreements for DEOCSA

Contracts Load Differential Curve (DCC)	**Power Contract (KW)**	**Period supply** Start date	Expiration date
Instituto Nacional de Electrificación-INDE de Planta	18,750	01/05/2015	30/04/2030
+Biomass Energy S.A.	5,040	01/05/2015	30/04/2030
Hidro Xacbal, S.A.	15,000	01/05/2015	30/04/2030
Oxec S.A.	6,000	01/05/2015	30/04/2030
Oxec S.A.	2,500	01/05/2015	30/04/2030
Oxec II S.A.	4,100	01/05/2018	30/04/2032
Hidroeléctrica El Cóbano S.A.	2,090	01/05/2015	30/04/2030
Energías del Ocosito S.A.	1,248	01/05/2015	30/04/2030
Agropolochic Santa Teresa S.A.	5,000	01/05/2016	30/04/2030
Renace S.A	6,300	01/05/2016	30/04/2030
Renace S.A	28,350	01/05/2015	30/04/2030
Renace S.A	12,600	01/05/2018	30/04/2030
Renace S.A	5,528	01/05/2018	30/04/2033
hInversiones Pasabien S.A	4,895	01/05/2016	30/04/2030
Hidro Jumina S.A	3,000	01/05/2016	30/04/2030
Generadora de Occidente LTDA	1,131	01/05/2017	30/04/2032
Instituto Nacional de Electrificación-INDE	10,365	01/05/2017	30/04/2032
Instituto Nacional de Electrificación-INDE	3,455	01/05/2017	30/04/2032
Renovables de Guatemala S.A	4,060	01/05/2017	30/04/2032
Papeles Elaborados S.A	603	01/05/2017	30/04/2032
Energía Limpia de Guatemala S.A	13,230	01/05/2017	30/04/2032
Generadora San Mateo, S.A.	5,828	01/05/2016	30/04/2031
Generadora San Andrés, S.A.	3,375	01/05/2016	30/04/2031
Contract Energy Purchase (PCE)			
Biomass Energy S.A	1,643	01/05/2015	30/04/2030
Cinco M, S.A.	2,000	01/05/2015	30/04/2030
Energía del Caribe C.T.	37,800	01/05/2015	30/04/2030
Genosa	6,300	01/05/2015	30/04/2030
Ingenio Magdalena S.A.	2,073	01/05/2015	30/04/2032
Ingenio La Unión, S.A.	17,000	01/05/2019	30/04/2020
Ingenio Magdalena S.A.	4,000	01/05/2019	30/04/2020
Puerto Quetzal Power LLC	122	01/05/2019	30/04/2020
Jaguar Energy Guatemala	110,000	01/05/2017	30/04/2030
Servicios CM	6,534	01/05/2018	30/04/2033
Energías de San Jose, S.A.	6,140	01/05/2019	30/04/2020

Notes to the Combined Financial Statements

Contract of Power without energy associated (PWAC)	Power Contract (KW)	Period supply Start date	Expiration date
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
Instituto Nacional de Electrificación-INDE	13,000	01/05/2019	30/04/2020
Ingenio Magdalena, S.A.	21,000	01/05/2019	30/04/2020
Contract energy generated (EG)			
Sibo, S.A	5,000	01/05/2015	30/04/2030
Aguilar Arimany Asociados Consultores,S.A.	5,000	01/05/2015	30/04/2030
Hidroeléctrica Samuc, S.A.	840	01/05/2015	30/04/2030
Generadora de Energía El Prado, S.A.	700	01/05/2017	30/04/2030
Visión del Águila, S.A.	1,900	01/05/2017	30/04/2030
Caudales Renovables S.A.	2,980	01/05/2016	30/04/2030
Hidroeléctrica Maxanal, S.A.	2,100	01/05/2016	30/04/2031
Eólico San Antonio El Sitio S.A	30,000	01/05/2015	30/04/2032
Punta del Cielo S.A	1,000	01/05/2015	30/04/2025
Hidroeléctrica El Corozo S.A	900	15/01/2016	14/01/2026
Hidroeléctrica Carmen Amalia S.A	600	30/12/2016	31/12/2026
Hidroeléctrica Samuc S.A	1,500	01/05/2017	30/04/2030
Anacapri S.A	5,000	01/05/2017	30/04/2032
Energy Consulting S.A	550	01/05/2018	30/04/2033
Monte Maria	550	01/05/2017	30/04/2032
La Ceiba	600	30/12/2016	30/12/2032
Hidrosacpur, S.A.	3,700	01/05/2016	30/04/2031
Agrogeneradora Santa Ana, S.A.	700	01/05/2017	30/04/2032
Compañía Agrícola O.V	290	31/12/2016	30/12/2026

Notes to the Combined Financial Statements

Current Supply Agreements for DEORSA

Contracts Load differential Curve (DCC)	Power Contract (KW)	Period supply Start date	Period supply Expiration date
Instituto Nacional de Electrificación-INDE de Planta	18,750	01/05/2015	30/04/2030
Biomass Energy S.A	2,960	01/05/2015	30/04/2030
Hidro Xacbal, S.A.	15,000	01/05/2015	30/04/2030
Oxec S.A	6,000	01/05/2015	30/04/2030
Oxec S.A	2,500	01/05/2015	30/04/2030
Hidroeléctrica El Cóbano S.A	2,090	01/05/2015	30/04/2030
Energías del Ocosito S.A	1,248	01/05/2015	30/04/2030
Renace S.A	3,700	01/05/2016	30/04/2030
Renace S.A	16,650	01/05/2015	30/04/2030
Generadora de Occidente LTDA	1,131	01/05/2017	30/04/2032
Instituto Nacional de Electrificación-INDE	10,365	01/05/2017	30/04/2032
Instituto Nacional de Electrificación-INDE	3,455	01/05/2017	30/04/2032
Papeles Elaborados S.A	603	01/05/2017	30/04/2032
Energía Limpia de Guatemala S.A	7,770	01/05/2017	30/04/2032
Generadora San Mateo, S.A.	3,423	01/05/2016	30/04/2030
Renace, S.A.	7,400	01/05/2018	30/04/2030
Renace, S.A.	5,528	01/05/2018	30/04/2033
Oxec, S.A.	2,590	01/05/2018	30/04/2030
Contract Energy Purchase (PCE)			
Biomass Energy S.A	1,643	01/05/2015	30/04/2030
Cinco M, S.A.	2,000	01/05/2015	30/04/2030
Energía del Caribe C.T.	22,200	01/05/2015	30/04/2030
Genosa S.A	3,700	01/05/2015	30/04/2030
Ingenio Magdalena S.A.	2,073	01/05/2015	30/04/2032
Ingenio Magdalena S.A.	4,000	01/05/2019	30/04/2020
Ingenio La Unión S.A.	17,000	01/05/2019	30/04/2020
Jaguar Energy Guatemala	90,000	01/05/2017	30/04/2030
Energía San José	6,140	01/05/2019	30/04/2020
Operativa, S.A.	6,534	01/05/2018	30/04/2033
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

Notes to the Combined Financial Statements

Contract of Power without energy associated (PWAC)	Power Contract (KW)	Period supply Start date	Period supply Expiration date
Instituto Nacional de Electrificación-INDE	13,000	01/05/2019	30/04/2020
Ingenio Magdalena S.A.	21,000	01/05/2019	30/04/2020
Contract energy generated (EG)			
Agropecuaria Altorr S.A.	1,500	01/05/2017	30/04/2030
Coralito S.A.	1,750	01/05/2017	30/04/2030
Generadora Eléctrica La Paz S.A.	950	01/05/2015	30/04/2030
Regional Energética S.A.	2,000	01/05/2015	30/04/2030
Hidroeléctrica Raaxha S.A	5,000	01/05/2015	30/04/2030
Eólico San Antonio el Sitio S.A.	20,000	01/05/2015	30/04/2030
Tuncaj S.A	1,000	30/11/2016	29/11/2026
Tuncaj S.A	1,000	30/11/2016	29/11/2026
Tuncaj S.A	1,500	30/11/2016	29/11/2026
Tuncaj S.A	1,000	30/11/2016	29/11/2026
Tuncaj S.A	1,500	30/11/2016	29/11/2026
Anacapri S.A.	5,000	30/11/2016	29/11/2026
Hidro Sac-Ja S.A	2,000	03/10/2017	30/04/2030
Agroforestal El Cedro	1,500	01/05/2018	30/04/2033
Green Project, S.A.	500	01/05/2017	30/04/2032

Purchase of Materials

During the normal course of the operations, the Group issues materials purchase orders. The Group recognizes liabilities to suppliers when the materials are delivered. The amount of purchase commitments is determined based on the purchase orders issued. At December 31, 2019 and 2018, there are purchase commitments amounted to US$2,700 and US$2,038, respectively, and the same are irrevocable.

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:

	Years ended December 31 2019 US$	Years ended December 31 2018 US$
Within a year	195	291
From year 2 to year 5	5,888	6,824

Notes to the Combined Financial Statements

30 Financial Instruments and Capital Management

Financial Risk Management

The Group is exposed to risks related to the use of financial instruments, which are described as follows:

- Credit risk
- Liquidity risk
- Market risk (exchange rate and interest rate)

i. Risk management framework

The Audit Committee is responsible for establishing and supervising the structure of the risk management of the Group. The Audit Committee is responsible for the development and supervision of the risk management policies of the Group. This committee reports on a regular basis about its activities to the Board of Directors.

Risk management policies are established with the purpose of identifying and analyzing the risks faced by the Group, fix adequate limits and risk controls, in order to monitor risks and compliance with the limits. Policies and management procedures are reviewed regularly in order that they reflect changes in the market conditions and in the activities of the Group. The Group, through training, regulations, and management procedures, is focused on developing an environment of disciplined and constructive control in which all the employees understand their duties and obligations.

The Audit Committee of the Group supervises the way in which the management monitors compliance with the risk management policies and procedures of the Group and reviews if the management framework is appropriate with respect to the risks faced by it. This committee is assisted by Internal Audit in its role as supervisor. Internal Audit performs regular reviews of the risk management controls and procedures, which results are reported to the Audit Committee.

ii. Credit Risk

Credit risk is the risk to which the Group is exposed if a client or a counterpart of a financial instrument does not comply with the contractual obligations and is originated mainly from the trade receivable and the investment instruments of the Group.

Notes to the Combined Financial Statements

The carrying amount of the financial assets represents the maximum credit risk exposure.

Accounts Receivable and Others
The exposure of the Group to the credit risk is affected mainly by the individual characteristics of each client. The risk of default of the industry and the country in which the client operates are aspects that can impact the credit risk.

The Management has established a risk policy, under which credit solvency of each new client is analyzed, before offering him/her the payment term and credit limit conditions. The maximum credit risk exposure at the reporting date is detailed below:

		December 31	
		2019	2018
	Note	US$	US$
Cash in banks	20	21,631	14,484
Accounts receivables from related Parties	21	1,442	181
Trade accounts receivable	17	95,909	89,489
Other receivables	18	2,339	2,521
		121,321	106,675

Impairment Losses
Age of the trade receivable portfolio per days to December 31, 2019 and 2018 is shown as follows:

	December 31, 2019		December 31, 2018	
	Gross US$	Impair-ment US$	Gross US$	Impair-ment US$
Commercial, industrial, residential zones, public lighting rates and tariffs	269,109	(160,360)	254,178	(152,215)
Energy consumed not billed	30,415	(1,737)	29,604	(1,696)
	299,524	(162,097)	283,782	(153,911)

The age of the trade accounts receivable is as follows:

	December 31, 2019		December 31, 2018	
	Gross US$	Impair-ment US$	Gross US$	Impair-ment US$
Not past due	19,846	(2)	23,213	(1)
Past due to one month	5,426	(1)	6,247	(1)
Past due to two months	625	-	836	-
Past due tree to six months	1,716	(924)	2,583	(893)
Past due more than six months	241,496	(159,433)	218,850	(151,320)
	269,109	(160,360)	251,729	(152,215)

Cash

Cash is held with bank and financial institution of recognized solvency and liquidity.

iii. Liquidity risk

Liquidity risk is when the Group has difficulties to comply with their obligations associated with its financial liabilities that are liquidated through the disbursement of cash or other financial assets. The focus of the Group to manage liquidity is to assure that, as much as possible, enough liquidity is available in order to meet obligations at maturity, either in normal conditions or in contingent circumstances, without incurring unacceptable losses or risking the reputation of the Group.

The risk of liquidity is managed centrally by the Audit Committee, which monitor constantly cash flows, establishing the date and necessary flows to comply with the obligations.

Notes to the Combined Financial Statements

Liquidity Risk

The following are the contractual due dates of financial liabilities:

December 31, 2019	**Carrying amount US$**	**Contractual cash flows** **Total US$**	**Up to 1 year US$**	**From 1 to 10 years US$**
Non-derivative financial liabilities:				
Debt with financial entities (note 23)	443,978	611,717	34,673	577,044
Trade and other accounts payables (note 27)	100,070	100,070	100,070	-
Accounts payable to related parties (note 21)	103,389	103,389	16,356	87,033
Other liabilities (note 28)	66,932	66,932	66,932	-
	714,369	882,108	218,031	664,077

December 31, 2018	**Carrying amount US$**	**Contractual cash flows** **Total US$**	**Up to 1 year US$**	**From 1 to 10 years US$**
Non-derivative financial liabilities:				
Debt with financial entities (note 23)	433,729	575,445	-	575,445
Trade and other accounts payables (note 27)	127,037	127,037	127,037	-
Accounts payable to related parties (note 21)	15,018	15,018	15,018	-
Other liabilities (note 28) a)	61,549	61,549	61,549	-
	637,333	779,049	203,604	575,445

Notes to the Combined Financial Statements

a) The Group has classified these deposits as current liabilities based on the fact that the Group does not have legal rights to defer this payment in a period that exceed a year. However, the Group does not anticipate making significant payments in the next year.

iv. Market risk

Market risk is when changes in market prices (foreign exchange rate, interest rates and prices of supplies) might affect the income of the Group or the amount of its financial instruments. The objective of market risk management is to manage and control exposures of the Group to this type of risk, within the acceptable parameters and at the same time, optimize profitability.

Exchange Rate Risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which purchases, and borrowings are denominated and the respective functional currencies of the Group. The functional currency of the Group is the Quetzals (Q).

The Group does not have the practice to acquire derivative financial instruments to cover the losses that might arise from this risk.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The exposure to foreign currency risk is summarized on the following page:

Notes to the Combined Financial Statements

Currency Risk

The Group's exposure to currency risk is the following:

	December 31, 2019		December 31, 2018	
	Balance in *quetzals*	**Balance in US$**	**Balance in *quetzals***	**Balance in US$**
Cash	147,063	3,499	63,513	9,572
Trade and other accounts payables (note 27)	(557,311)	(27,681)	(558,855)	(54,805)
Interest payable	-	(3,070)	-	(3,070)
Bank loans and notes payable	(943,362)	(321,445)	(875,676)	(320,548)
Total net exposure	(1,353,610)	(348,697)	(1,371,018)	(368,851)

The following exchange rates were used during the year:

	Closing		Average	
	2019	**2018**	**2019**	**2018**
Quetzals per US$1.00	7.69884	7.73695	7.69835	7.51908

Notes to the Combined Financial Statements

Exchange Rate Sensitivity Analysis

The strengthening or weakening of the US dollar vis-à-vis the Quetzal at December 31, 2019 and 2018 would have increased (reduced) equity and net profit by the amounts shown below:

December 31, 2019

	Equity US$	Net profit US$
Strengthening of the US dollar by 5%	(19,331)	(16,600)
Weakening of the US dollar by 5%	6,288	18,347

December 31, 2018

	Equity US$	Net profit US$
Strengthening of the US dollar by 5%	(11,591)	(17,555)
Weakening of the US dollar by 5%	18,907	19,403

Interest Rate Risk

The Group maintains important financial liabilities represented mainly by bank loans, subject to variations in the interest rates. The Group does not use to acquire derivative financial instruments to cover the losses that might arise from this risk.

The interest-bearing financial instruments are as follows:

	December 31	
	2019 US$	2018 US$
Financial Instruments		
Financial assets	21,631	14,484
Financial liabilities	(510,910)	(495,278)
	(489,279)	(480,794)

Sensitivity Analysis on Interest Rates (Fixed and Floating)

If interest rates on financial liabilities at December 31, 2019 and 2018 had increased (decreased), the financial liabilities would have increased (decreased) by the following amounts:

	2019 US$	2018 US$
1% decrease in variable interest rates	(4,722)	(3,996)
1% increase in variable interest rates	4,722	3,996

Notes to the Combined Financial Statements

The maturities of the interest-bearing financial assets and liabilities are shown below:

December 31, 2019:
Financial instruments at fixed rates:

	Total US$	Up to 6 months US$	Between 6 and 12 months US$	Between 1 and 2 years US$	Between 3 and 10 years US$
Debt with financial entities (note 23)	(321,444)	(463,779)	(18,435)	(36,684)	(408,660)
Other liabilities (note 28)	(66,932)	(66,932)	(66,932)	(66,932)	
	(388,376)	(530,711)	(85,367)	(103,616)	(408,660)

December 31, 2019:
Financial instruments at variable rates:

	Total US$	Up to 6 months US$	Between 6 and 12 months US$	Between 1 and 2 years US$	Between 3 and 10 years US$
Debt with financial entities (note 23)	(105,810)	(147,937)	(11,371)	(32,302)	(104,264)
Cash (note 20)	21,631	21,631	21,631	-	-
	(84,179)	(126,306)	10,260	(32,302)	(104,264)

Notes to the Combined Financial Statements

The maturities of the interest-bearing financial assets and liabilities are shown below (continued):

December 31, 2018:
Financial instruments at fixed rates:

	Total US$	Up to 6 months US$	Between 6 and 12 months US$	Between 1 and 2 years US$	Between 3 and 10 years US$
Debt with financial entities (note 23)	(320,548)	(482,272)	(9,246)	(9,246)	(463,780)
Other liabilities (note 17)	(61,549)	(61,549)	-	-	-
	(382,097)	(543,821)	(9,246)	(9,246)	(463,780)

December 31, 2018:
Financial instruments at variable rates:

	Total US$	Up to 6 months US$	Between 6 and 12 months US$	Between 1 and 2 years US$	Between 3 and 10 years US$
Cash (note 20)	14,484	14,484	-	-	-
Debt with financial entities (note 23)	(113,181)	(155,288)	(4,040)	(4,040)	(147,208)
	(98,697)	(140,804)	(4,040)	(4,040)	(147,208)

Notes to the Combined Financial Statements

Fair Value

Fair Value and Carrying Amount

The fair value of financial assets and liabilities and their carrying amounts are presented below, including their levels of hierarchy of fair value. Information for financial assets and liabilities that are not measured at fair value if their carrying amount reasonably approximates their fair value is not included.

December 31, 2019:

	Carrying amount			Fair Value	
	Financial assets at amortized cost US$	**Other financial liabilities US$**	**Total US$**	**Level 2 US$**	**Total US$**
Financial assets not measured at fair value:					
Cash	21,631		21,631		
Trade receivable	95,909		95,909		
Other receivable	2,339		2,339		
Accounts receivables from related parties (note 21)	1,442		1,442		
	121,321		121,321		
Financial liabilities not measured at fair value:					
Accounts payable to related parties (note 21)		(101,947)	(101,947)		
Trade and other accounts payables (note 27)		(100,070)	(100,070)		
Other liabilities (note 28)		(66,932)	(66,932)		
Debt with financial entities (note 23)		(443,978)	(443,978)	(426,638)	
		(712,927)	(712,927)	(712,927)	

Notes to the Combined Financial Statements

December 31, 2018:

	Carrying amount			Fair Value	
	Financial assets at amortized cost US$	**Other financial liabilities US$**	**Total US$**	**Level 2 US$**	**Total US$**
Financial assets not measured at fair value:					
Cash	14,484	-	14,484	-	-
Trade receivable	89,489	-	89,489	-	-
Other receivable	2,384	-	2,384		-
Accounts receivables from related parties (note 21)	181		181	-	-
	106,538	-	106,538	-	-
Financial liabilities not measured at fair value:					
Accounts payable to related parties (note 21)	-	(15,018)	(15,018)	-	-
Trade and other accounts payables (note 27)	-	(127,037)	(127,037)	-	-
Other liabilities (note 28)	-	(21,735)	(21,735)	-	-
Debt with financial entities (note 23)		(433,729)	(433,729)	(415,170)	(415,170)
	-	(597,519)	(597,519)		

Notes to the Combined Financial Statements

The fair value of a financial instrument is the amount at which it can be negotiated in a current transaction without pressure between interested parties. The methods and assumptions described below were used in estimating the fair value of each class of financial instrument:

Cash: The fair value is equal to the carrying amount due to their immediate availability.

Trade accounts receivable and other accounts receivable: It is estimated that the fair value approximates their carrying amount due to their short-term recovery.

Suppliers and other accounts payable: It is estimated that the fair value approximates their carrying amount due to their short-term maturity.

Bank loans and notes payable: It is estimated that the fair value of loans bearing variable interest rate approximates their carrying amount because they have been negotiated at variable market interest rates. The fair value of bank loans and notes payable bearing fixed and floating interest rates was quantified solely for purposes of disclosure and was determined on the basis of present value of future principal and interest cash flows, discounted at market interest rate in effect at the reporting date.

v Capital management

The Group's policy is to maintain a strong net parent investment base to maintain investor, creditor and market confidence and to sustain future development of the business. The net debt-to-net parent investment ratio is defined as net debt divided by total net parent investment. Net debt is defined as total liabilities (which includes interest bearing loans and borrowings and obligations under financial leases), less cash. Net parent investment comprises all components of net parent investment (see note 22).

The Group's net debt-to-net parent investment ratio at December 31, 2018 and 2017 is follows:

	December 31	
	2019	**2018**
	US$	**US$**
Total liabilities	903,735	795,632
Less: cash and cash equivalents	(22,601)	(17,781)
Total net debt	881,134	777,851
Total net parent investment	87,860	44,720
Net debt-to-net parent investment ratio	10.03	17.39

Notes to the Combined Financial Statements

31 Reclassifications

For comparative purposes certain reclassifications were recorded related to the presentation of revenue, cost of sales, general, selling and administrative expenses, impairment loss on trade receivables and other income. The effect of such reclassifications in the combined statement of financial position as of December 31, 2018 and in the statement of profit or loss for the year then ended is shown below:

Combined Statements of Financial Position Reclassifications:

	As previously reported US$	Reclassification US$	As reclassified US$
Assets			
Non-Current:			
Non-current tax assets	89,874	(28,749)	61,125
Other receivables	4,542	28,749	33,291

Combined Statements of Profit of Loss Reclassifications:

	As previously reported US$	Reclassification US$	As reclassified US$
Revenue:			
Energy sales	576,989		576,989
Services rendered	13,325		13,325
Other revenue	2,371	4,263	6,634
Cost of sales:			
Energy purchases	(400,912)		(400,912)
Other costs of sales	(102,516)	336	(102,180)
General, selling and administrative expenses	(34,591)	176	(34,415)
Impairment loss on trade receivables	(14,883)	-	(14,883)
Other income	22,123	(4,263)	17,860
Finance costs	(57,185)	(512)	(57,697)