

Free English Language Translation
From the Spanish Version

Elektra Noreste, S.A.
(51% Owned by Panama Distribution Group, S.A.)

Financial Statements for the year ending December 31st, 2015
(Unaudited)

Elektra Noreste, S.A.

(51% owned by Panama Distribution Group, S.A.)

Index for the 2015 Financial Statements

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Management's Report - Elektra Noreste, S.A.

We have reviewed the attached interim financial statements for Elektra Noreste, S.A. (the "Company") which contain the financial statements for the years ending on December 31st, 2015 and 2014, and the profit and loss statements, comprehensive income, changes in shareholders' equity and cash flow statements for the twelve months ending on December 31st, 2015 and 2014, and the notes which contain a summary of the significant accounting policies and other explanatory information.

Management's Responsibility on the Interim Financial Statements

The management of Elektra Noreste, S.A. is responsible for the information and representations contained in the Company's Financial Statements. The Company prepares the interim financial statements according to the International Financial Reporting Standards, based on available facts and circumstances, at management's best estimates and the evaluation of existing conditions.

The Company has an accounting system and its respective internal control designed to provide reasonable certainty to the management of Elektra Noreste, S.A. in regards to the preparation of reliable financial statements, that the accounting records are correct and the assets of the Company are protected. The Company's internal auditing staff carries out periodic reviews to maintain the effectiveness of internal control procedures, and takes the corrective measures to remedy control deficiencies and promote other improvement opportunities in the system which are attended as they are identified.

Public Accounting Responsibility

Our responsibility is to prepare interim financial statements based on the Company's accounting registries under the International Financial Reporting Standards ("IFRS"). During the preparation of the financial statements we have reviewed accounting information with the purpose of validating the reasonability of the estimates made by management, and evaluated the joint presentation of the financial statements at issue as well.

We consider that the evidence we obtained during the review is sufficient and appropriate to offer a reasonable base. In our opinion the interim financial statements reasonably present in all significant aspects, the Company's financial situation at December 31st, 2015 as well as its financial performance and its cash flows for the twelve months ending on that date, in agreement with the International Financial Reporting Standards.

Eric Morales
CPA No.1769
Panama, February 17th, 2016

Elektra Noreste, S.A.

Statement of Financial Position

December 31, 2015

	Notes	2015	2014
Assets			
Non-current Assets			
Properties, plant and equipment, net	5	420,748,492	365,475,708
Investment properties	6	2,480,209	2,142,300
Other intangible assets	7	19,563,006	15,930,605
Deferred income tax	26	3,206,752	2,265,839
Employee benefits	17	39,642	529,116
Other current assets	9	501,047	1,001,777
Total non-current assets		<u>446,539,148</u>	<u>387,345,345</u>
Current Assets			
Inventories	10	25,867,559	18,084,905
Trade and other receivables, net	8	98,870,086	156,236,417
Prepaid taxes		-	11,358,854
Other non-current assets	9	361,957	309,375
Cash and cash equivalents	11	2,146,109	4,214,886
Total current assets		<u>127,245,711</u>	<u>190,204,437</u>
Total assets		<u>573,784,859</u>	<u>577,549,782</u>
Regulatory deferral account debit balance	20	-	11,105,450
Deferred tax asset related to the balance of deferred regulatory account	26	<u>5,704,834</u>	<u>-</u>
Total assets and debit balance of deferral regulatory accounts		<u>579,489,693</u>	<u>588,655,232</u>

The accompanying notes are a comprehensive part of these financial statements.

Elektra Noreste, S.A.

Statement of Financial Position **December 31, 2015 - continued**

Liability and Equity	Notes	2015	2014
Equity			
Common stocks authorized and issued	12	106,642,962	106,642,962
Treasury stocks	12	(544,087)	(544,087)
Other accumulated comprehensive loss	14	(312,952)	(224,806)
Retained earnings	13	<u>31,295,275</u>	<u>72,089,698</u>
Total Equity		<u>137,081,198</u>	<u>177,963,767</u>
Non-current Liabilities			
Credits and loan	15	200,975,975	200,607,076
Other financial liabilities	16	5,138,536	3,937,505
Employees' benefits	17	419,104	412,683
Deferred income tax	26	2,530,105	15,837,175
Provisions	18	425,132	1,975,980
Other liabilities	19	<u>3,015,434</u>	<u>3,230,283</u>
Total non-current liabilities		<u>212,504,286</u>	<u>226,000,702</u>
Current Liabilities			
Credits and loans	15	27,000,000	12,000,000
Other financial liabilities	16	154,695,476	169,322,708
Employees' benefits	17	38,882	36,420
Income tax payable	26	25,555,074	-
Provisions	18	<u>3,598,664</u>	<u>-</u>
Total current liabilities		<u>210,888,096</u>	<u>181,359,128</u>
Total liabilities		<u>423,392,382</u>	<u>407,359,830</u>
Regulatory deferral account credit balance	20	19,016,113	-
Deferred tax liability relating to deferred regulatory account balance	26	<u>-</u>	<u>3,331,635</u>
Total liabilities and credit balances of deferred regulatory accounts		<u>442,408,495</u>	<u>410,691,465</u>
Total equity, liabilities and regulatory deferral account		<u>579,489,693</u>	<u>588,655,232</u>

The accompanying notes are a comprehensive part of these financial statements.

Elektra Noreste, S.A.

Statement of profit or loss **For the year ended December 31, 2015**

	Notes	2015	2014
Continuing operations			
Rendering of services		588,273,224	664,466,628
Other income		15,396,323	13,402,803
Income from continuing operations	21	603,669,547	677,869,431
Costs for rendering services	22	525,404,771	592,645,763
Administrative expenses	23	19,949,232	17,553,513
Other expenses	24	1,011,940	1,073,399
Finance income	25	207,909	353,467
Finance costs	25	12,510,857	12,378,895
Profit before taxes		45,000,656	54,571,328
Income tax expense	26	13,705,381	16,313,635
Profit for the year		31,295,275	38,257,693
Other comprehensive income (loss), net of tax			
Line items which will not be reclassified later to profit or loss:			
Remeasurement of defined benefit obligations	14	(164,051)	7,587
Income tax relating to components which will not be reclassified	26	75,905	10,990
Other comprehensive income (loss), net of tax		(88,146)	18,577
Total comprehensive income for the year		31,207,129	38,276,270
Earnings per share:			
Basic profits from continuing operations	27	0.63	0.77

The accompanying notes are a comprehensive part of these financial statements.

Elektra Noreste, S.A.

Statement of changes in shareholders' equity For the year ended December 31, 2015

	Common Stock (Note 12)	Treasury Stock (Note 12)	Retained Earnings (Nota 13)	Other comprehensive loss	
				Defined benefits plan (Note 14)	Total
Balance at January 1, 2014	106,642,962	(544,087)	35,081,976	(243,383)	140,937,468
Profit for the year	-	-	38,257,693	-	38,257,693
Other comprehensive income of the year, net of tax	-	-	-	18,577	18,577
Total comprehensive income for the year	106,642,962	(544,087)	73,339,669	(224,806)	179,213,738
Complementary dividend tax paid, net	-	-	(1,249,971)	-	(1,249,971)
Balance at December 31, 2014	106,642,962	(544,087)	72,089,698	(224,806)	177,963,767
Profit for the year	-	-	31,295,275	-	31,295,275
Other comprehensive loss of the year, net of tax	-	-	-	(88,146)	(88,146)
Total comprehensive income for the year	106,642,962	(544,087)	103,384,973	(312,952)	209,170,896
Dividends declared	-	-	(74,080,704)	-	(74,080,704)
Accredited complementary dividend tax	-	-	1,991,006	-	1,991,006
Balance at December 31, 2015	106,642,962	(544,087)	31,295,275	(312,952)	137,081,198

The accompanying notes are a comprehensive part of these financial statements.

Elektra Noreste, S.A.

Cash Flows Statement For the year ended December 31, 2015

	2015	2014
Cash flows from operating activities:		
Profit for the year	31,295,275	38,257,693
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,379,561	20,325,546
Gain on changes in fair value of investment property	(337,909)	(45,600)
Provisions, and defined benefits plan	5,689,291	3,225,092
Deferred Income Tax	(23,208,547)	14,318,317
Current income tax	36,913,928	1,995,318
Finance costs	12,510,857	12,378,895
Loss on disposal of fixed assets	1,011,940	1,073,399
Other non-cash income and expenses	365,461	385,487
	<u>87,619,857</u>	<u>91,914,147</u>
Changes in working capital		
Increase in inventories	(7,782,654)	(2,046,158)
Decrease (increase) in trade and other accounts receivable	54,643,336	(74,307,808)
Decrease (increase) in deferral regulatory accounts	30,121,563	(6,919,697)
Decrease in other assets	448,148	73,330
(Decrease) increase in other financial liabilities	(13,537,102)	57,497,741
Decrease in provisions	(918,480)	(114,404)
Increase (decrease) in defined benefits plan	410,211	(90,864)
	<u>-</u>	<u>(11,350,707)</u>
Net cash generated by operating activities	<u>151,004,879</u>	<u>54,655,580</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(83,686,598)	(53,656,182)
Other cash flows from investing activities	389,913	93,440
	<u>(83,296,685)</u>	<u>(53,562,742)</u>
Net cash flows used in investing activities	<u></u>	<u></u>
Cash flows from financing activities:		
Proceeds from short term borrowings	15,000,000	12,000,000
Interest paid	(12,687,273)	(12,586,399)
Dividends paid	(74,080,704)	-
Other cash flows from financing activities	1,991,006	(1,249,971)
	<u>(69,776,971)</u>	<u>(1,836,370)</u>
Net decrease in cash	<u>(2,068,777)</u>	<u>(743,532)</u>
Cash and cash equivalent at the beginning of the year	<u>4,214,886</u>	<u>4,958,418</u>
Cash and cash equivalent at the end of the year	<u>2,146,109</u>	<u>4,214,886</u>

The accompanying notes are a comprehensive part of these financial statements.

Elektra Noreste, S.A.

(51% Owned by Panama Distribution Group, S.A.)

Notes to the Financial Statements For the year ending December 31st, 2015

1. General Information

Elektra Noreste, S.A. (hereinafter "ENSA" or the "Empresa") is a Company formed as a result of the privatization of the Institute of Hydraulic and Electricity Resources ("IRHE", in Spanish). The Company is incorporated through Public Deed No.143 of January 19, 1998 and the Company began operations in January 1998, and is owned by Panama Distribution Group, S.A. ("PDG"). The authorized capital stock of the Company is fifty million common shares with no par value. To date, Panama Distribution Group, S.A. ("PDG"), owns 51% of the authorized common shares issued and outstanding of the Company, while the Panamanian government and former IRHE employees own 48.25% and 0.43%, respectively. The remaining shares are kept as treasury shares.

The Company's activities include the purchase of energy in blocks and its transport through the distribution networks to the customers. Furthermore, the Company carries out linked voltage transformation, delivery of power to consumers, metering, Reading, invoicing and power collection. Similarly, the Company has the responsibility of installing, operating and maintaining public/street lighting in the concession area. Furthermore, the Company is authorized to carry out power generation activities up to a limit of 15% of the maximum demand and power in the concession area.

1.1. Legal and Regulatory Framework

Panama's electricity sector is divided into three areas of activities: generation, transmission and distribution. The country has a regulatory structure in place for the electric industry, based on legislation approved between 1996 and 1998. This framework creates an independent regulator the Autoridad Nacional de los Servicios Públicos (National Public Utilities Authority, ASEP, in Spanish), and, also creates a transparent process to establish rates for the sale of electricity to regulated customers.

The regulatory regime is mainly formed by the following standards:

- Law 6 of February 3rd, 1997. Decrees the regulatory and institutional framework to render public electric service. The Law establishes a regime to which the distribution, generation, transmission and commercialization activities of the electric power are to be subject.
- Law 57 of October 13th, 2009. Various amendments to Law 6 of 1997 are made, among which: the obligation of generation companies to participate in energy or power purchases processes, the obligation of the Empresa de Transmisión Eléctrica S.A. (Electric Transmission Company, S.A. ETESA, in Spanish) of purchasing power in representation of distribution companies and the increase in the fines that the regulator may impose up to 20 million Dollars, while it establishes the customers' right to refrain from paying for the portion they are claiming and grants a 30-day term to file a claim before the regulator in the event of not being satisfied with the answer given by the distribution company.
- Law 58 of May 30, 2011. Articles pertaining to rural electrification are amended, among which: the modification of the calculation of the subsidy that the Oficina de Electrificación Rural (Rural Electrification Office, OER, in Spanish) must pay to distribution companies for a 4-year term, which shall be formed by the contributions of the market agents which sell electric power and shall not exceed 1% of their net profit before taxes.

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1.2. Regulatory Entities

Some of the main regulating entities for the energy sector in Panama are:

- The Energy Secretariat: its mission is to formulate, propose and promote the national energy policy with the purpose of guaranteeing secure supply, rational and efficient use of the resources and energy in a sustainable manner, according to the National Development Plan. Currently, the Empresa de Transmisión Eléctrica (ETESA) manages the formation of energy matrix with greater and more varied renewable and clean resources (wind power, gas, among others).
- The Autoridad Nacional de los Servicios Públicos (ASEP): established pursuant to the Law 1996 of the Public Utilities Regulating Entity. This is an autonomous Government entity responsible of regulating, controlling and overseeing the supply of water and sewerage, telecommunications, radio and television, electricity and natural gas.

On February 22, 2006, through Decree Law 10, the Ente Regulador de los Servicios Públicos (ERSP) was restructured and changed its name, therefore, since April 2006 it is known as ASEP, with the same responsibilities and functions that the regulating entity had, however, with a new general manager and executive director, each one appointed by President of the Republic of Panama and ratified by the National Assembly. Similarly, it has three national directors under the general manager's authority, one for the electricity and water sector, one for the telecommunications sector and one for the user attention sector. National directors are responsible of issuing resolutions relating to their respective industries and appeals to the same are resolved by the general manager and are the final stage of the administrative process.

- The Planning Unit of the Empresa de Transmisión Eléctrica (ETESA): prepares the expansion plans in reference and forecasts global energy requirements and the means to satisfy such requirements, including the development of alternating sources and establishing programs to conserve and optimize the use of energy. Public utilities companies are called to prepare and present their expansion plans to ETESA.
- The Centro Nacional de Despacho (National Dispatch Center, CND, in Spanish): is operated by ETESA. The Center plans, oversees and controls the integrated operation of the National Interconnected System. Receives offers from the generation companies that participate in the spot market, determines spot energy prices, manages the transmission network and provides clearance values among vendors, producers and consumers, among others.
- The Oficina de Electrificación Rural (Rural Electrification Office, OER, in Spanish): is responsible of promoting electrification in rural areas which do not receive the services and are not profitable or have not been granted in concession.

1.3. Concession Agreement

According to the concession agreement, the Company has the exclusiveness for the distribution and commercialization of electric energy to customers located in the Eastern geographic area of Panama, Colon, the Bay of Panama, the Guna Yala Reservation and Darien. The exclusiveness of the distribution phase also includes "large consumers", which are defined in Law No. 6, dated February 3rd, 1997, as those customers with a maximum demand higher than 100 KW per site, who are allowed to purchase power to other agents of the electric market.

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The concession agreement was signed on October 22nd, 1998 and is in force for 15 years. On October 22nd, 2012 the regulator issued a notice to tender for a free open bidding process for the sale of the majority package of the company's shares. The current owner, Panama Distribution Group, S. A. ("PDG"), is empowered to participate in this process and if its offer is equal or greater than the highest bid presented by other bidders, then it may conserve the ownership of the majority shares package. If on the contrary the price offered by another bidder is higher, then the ownership is to be delivered to such bidder and the price offered will be delivered to the current owner of the shares ("PDG"). In any event, a new 15-year concession is granted without any payment to the State. On August 9th, 2013 bids were presented and PDG won the concession for 15 more years. Said concession period began on October 22nd, 2013.

The concession agreement stipulates provisions pertaining to the concessionaire's obligations on the subject of rendering the service, forbidding the separation of the majority shares package, and is required to send technical and financial information periodically to ASEP, in compliance with the technical quality standards, (quality standards, metering standards and operation regulations from the Centro Nacional de Despacho "CND"), the payment of a control, surveillance and oversight of the ASEP, which cannot be transferred to the users through the rate.

2. Adoption of the new and revised International Financial Reporting Standards (IFRS)

2.1 *New and/or Revised Standards and Interpretations still not in force*

Application of the new and revised standards: The standards and interpretations published to the date in the financial statements of ENSA are detailed; however, the same are still not in force in Panama. ENSA intends to adopt the following standards, if applicable, when they become effective:

IAS 27 Separate Financial Statements

The scope of IAS 27 refers to the disclosure of accounting and information for investments in subsidiaries, associates and joint ventures contained in separate financial statements, the August 2014 amendment allows the same to be accounted at cost, pursuant to IFRS 9 Financial Instruments or using the equity accounting method as described in IAS 28 Investment in associates and joint ventures. Said modification is applicable for annual periods beginning on January 1st, 2016 and must be done retroactively. Its advance application is allowed. In the event of applying these modifications during a period beginning previously this must be disclosed in the Financial Statements. These modifications do not have an impact in the financial situation or in the results of ENSA.

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Notes to the Financial Statements For the year ending December 31st, 2015

IFRS 10 Consolidated Financial Statements

The IFRS 10 broadens the terms of the loss in control of a subsidiary, where the controlling entity will determine the profit or loss of the transaction, taking into consideration its accounting, if it was done by the equity method, the remaining profit will be eliminated against the amounts in the books of the investment and, if it was accounted under IFRS 9, the profit or loss is recognized during the period of the controlling entity. These amendments do not impact in any manner the financial situation or the results of ENSA.

IFRS 11 Joint Arrangements for Accounting the Acquisition of Interests in Joint Operations

IFRS 11 amended in May 2014, incorporates guidelines on the accounting of acquisitions of interests in joint operations which activity is a business, as defined in IFRS 3 on the accounting of business combinations. These amendments do not impact in any manner the financial situation or the results of ENSA.

IAS 28 Investments in Associates and Joint Ventures

The amendment of IAS 28 in September 2014 refers to accounting of profit and loss from transactions coming from the sale or contribution of assets and their treatment in the investor's financial statements. These amendments are applied prospectively as from January 2016, its advance application is allowed. If applied during a period which begins previously, this fact must be revealed. These amendments do not impact in any manner the financial situation or the results of ENSA.

IFRS 7 Financial Instruments: Disclosing Information – Off-setting Financial Assets and Financial Liabilities

These amendments require disclosing information on set-off rights and similar agreements (i.e., collateral agreements). These disclosures will provide useful information to users to evaluate the effect or the potential effects of compensation agreements, including set-off rights associated to the recognized financial assets and the recognized financial liabilities of the entity, on the financial situation of the entity. New disclosures are mandatory for all financial instruments compensated pursuant to IAS 32. These amendments do not have any material impact on the financial situation or the results of ENSA.

IFRS 12 Disclosing Information on the Interests in other Entities

IFRS 12, includes all disclosures which previously appeared in IAS 27 regarding consolidated financial statements, as well as all the breakdowns included previously in IAS 31 Interests in Joint Ventures (standard is completed deleted) and in IAS 28 Associated Investments. These disclosures refer to interests in dependent corporations, joint agreements, associated entities and structured entities. They also demand new additional disclosures, however, this has no impact in the financial position o in the results of ENSA.

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Notes to the Financial Statements For the year ending December 31st, 2015

IAS 32 Financial Instruments: Presentation

The December 2011 amendment of IAS 32 clarifies that offsetting rights should not be legally required during the normal course of business; however, they must also be required in the event of default or in the case of bankruptcy or insolvency of one or all counterparties holding an agreement, including the disclosing entity itself. The amendment also clarifies that offset rights should not be subject to a future event or should not be contingent to a future event. The impact for ENSA, if it applies changes in compensation would be in the presentation of the financial statements. (Taking into consideration the effect on the coefficients or leverage indicators, regulatory capital requirements, etc.)

IFRS 13 Fair Value Measurement

IFRS 13 Establishes that the sole guide for all assessments at fair value. IFRS 13 does not change when the fair value is required, however, it offers a guide on how to determine the fair value according to the IFRS when required or permitted. These modifications do not bear any material impact on the financial situation or the results of ENSA.

IFRS 14 Deferment Accounts of Regulated Activities

IFRS 14 allows an entity which activities are subject to regulated rates, to continue applying most part of the existing accounting policies of regulatory accounts balances deferred in their first adoption of IFRS. The standard does not apply to entities who have already adopted IFRS. Furthermore, an entity which principles do not allow the recognition of assets and liabilities at a regulated rate or, which have not adopted said policies according to their PCGA in force, should not be recognized as their first application of the IFRS. The balances of these accounts must be presented separately in the financial situation statement as well as in the result of the period and other comprehensive results. Effective for the annual terms beginning on January 1st, 2016; this standard was adopted in advance by ENSA in its first financial statements under IFRS.

IFRS 15 Income from Ordinary Activities Resulting from Contracts with Clients

Issued in May 2014, IFRS 15 provides a comprehensive framework for the recognition of income from contracts with customers from ordinary activities, because it replaces and eliminates all the income requirements in IFRS (IAS 11 construction contracts, IAS 18 revenue from ordinary activities, IFRIC 13 Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 (Income - swaps advertising services) and applies to all income derived from contracts with customers. It also provides criteria for the recognition of costs incurred in the performance of a contract which is not within the scope of another standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets). Effective for annual periods beginning after January 1st, 2018. Early application is permitted and in such a case, the fact shall be disclosed. This new standard is more prescriptive than the current IFRS and offers more application guides. The reporting requirements are also more extensive. The adoption will be an important issue with possible changes in accounting, systems and processes.

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IAS 1 Presentation of the Financial Statements Initiative of Disclosing Information

Amendments to IAS 1 presentation of financial statements, clarify the following:

- The definition of materiality of IAS 1, as requirements leaves them as accounting policy or guideline of each entity.
- Specific lines at a minimum should contain the statement of financial situation, the other comprehensive income and profit and loss statement and the freedom in the method of presentation.
- The entities have flexibility in how the notes to the financial statements are presented.
- The participation of the other comprehensive income of associates and joint ventures that are valued by the equity method should be presented in aggregate as a single line, and ranked among the items that will be or not will be subsequently reclassified to profit and loss.

Effective for annual periods beginning after January 1st, 2016. This amendment aims to assist in the implementation of judgments, when these meet the requirements of IFRS disclosure, and will not affect the recognition and measurement.

IAS 16 and IAS 38 Clarifications of Acceptable Depreciation and Amortization Methods

The amendments of May 2014, clarify in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets, revenues reflect a pattern of the economic benefits that are generated from the operation of a business (of which the asset is part), rather than the economic benefits that are consumed through the use of the asset. As a result, the proportion of revenues generated on total income expected to be generated, cannot be used for amortization of intangible assets and may only be used in very limited circumstances for the amortization of intangible assets. Effective for annual periods beginning after January 1st, 2016. This standard has no impact for ENSA, since it currently does not use a method based on income, the depreciation method used by the company is the straight-line method.

NIC 7 Disclosure Initiative

The amendment to IAS 7, "Disclosure Initiative", introduces new disclosure requirements that allow users of financial statements to assess changes in obligations from financing activities, including both changes caused by cash flows and non-cash changes. Provides a way to comply with the disclosure requirement by providing a reconciliation between beginning and ending balances in the statement of financial situation of obligations resultant from financing activities. When an entity reveals such reconciliation, it must provide sufficient information that enables users of the financial statements to link concepts included in the reconciliation with the statement of financial situation and the cash flows statements. ENSA will adopt this amendment as from 1st, January 2017.

NIC 12 Recognition of Deferred Tax Assets for Unrealized Losses

The amendment to IAS 12, "Recognition of deferred tax assets for unrealized losses", clarifies that when an entity assesses whether taxable profit will be available against which a deductible temporary difference can be used, should be considered if the tax legislation restricts the sources of taxable income against which it can make inferences on the reversal of the deductible temporary difference. If the tax legislation does not impose such restrictions, the entity will evaluate a deductible temporary difference in combination with all their other deductible temporary differences. However, if the tax legislation restricts the use of losses to deduct against a specific type of income, a deductible temporary difference should be evaluated in combination only with other deductible temporary differences of corresponding type. The estimation of probable future taxable

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profit may include recovery of some of the assets of the company above its book value if there is enough evidence that it is likely that the institution accomplishes this. ENSA is currently analyzing the impact on its financial statements from these amendments. ENSA will adopt this amendment as from 1st, January 2017.

3. Significant Accounting Policies

3.1 Basis for the Preparation of the Financial Statements

The financial statements of the company prepared in accordance with the International Financial Reporting Standards (hereinafter "IFRS") issued by the International Accounting Standards Board (hereinafter "IASB").

ENSA prepared and presented its financial statements through December 31st, 2013, complying with the generally accepted accounting principles in the United States of America (hereinafter "Previous GAAP"). The financial statements as of December 31st, 2014 were the first financial statements prepared in accordance with IFRS.

The presentation of financial statements in accordance with IFRS requires making estimates and assumptions that affect the amounts reported and disclosed in the financial statements, without undermining the reliability of the financial information. Actual results may differ from such estimates. The estimates and assumptions are reviewed constantly. Review of accounting estimates is recognized in the period in which the estimates are revised if the revision affects that period or the current review period and future periods, if it affects both the current and the future period. The estimates made by Management, in the application of IFRS, which have a material effect on the financial statements, and those that involve significant judgments for the annual financial statements, are described in greater detail in note 4 Significant Accounting Judgments, Estimates, and causes of uncertainty in the preparation of the financial statements.

The company presents financial statements in compliance with the control entities and for purpose of internal administrative follow-up and provides information to investors.

Assets and liabilities are measured at cost or amortized cost, with the exception of the investment properties which are measured at fair value.

The financial statements are denominated in Balboas, monetary unit of the Republic of Panama, in which the company is incorporated and operates, and their figures are expressed in units. At December 31st, 2015 and for the year ended on that date, the Balboa has been maintained at the same par value of the US dollar, which freely circulates in Panama. The Republic of Panama does not issue paper money and uses the dollar as legal tender.

3.2 Classification of Assets and Liabilities in Current and Non-Current

An asset is classified as a current asset when held primarily for trading purposes or is expected to be realized in a term no greater than a year after the period that is reported or is cash and cash equivalents that is not subject to restrictions for their exchange or for use in the cancellation of a liability at least one year after the reporting period. Other assets are classified as non-current assets.

Liabilities are classified as current liabilities when it is held primarily for trading purposes or are expected to be liquidated in a term no greater than a year after the period which is reported or when the company does not have an unconditional right to defer its settlement for at least one year after the reporting period. Other liabilities are classified as non-current liabilities.

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Derivative instruments to which cover accounting are not applied are classified as current or non-current based on the evaluation of the facts and circumstances (i.e. underlying cash flows contracts):

- When the company has a derivative, to which hedge accounting does not apply, for a period of more than twelve (12) months from the date of filing, the derivative is classified as a non-current (or divided into current and non-current parts) to correspond to the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified in a consistent manner with the cash flows of the host contract.
- Derivative instruments that are designated as hedging instruments and are effective, are classified consistent with the classification of the underlying hedged item. The derivative instrument is divided into a current portion and another non-current only if such allocation can be done reliably.

3.3 Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial situation and in the cash flows statement include cash at hand and banks and highly liquid investments, easily convertible into a certain amount of cash and are subject to an insignificant risk of changes in value, with a maturity of three months or less from the date of purchase. Payable bank overdrafts which form a comprehensive part of the administration of the company's cash represent a component of the cash and the cash equivalents in the cash flow statement.

3.4 Ordinary Income

Ordinary income corresponds to the development of the main activity the company that is providing the services of distribution and commercialization of power, these are recognized when the service is provided or at the time of delivery of the goods, to the extent that is probable that the economic benefits enter into the company and the revenue can be measured reliably. Income is measured at the fair value of the consideration received or receivable, excluding taxes or other obligations. Discounts granted are recorded as less value than the income.

For financial instruments measured at amortized cost, interest earned or lost are recorded using the method of effective interest rate which is the interest rate that accurately discounts future flows of payments and collections in cash over the expected life of the financial instrument or a shorter period, as appropriate with respect to the net book value of the asset or financial liability. Interests earned are included in financial income in the comprehensive income statement in the period results section.

Income arising from operating leases on investment properties is recorded on linear basis over the lease term.

3.5 Construction Contracts

When the outcome of the contract can be reliably measured, the company recognizes revenues and expenses associated with construction contracts using the method of degree of advancement, depending on the proportion representing the costs accrued for the work done to date and the total cost estimates until its completion.

Cost incurred includes costs, including borrowing costs, directly related to the contract, until the work has been completed. Administrative costs are recognized in the income statements for the period.

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When the result of a contract in course cannot be reasonably estimated, income of the latter is recognized as it is likely to recover the costs incurred. In projects where it is likely that the costs are greater than the income, expected losses are recognized immediately.

Payments received from the customer until the corresponding work has been done, are recognized as a liability in the statement of financial situation as other financial liabilities.

The difference between the income recognized in the profit and loss statement and billing is presented as an asset in the statement of financial situation called trade receivables and other receivables, or as a liability known as other financial liabilities.

3.6 Government Subsidies

Government subsidies are recognized at fair value when there is assurance that the subsidies will be received and all conditions linked to them will be fulfilled. Subsidies intended to compensate for costs and expenses already incurred, without further costs are recognized in the profit and loss statement of the period in which they become enforceable. When the subsidy relates to an asset, it is recorded as deferred income and recognized in the income statement of the period on a systematic basis over the estimated useful life of the relevant asset. The benefit of a loan from the State at an interest rate below-market is treated as a Government Subsidy, measured as the difference between the amounts received and the fair value of the loan based on the market interest rate.

3.7 Taxes

The tax structure of the country, the regulatory framework and its operations makes company subject to taxes, rates and contributions. Obligations that arise from the Nation, municipal entities and other active subjects, once the conditions laid down in the relevant standards issued are met.

The income tax and the tax on the transfer of goods and services are among the most relevant taxes.

3.8. Income Tax

3.8.1 Current

Current assets and liabilities for the income tax of the period are measured by the values that are expected to be recovered or paid to the tax authority. Income tax expense is recognized in the current tax in accordance with the streamlining carried out between tax revenues and the income or accounting loss affected by the income tax rate in compliance with the tax regulations of the country. Rates and fiscal regulations used to compute these values are those that are enacted or substantially approved at the end of the reporting period.

Taxable profit differs from the reported profit in the profit and loss statement of the period due to the items taxable income and expenses that are or deductible in other years and items that are not taxable or deductible in the future.

The current assets and liabilities are also compensated if they relate to the same fiscal authority and it is intended to settle them by the net worth or to realize the asset and settle the liability simultaneously.

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3.8.2 Deferred

Deferred income tax is recognized using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying values. The deferred tax liability is generally recognized for all taxable temporary differences, and the deferred tax asset is recognized for all deductible temporary differences and the future compensation of tax credits and unused tax losses inasmuch the availability of future tax earnings against which it can be charged is probable. Deferred taxes are not discounted.

The carrying amount of deferred tax assets is reviewed at each filing date and they are reduced to the extent that it is no longer probable that there is sufficient tax gain to use all or part of the deferred tax asset. The unrecognized deferred tax assets are re-evaluated on each filing date and are recognized inasmuch it is likely that future tax earnings allow their recovery.

Deferred tax assets and liabilities are measured at the tax rates expected to be applied in the period in which the asset is realized or liabilities are cancelled and considering future tax consequences based on rates and tax rules that were approved at the date of filing, or whose approval procedure is next to be completed for such date.

Deferred tax assets and liabilities should be presented as non-current.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to do so and are with the same tax authority.

Current assets and liabilities are also compensated in the income tax if they relate to the same fiscal authority and it is intended to settle them by the net worth or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in the income statement of the period with the exception of items previously recognized outside the income statement in this case will be presented in the other comprehensive income or directly in the equity.

3.8.3 Transference of Goods and Services Tax – ITBMS, in Spanish

The company is responsible of the regime since it sales taxed goods and services. In general, this means that ITBMS taxpayers are businesspersons, producers and industrial companies which transfer goods and professionals and lessors of goods and service providers in general in the Republic of Panama, however, with a constraint based on levels of monthly and annual income. Currently in Panama energy services, are exempt from this tax.

3.9 *Properties, Plant and Equipment*

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses, if any as in IAS 16. The cost includes the acquisition price, costs directly related to the location of the asset in the place and the conditions needed to make it operate in the manner provided by the company, borrowing costs of projects under construction that take a substantial period to be completed, if the requirements for recognition and the present value of the cost expected for the dismantling of the asset after use are complied with and if the criteria for recognition for a provision are met.

Constructions in progress are measured at cost less any recognized impairment loss and include those expenditures that are essential and which are directly related to the construction of the asset, such as

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professional fees, supplies, civil engineering and, in the case of qualified assets, costs are capitalized by loans. These constructions in progress are classified in the appropriate categories property, plant and equipment at the time of its completion and when they are ready for use. The depreciation of these assets starts when they are ready for use in accordance with the same base, which is the case of other items of property, plant and equipment.

The company capitalized as higher value of assets, additions or improvements that are made on the same, provided that they meet any of the following conditions: a) they increase useful life, b) expand production capacity and operational efficiency of the same and c) reduce costs to the company. All other costs of repair and maintenance are recognized in the comprehensive profit and loss statement as incurred therein.

Inventories of spare parts for specific projects, which are expected not to have rotation in a year and who meet the criteria for capitalization, known as replacement assets, are presented in the line item other properties, plant and equipment.

Depreciation starts when the asset is available for use and is calculated on a linear basis over the estimated useful life of the asset as follows:

	Useful Life Estimated in years
Plants, ducts and tunnels	
Civil Works	35 years
Equipment	12 to 30 years
Networks, lines and cables	
Power Distribution Grid	12 to 30 years
Buildings	50 years
Communication and Computer Equipment	5 to 25 years
Equipment and machinery	8 to 25 years
Furniture, fixtures and office equipment	5 to 20 years

These are determined considering, among others, technical specifications of the manufacturer, knowledge of the technicians who operate and maintain assets, geographic location and the conditions to which it is exposed.

The company calculates depreciation by component, implying depreciated individually portions of assets that have different useful lives. The depreciation method used is the straight-line method; the residual value is calculated for the asset (vehicles), which are not part of the depreciable amount.

A component of properties, plant and equipment and any significant part initially recognized is written off at its disposal or when it is not expected to obtain the future economic benefits from its use or disposal. The profit or loss at the time of writing off the asset, calculated as the difference between the net disposal value and the value in the asset's in books, is included in the comprehensive profit and loss statement.

Residual values, useful lives and methods of depreciation of assets are reviewed, and adjusted prospectively in each end of year, in the event that it is required.

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3.10 Leasing

The determination of whether an agreement is or contains a lease is based on the essence of the agreement at its start date, if the implementation of the agreement depends on the use of an asset or specific assets, or if the agreement grants a right of use of the asset.

Leases are classified as operating and financial leasing. A lease is classified as financial when transferring substantially all the risks and the benefits inherent in the ownership of the leased property to the lessee, otherwise, is classified as an operating lease.

3.10.1 ENSA as Lessee

The assets delivered under finance leases are recognized and are presented as assets in the Statement of Financial Situation at the beginning of the lease, for the fair value of the leased asset or the present value of the minimum payments of the lease, whichever is less. The corresponding liability is included in the statement of financial situation as a finance lease obligation. These assets are not legally owned by the company; therefore, while the purchase option is not exercised, the Company cannot freely dispose of them. They are presented in each asset class to which they belong.

Assets delivered under finance leases are depreciated over the useful life of the assets using the straight-line method. However, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term, the asset is depreciated over its estimated useful life or the term of the lease, whichever is less. The lease payments are divided between financial expenditure and the reduction of the debt. Financial burdens are recognized in the comprehensive income statement unless they could be directly attributable to qualifying assets, in which case are capitalized in accordance with the policy of the institution for borrowing costs. Contingent quotas for leasing are recognized as expenses in the periods in which they are incurred.

Payments for operating leases, including incentives received are recognized as expenses in the comprehensive income statement on a linear basis over the lease term, unless another systematic basis results to be more representative of another systematic base of allotment to reflect more adequately the temporal pattern of the benefits of the leasing for the user.

3.10.2 ENSA as Lessor

Assets leased under finance leases are presented not as property, plant and equipment given that the risks associated with the ownership have been transferred to the lessee, is instead recognized as a financial asset.

Delivered under operating leases the land and buildings are presented as investment properties and assets given under operating lease are presented as property, plant and equipment. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rental income. Leasing revenues are distributed during the lease term so as to reflect a constant in the net investment performance rate. Contingent leases are recognized as income in the period in which they are obtained.

3.11 *Borrowing Costs*

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of the respective asset until the asset is ready for its intended use. Income perceived by the temporary investment in specific outstanding loans to be consumed in qualified assets is deducted from

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borrowing costs eligible for capitalization. All other costs on loans are recorded as expenses in the period in which they are incurred. Loan costs consist of interest and other costs incurred by the company in relation to the borrowing of funds.

3.12 Investment Properties

The investment properties are those maintained for rentals and/or revaluations of capital (including the investment properties in construction for such purposes). The investment properties are measured initially at cost, including transaction costs. The book value includes the cost of refitting or replacement of a part of an existing investment property at the time that the cost is incurred if the recognition criteria are met; and excludes the costs of the daily maintenance of the investment property.

Subsequent to initial recognition, the investment properties are measured at fair value that reflects the conditions of the market to the date of presentation. Gains and losses arising from changes in the fair values of investment properties are included in the state of integral result in the result section of the period in the period in which they arise.

The investment properties are written off, either at the time of disposal, or when removed from use in a permanent way and no future economic benefit is expected. The difference between the net produced value of the provision and the book value of the asset is recognized in the state of integral result in the result section of the period in which it is dismissed.

Transfers are made to or from the investment properties, only when there is a change in its use. In the case of a transfer from an investment property to a property, plant and equipment, the cost taken into account for later counting is the fair value at the date of change in use. If a property plant and equipment becomes an investment property, it shall be accounted for at fair value, the difference between the fair value and the book value is recorded as a revaluation applying IAS 16.

3.13 Intangible Assets

Intangible assets acquired separately are measured initially at its cost. After initial recognition, intangible assets are accounted for at cost minus any accumulated depreciation and any accumulated loss due to a fall in value. Internally generated intangible assets, are capitalized provided that they meet the criteria for recognition as an asset and the generation of the asset should be classified in: research phase and development phase; if it is not possible to distinguish between the research phase from the development phase, disbursements should be reflected in the state of integral results in the period in which it is incurred.

The useful lives of intangible assets are determined as finite or indefinite.

Intangible assets with finite useful lives are amortized over its useful economic life in a linear manner and are evaluated to determine if they had any deterioration of value, provided that there are indications that the intangible asset might have suffered such damage. The amortization period and the amortization method for an intangible asset with a finite life is reviewed at least at the end of each period. The changes in the expected useful life or in the expected pattern of consumption of the future economic benefits of the asset are accounted for by changing the period or depreciation method, accordingly, and are treated as changes in accounting estimates. The depreciation expense of intangible assets with finite useful lives is recognized in the state of integral result in the result section of the period in the category of expenditure that is consistent with the function of the intangible asset.

Intangible assets with indefinite useful life are not amortized but are subject to annual testing to determine if they suffered a deterioration of value, either individually or at the level of the cash-generating unit. The

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evaluation of the indefinite life is reviewed on an annual basis to determine whether such an indefinite life remains valid. If not, the change of the useful life of indefinite to finite is performed in a prospective way.

An intangible asset is written off at the time of their provision, or when no future economic benefits are expected from its use or disposal. Gains or losses that arise are measured by the difference between the value obtained in the provision and the book value of the asset and is recognized in the state of integral result in the result section of the period.

The costs of research and the development costs that do not qualify for capitalization are recorded as expenses in the result of the period.

3.13.1 Other intangible assets

Other intangible assets as service concessions, licenses, software, exploitation rights, trademarks and similar rights acquired by the company are measured at cost minus any accumulated depreciation and any impairment loss.

3.14 *Financial instruments*

Financial assets and financial liabilities are recognized in the statement of financial position when the company becomes partly in accordance with the contractual conditions of the instrument.

Financial assets and liabilities are measured initially at fair value. The transaction costs that are directly attributable to the acquisition or issuance of financial assets and liabilities (different to financial assets and liabilities designated at fair value with change in the results) are added or deducted from the fair value of the financial assets or liabilities, where appropriate, at the time of initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities designated at fair value with change in the results are recognized immediately in the result of the period.

3.15 *Financial Assets*

The company classifies at the time of initial recognition their financial assets for later measurement at amortized cost or at fair value depending on the business model of the company to manage the financial assets and the characteristics of the contractual cash flows of the instrument.

A financial asset is measured subsequently at an amortized cost using the effective interest rate if the asset is kept within a business model whose objective is to keep them to obtain the contractual cash flows and the contractual terms of the same, grant on specific dates, cash flows that are solely payments of capital and interests on the value of the outstanding capital. Without prejudice to the foregoing, the company can irrevocably designate a financial asset as measured at fair value with changes in results.

3.15.1 Deterioration of financial instruments

For assets at an amortized cost, the deterioration of value is evaluated at the date of the period in which it is reported, if there is evidence of deterioration. When there is objective evidence that there has been an impairment loss in the value of financial assets at amortized cost, the value of the loss is measured as the difference between the book value of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate of the investment. The impairment losses are recognized in the results of the period.

The company first evaluates whether there is any objective evidence of individual deterioration of value for financial assets or collectively for financial assets that are not individually significant or when there is no

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objective evidence of impairment loss for a financial asset that has been assessed individually. When a collective assessment of deterioration is carried out, accounts receivable are grouped by similar credit risk characteristics that make it possible to identify the payment capacity of the debtor, in accordance with the contractual terms of negotiation of the account receivable. The company uses the method of expected loss called cascade to collectively determine the impairment losses.

The objective evidence that an asset or group of assets is deteriorated includes:

- Significant financial difficulties of the issuer or of the debtor;
- Breaches of contractual clauses, such as non-compliance or arrears in the payment of the interest or the principal;
- The lender gives concessions or advantages which it would not have granted under other circumstances;
- It is likely that the borrower goes into bankruptcy or in another form of financial reorganization;
- The disappearance of an active market for the financial asset in question.

If in subsequent periods, the value of the impairment loss decreases and the decrease can be objectively related to the event that caused the recognition of deterioration, the impairment loss previously recognized will be reversed, ensuring that the book value of the financial asset exceeds the amortized cost that would have been determined if the impairment loss had not been accounted for on the date of reversion. The amount of the reversal is recognized in the result of the period.

The different financial assets of those at an amortized cost are subsequently measured at fair value with changes recognized in the result of the period.

In the category of fair value through results the investments being made to optimize the surplus liquidity are included, i.e. all those resources that are not immediately destined for the development of activities that constitute the legal purpose of the company. The investment of surplus liquidity is done under the criteria of transparency, security, liquidity and profitability, under the guidance of a proper control and in market conditions without speculative intention.

3.15.2 Financial Liabilities

The company classified at the time of initial recognition financial liabilities for later measurement at amortized cost or fair value with changes in results.

Financial liabilities at fair value with changes in results include liabilities held for trading, financial liabilities designated at the time of initial recognition as at fair value with profit or loss and the derivatives. The gain or losses for liabilities held for trading are recognized in the statement of integral result in the status of results section. On initial recognition, the company did not designate financial liabilities as at fair value with profit and loss.

The liabilities at amortized cost are measured using the effective interest rate. The gains and losses are recognized in the statement of integral result in the status of results section when the liabilities are written off, as well as through the amortization process under the method of the effective interest rate, which is included as a financial cost in the integral result status in the status of results section.

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3.15.3 Discontinuance of financial assets and liabilities

A financial asset or a part of it is discontinued from the state of financial situation when sold, transferred, expires or the company loses control over the contractual rights or on the cash flows of the instrument.

If the entity does not transfer or substantially retain all the risks and rewards inherent to the ownership and continues to retain control of the transferred asset, the entity shall recognize their participation in the asset and the associated obligation for the amounts that it would have to pay. If the company substantially retains all the risks and rewards inherent to ownership of a transferred financial asset, the entity continues to recognize the financial asset and also recognizes a guaranteed loan in a collateral manner for the income received.

In the total discontinuance in accounts of a financial asset, the difference between the carrying amount of the asset and the amount of the consideration received and to be received as well as the cumulative result that had been recognized in another integral result and accumulated in the equity is recognized in the result of the period. In the case of the partial discontinuance in accounts of a financial asset (i.e., when the Entity retains an option to acquire part of an transferred asset), the Entity distributes the previous carrying amount of the financial asset between the part that it continues to recognize under a continuous participation, and the part that it will no longer recognize on the basis of the relative fair value of those parties to the date of the transfer.

The difference between the carrying amount allocated to the party that will no longer continue being recognized and the amount of the consideration received from the part that will no longer be recognized and any assigned accumulated gain or loss that would have been recognized in another integral result is recognized in the result of the period. The cumulative gain or loss that had been recognized in another integral result is distributed between the part that continues to be recognized and the part that will no longer be recognized on the basis of the relative fair values of both parties.

A financial liability or a part of it is discontinued from the state of financial situation when the contractual obligation has been liquidated or has expired. If the entity does not substantially transfer or retain all the risks and rewards inherent to ownership and continues to retain control of the transferred asset, the entity shall recognize their participation in the asset and the associated obligation for the amounts that it would have to pay. If the entity substantially retains all the risks and rewards inherent to ownership of a financial asset transferred, the entity will continue to recognize the financial asset and also recognizes a guaranteed loan collaterally for the income received.

When an existing financial liability is replaced by another from the same lender under substantially different conditions, or if the conditions of an existing liability are modified substantially, such an exchange or modification is treated as a discontinuance of the original liability and the recognition of a new liability, and the difference in the respective values in books are recognized in the statement of integral result in the status of results section.

3.15.4 Compensation of financial instruments

Financial assets and liabilities are the subject of compensation so as to report the net value in the state of financial situation, only if (i) there is, at the present time, a legally enforceable right to compensate the recognized values, and (ii) there is the intention to liquidate them for the net value, or realize the assets and cancel the liabilities simultaneously.

3.15.5 Inventories

Inventories are classified as the goods acquired with the intention of selling them in the ordinary course of business or consuming them in the process of the delivery of services,

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The inventories are valued at cost or net realizable value, whichever is less. The net realizable value is the estimated selling price in the ordinary course of business minus the estimated costs of completion and the estimated costs necessary to make the sale.

The inventories include goods in existence that do not require transformation, such as energy meters, transformers, public lighting equipment and supply goods. It includes materials such as spare parts and accessories for the delivery of services and goods in transit and that are in the possession of third parties.

The inventories are valued using the weighted average method and its cost includes the costs directly related to the acquisition and those incurred to give them their status and current location.

3.15.6 Impairment of non-financial assets

At each date of presentation, the company assesses whether there is any indication that a tangible or intangible asset can be damaged in its value. The company estimates the recoverable value of the asset or a cash-generating unit, at the time at which it detects an indication of deterioration, or annually (as at the 31st of December) for intangible assets with indefinite useful life and those who are not yet in use.

The recoverable amount of an asset is the higher value between the fair value minus the sale costs, either of an asset or a cash-generating unit and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are substantially independent of those from other assets or groups of assets, in this case the asset should be grouped to a cash-generating unit. When the book value of an asset or a cash-generating unit exceeds its recoverable value, the asset is considered deteriorated and its value is reduced to its recoverable amount.

When calculating the value in use, the estimated cash flows, either of an asset or a cash-generating unit, are discounted to their present value using a discount rate before taxes that reflects the market considerations of the temporal value of money and the specific risks to the asset. To determine the fair value minus the sale costs an appropriate valuation model is used.

Impairment losses of continuing operations are recognized in the statement of integral result in the status of results section in those expenditure categories that correspond to the function of the deteriorated asset. Impairment losses attributable to a Cash-Generating Unit are assigned proportionally on the basis of the book value of each asset to the non-current assets of the Cash-Generating Unit.

For assets in general, on each date of presentation an assessment is carried out of whether there is any indication that an impairment loss previously recognized no longer exist or may have decreased. If there is such an indication, the company carries out an estimate of the recoverable value of the asset or a cash-generating unit. An impairment loss previously recognized can only be reverted if there was a change in the assumptions used to determine the recoverable amount of an asset from the last time in which the last impairment loss was acknowledged. The reversion is limited so that the book value of the asset does not exceed its recoverable amount, nor exceeds the value in books that would have been determined, net of depreciation, if an impairment loss had not been recognized for the asset in previous years.

3.16 *Provisions*

The provisions are recorded when the company has a present obligation, legal or implied, as a result of a past event, it is likely that the company might have to dispose of resources that incorporate economic benefits to settle the obligation and a reliable estimate can be made of the value of the obligation. In cases where the company expects that the provision is reimbursed in whole or in part, the reimbursement is recognized as a

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separate asset, but only in cases where such reimbursement is virtually certain and the amount of the asset can be measured with reliability.

The provisions are measured by the best estimate of the management of the disbursements required to settle the present obligation at the end of the reporting period, taking into account corresponding the risks and uncertainties. When a provision is measured using the estimated cash flow to settle the present obligation, its carrying amount corresponds to the present value of the cash flow, using for the discount a rate calculated with reference to market yields on the bonds issued by the National Government. The expenditure corresponds to any provision that is presented net of any reimbursement in the state of the integral result in the section for other expenses. The increase in the provision due to the passage of time is recognized as a financial expense.

3.16.1 Provision for dismantling

The company recognizes as part of the cost of a fixed asset in particular, provided that there is a legal or implied obligation to dismantle or restore, the estimate of future costs in which the company expects to incur to perform the dismantling or restoration and its counterpart recognizes it as a provision for the costs of dismantling or restoration. The cost of dismantling is depreciated over the estimated useful life of the fixed asset.

The cost of dismantling or restoration is recognized by the present value of the expected costs to cancel the obligation using estimated cash flows. The cash flows are discounted at a rate before taxes, which must be determined taking as a reference the market yields of the bonds issued by the National Government.

The future estimated costs for dismantling or restoration are reviewed annually. The changes in the estimated costs of the future, in the estimated dates of the disbursements or in the applied discount rate are added to or deducted from the cost of the asset, without exceeding the book value of the asset, any excess is immediately recognized in the result of the period. The change in the value of the provision associated with the passage of time is recognized as a financial expense in the statement of comprehensive income in the profit and loss section of the period.

3.16.2 Onerous contracts:

The company recognizes present obligations that derive from an onerous contract, such as provisions and its counterpart is in the comprehensive income statement. An onerous contract is one in which the unavoidable costs of meeting the obligations involved, exceed the economic benefits expected to be received from it.

3.16.3 Contingent Liabilities

Are possible obligations arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not entirely under the control of the company, or present obligations arising from past events, but that it is not probable, but possible, that an outflow of resources that include economic benefits be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability, are not recognized in the statement of financial position, but instead are revealed as contingent liabilities.

3.16.4 Contingent Assets

The possible assets of nature, arising from past events and whose existence will be confirmed only by the occurrence or in the event of non-occurrence of one or more uncertain future events not wholly within the control of the company, are not recognized in the statement of financial position, instead are revealed as

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contingent assets when its occurrence is probable. When the contingent fact is true the asset and the associated entry in the result of the period is recognized.

3.17 Pensions and other post-employment benefits

3.17.1 Defined Benefit Plans

These are post-employment benefits plans, those in which the company has the legal or implicit obligation to respond for the payments of the benefits that were under its responsibility.

For defined benefit plans, the difference between the fair value of the plan assets and the present value of the obligation of the plan is recognized as an asset or liability in the state of financial situation. The cost of providing benefits under the defined benefit plans is determined separately for each plan, using the method of actuarial valuation of the projected credit unit, using actuarial assumptions up to the date of the reporting period. The assets of the plan are measured at fair value, which is based on the information of prices on the market and, in the case of listed security titles, constitutes the purchase price published.

The actuarial gains or losses, the performance of the assets of the plan and the changes in the effect of the asset ceiling, excluding the values included in the net interest over liabilities (asset) of net defined benefits, are recognized in the other integral result. The actuarial gains or losses include the effects of the changes in the actuarial assumptions as well as the adjustments for experience.

The net interest on liabilities (assets) for net defined benefits includes the interest income for the assets of the plan, costs for interest for the defined benefit obligation and interests for the ceiling effect of the asset.

The current service cost, the cost of past service, any settlement or reduction of the plan is immediately recognized in the integral result status in the status of results section in the period in which they arise.

The company classifies as short term employee benefits those obligations with the employees, they hope to liquidate at the end of the twelve months following the end of the accounting period in which the obligation has been generated or the service provided. Some of these benefits are generated by the labor legislation in force, by collective agreements or by non-formalized practices that generate implicit obligations.

The company recognizes the short-term benefits at the moment in which the employee has provided its services as a liability for the value that will be paid to the employee, by deducting the values already paid beforehand, and its counterpart as a period expense, unless another chapter forces or permits including the payments in the cost of an asset or inventory, for example, if the payment corresponds to employees whose services are directly related to the construction of a work, these will be capitalized to this asset.

In accordance with the foregoing, the accounting recognition of the short-term benefits is done at the moment the transactions occur, regardless of when you pay the employee or third parties to whom the company has entrusted the provision of certain services.

The Company classifies as long term employee benefits, those obligations which they expect to liquidate after the twelve months following the end of the accounting year or the period, in which the employees provide the related services, i.e. from month thirteen onward; are different from the short-term benefits, post-employment benefits and benefits for contract termination.

The Company measures the long-term benefits in the same way as the post-employment defined benefit plans, although its measurement is not subject to the same degree of uncertainty, the same methodology for measurement will be applied as follows:

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- The Company should measure the surplus or deficit in a long term employee benefits plan, using the technique that is applied for the post-employment benefits both for the estimate of the obligation as to the assets of the plan.
- The Company should determine the value of the benefits to employees in a net long term (assets or liabilities) finding the deficit or surplus of the obligation and comparing the asset limit.

The benefits received by the employees year after year, throughout all the working life, should not be considered as "long term", if at the end of the accounting year of each year the company has delivered them in its entirety.

3.18 Fair Value

Fair value is the price that would be received upon selling an asset or would be paid when transferring a liability in an orderly transaction between market participants to the date of measurement, irrespective of whether the price is directly observable or estimated using another valuation technique. When estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants take into account these characteristics when assessing the asset or liability to the date of measurement. The reasonable value for purposes of measurement and/or disclosure in these financial statements is determined on that basis, except for the share-based payment transactions, lease transactions and the measurements that have certain similarities with the fair value but that are not fair value, as the realizable value or the value in use. The fair value of all financial assets and liabilities is determined at the date of presentation of the financial statements, for recognition or disclosure in the notes to the financial statements.

The fair value is determined:

- Based on prices quoted in assets markets for assets or liabilities that are identical to those that the company can access on the date of the measurement (level 1).
- On the basis of valuation techniques commonly used by market participants that use different variables than those of the quoted prices that are observable for assets or liabilities, directly or indirectly (level 2).
- Based on internal valuation techniques of discounted cash flows or other valuation models, using non-observable estimated variables by the company for the asset or liability, in the absence of variables observed in the market (level 3).

In note 29 measurement of fair value, an analysis is provided of the fair values of financial instruments, non-financial assets and liabilities and greater detail of its measurement.

3.18.1 Changes in estimates, accounting policies and errors

3.18.1.1 Changes in accounting estimates

During 2015, the Company revised its accounting estimates, with no significant change in the current period or future. There are no significant changes in accounting estimates to report.

3.18.1.2 Changes in accounting policies

There were no changes in accounting policies.

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**Notes to the Financial Statements
For the year ending December 31st, 2015****3.19 Reclassifications**

The company, for comparison purposes, has made certain presentation reclassifications of the financial statements previously reported as at December 31st, 2014, which are detailed below:

Accrued Results	33,832,005
Term net result	38,257,693
	72,089,698

Non-current Liabilities

Customers' deposits	3,937,505
Other financial liabilities	3,937,505

Current Liabilities

Generation and Transmission	122,213,150
Other accounts payable and accrued expenses	40,839,895
Customers' deposits	6,269,663
Other financial liabilities	169,322,708
	169,322,708

Deferred regulatory accounts

Regulatory assets	11,105,450
Debit balances from deferred regulatory account	11,105,450
Liabilities for deferred income tax	3,331,635
Deferred tax liabilities related to balances of deferred regulatory accounts	3,331,635

2014**Profit and Loss Statement**

	Previous Presentation	New Presentation
Total operational expenses	67,503,471	48,876,559
Costs for rendering of services		18,626,912
Overhead expenses		67,503,471
Loss for writing off asset	1,073,399	
Other expenses		1,073,399

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	2014	
	Previous Presentation	New Presentation
Profit or loss statement		
Total operation expenses	67,503,471	
Costs for rendering services		48,876,559
Overhead expenses		18,626,912
	67,503,471	67,503,471
Loss for writing off a fix asset	1,073,399	
Other expenses		1,073,399

4. Significant accounting judgments, estimates and causes of uncertainty in the preparation of the financial statements.

The following are the judgments and significant assumptions, including those that involve accounting estimates that the administration of the company used in the implementation of accounting policies under IFRS, and which have a significant effect on the values recognized in the financial statements.

The estimates are based on historical experience and based on the best information available on the facts analyzed to the cut-off date. These estimates are used to determine the value of the assets and liabilities in the financial statements, when it is not possible to obtain the value of other sources. The company evaluates its estimates on a regular basis. Actual results may differ from these estimates.

The estimates and the significant judgments made by the company are described below:

4.1 Assessment of the existence of indicators of value deterioration for the assets and asset valuation to determine the existence of impairment loss.

The status of the assets is reviewed on each date of the presentation of reports, to determine if there are indications that anyone these has suffered an impairment loss. If there is impairment loss, the recoverable amount of the asset is affected, if the estimated recoverable amount is lower, it is reduced to its fair value and an impairment loss is immediately recognized in the integral result.

The evaluation of the existence of deterioration indicators is based on external and internal factors, and at the same time on quantitative and qualitative factors. The assessments are based on the financial results, the legal, social and environmental sceneries and market conditions; significant changes in the scope or manner in which it is being used or the asset or a cash-generating unit (UGE, in Spanish) is expected to be used and evidence on the obsolescence or physical deterioration of an asset or UGE, among others.

The calculation of the value in use requires that the entity determines future cash flows that should emerge from the cash generating units and an appropriate discount rate for calculating the present value. When the actual future cash flows are less than the expected, you may encounter an impairment loss.

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4.2 The hypotheses used in the actuarial calculation of the post-employment obligations with the employees.

The assumptions and hypotheses that are used in actuarial studies include: demographic assumptions and financial assumptions, the first relate to the characteristics of current and former employees, have relation with the mortality rate, turnover rates among employees, the latter have relation with the discount rate, future wage increases and changes in future benefits.

4.3 The useful life and residual values of the properties, plant and equipment and intangibles.

In the assumptions and hypotheses that are used for the determination of the useful lives technical aspects are considered such as: periodic maintenance and inspections conducted on the assets, statistics of failure, environmental conditions and operational environment, protection systems, processes of refitting, factors of obsolescence, manufacturer recommendations, geographical and climatic conditions and experience from the technicians that are knowledgeable on the assets. For the determination of the residual value aspects are considered such as: market values, reference journals and historical data of sales.

4.4 The probability of occurrence and the value of the liabilities of uncertain value or contingencies.

The assumptions used for uncertain or contingent liabilities, includes the qualification of the legal process by the "Expert judgment" of the professionals of the areas, the type of contingent liability, the possible legislative changes and the existence of jurisprudence of the high courts that apply to the specific case in question, - the existence within the company of similar cases, the study and analysis of the substance of the matter, the existing guarantees at the time of the occurrence of the events.

The company will disclose but not recognize those obligations qualified as possible in the financial statements, the obligations described as remote are not revealed and are not recognized.

4.5 The future expenditures by dismantling obligations and withdrawal of assets.

In the assumptions and hypotheses that are used for the determination of the future expenditures due to dismantling obligations and withdrawal of assets, aspects such as these are considered: estimates of future disbursements in which the company must incur for the implementation of the activities associated with the dismantlement of the assets over which legal or implied obligations have been identified, the initial date of the dismantling or restoration, the estimated completion date and discount rates.

5. Properties, plant and equipment, net

The following is the detail of the book value of the properties, plant and equipment:

Concept	2015	2014
Cost	623,437,309	553,182,037
Accumulated depreciation and impairment of the value	202,688,817	187,706,329
Total	420,748,492	365,475,708

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Notes to the Financial Statements **For the year ending December 31st, 2015**

The movement of the cost, depreciation and deterioration of the properties, plant and equipment is detailed below:

2015	Networks, lines and cables	Plants, ducts and tunnels	Ongoing construction	Land and Buildings	Machinery and Equipment	Communications and computer equipment	Furniture, fixtures and office equipment	Other properties, plant and equipment	Total
Cost initial balance	284,023,399	118,309,051	45,654,490	27,420,805	63,981,562	7,014,631	1,345,842	5,432,258	553,182,038
Additions	31,301,617	18,506,325	84,469,937	10,842,459	9,483,948	1,829,593	251,072	684,563	157,369,514
Transfers	-	-	(79,717,208)	-	-	-	-	-	(79,717,208)
Disposals	(4,159,770)	(43,215)	-	(5,448)	(2,201,825)	(792,651)	(61,704)	(135,627)	(7,400,240)
Other changes	-	-	-	3,205	-	-	-	-	3,205
Cost final balance	311,165,246	136,772,161	50,407,219	38,261,021	71,263,685	8,051,573	1,535,210	5,981,194	623,437,309
Accrued Depreciation and impairment in value									
Initial balance of accumulated depreciation	102,588,126	52,813,700	-	6,667,223	18,578,314	4,373,643	725,808	1,959,515	187,706,329
Term depreciation	10,180,105	3,885,737	-	644,116	4,484,661	1,045,671	199,848	540,738	20,980,876
Disposals	(3,654,690)	(36,098)	-	(2,098)	(1,397,133)	(777,610)	(31,114)	(115,283)	(6,014,026)
Other changes	12,418	-	-	-	-	-	-	3,220	15,638
Final balance of accumulated depreciation	109,125,959	56,663,339	-	7,309,241	21,665,842	4,641,704	894,542	2,388,190	202,688,817
Total final balance properties, plant and equipment, net	202,039,287	80,108,822	50,407,219	30,951,780	49,597,843	3,409,869	640,668	3,593,004	420,748,492
2014	Network, lines and cables	Plants, ducts and tunnels	Ongoing Construction	Land and Buildings	Machinery and Equipment	Communications and computer equipment	Furniture, fixtures and office equipment	Other properties, plant and equipment	Total
Cost initial balance	263,043,429	109,043,209	48,992,802	23,184,670	61,053,588	6,640,081	1,300,745	3,626,425	516,884,949
Additions	24,236,231	9,806,755	53,656,182	4,465,258	5,766,246	817,517	48,582	1,942,088	100,738,859
Transfers	-	-	(56,994,494)	-	-	-	-	-	(56,994,494)
Disposals	(3,256,261)	(540,913)	-	(229,123)	(2,838,272)	(442,967)	(3,485)	(136,256)	(7,447,277)
Cost final balance	284,023,399	118,309,051	45,654,490	27,420,805	63,981,562	7,014,631	1,345,842	5,432,257	553,182,037
Accrued depreciation and impairment in value									
Initial balance of accumulated depreciation	96,550,887	49,389,346	-	6,236,766	16,555,164	4,042,972	546,020	1,581,729	174,902,884
Term depreciation	8,689,217	3,965,268	-	649,853	3,861,868	676,676	182,528	463,296	18,488,706
Disposals	(3,505,727)	(540,914)	-	(219,396)	(1,673,585)	(346,005)	(2,740)	(85,510)	(6,373,877)
Transfers	853,749	-	-	-	(165,133)	-	-	-	688,616
Final accumulated depreciation balance	102,588,126	52,813,700	-	6,667,223	18,578,314	4,373,643	725,808	1,959,515	187,706,329
Total final balance, properties, plant and equipment, net	181,435,273	65,495,351	45,654,490	20,753,582	45,403,248	2,640,988	620,034	3,472,742	365,475,708

At the end of the periods, a test for the value impairment to assets was carried out for having registered intangible assets with an indefinite useful life, no impairments were identified in the long-lived assets.

The constructions in progress include capitalization of costs by loans for B/.702,022 (2014: B/.1,540,125), the average rate used to determine the amount of the costs for loans was 5.9504% (2014: 5.9415%), which is the effective interest rate specifically for this type of loan.

The other properties, plant and equipment include the vehicular fleet and replacement assets.

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The main constructions in course correspond to the following:

Project	2015	2014
Corporate Building	8,307,593	-
Loss reduction and reliability improvements	8,290,525	5,099,412
Substation and high voltage lines	5,380,745	15,250,120
Grid Growth	8,565,335	10,364,868
ASEP special projects	3,721,517	724,945
Materials warehousing	3,513,840	309,101
Other individual projects	12,627,664	13,906,044
Total	50,407,218	45,654,490

6. Investment Properties

The fair value of investment properties is determined by appraisal companies that are recognized in the Republic of Panama every 5 years.

	2015	2014
Balance at the beginning of the year	2,142,300	1,697,505
Net profit or loss, for fair value adjustment	337,909	444,795
Balance at the end of the year	2,480,209	2,142,300

The income from investment properties leases for the period, amounted to B/.8,700 (2014: B/.8,700).

7. Other intangible assets

The following is the detail of the book value of the other intangible assets:

Cost	30,430,981	24,405,653
Accrued amortization and impairment in value	10,867,975	8,475,048
Total	19,563,006	15,930,605

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The movement of the cost, amortization and deterioration of intangible assets are detailed below:

	Software and IT applications	Licenses	Other intangible assets¹	Total
2015				
Beginning balance	15,258,322	8,024,560	1,122,771	24,405,653
Additions ²	4,522,988	1,511,304	-	6,034,292
Disposals	(5,759)	-	-	(5,759)
Other changes	-	-	(3,205)	(3,205)
Cost, ending balance	19,775,551	9,535,864	1,119,566	30,430,981
Beginning balance of accumulated amortisation	3,214,700	5,260,348	-	8,475,048
Period amortization	1,652,694	745,991	-	2,398,685
Disposals	(5,758)	-	-	(5,758)
Final balance accumulated amortisation	4,861,636	6,006,339	-	10,867,975
Final balance intangible assets, net	14,913,915	3,529,525	1,119,566	19,563,006
2014				
Beginning balance	6,711,008	6,384,141	1,037,573	14,132,722
Additions ²	8,547,314	1,640,418	85,198	10,272,931
Cost, ending balance	15,258,322	8,024,560	1,122,771	24,405,653
Beginning balance of accumulated amortisation	1,971,591	4,501,484	-	6,473,075
Periodo amortization	1,077,976	758,864	-	1,836,840
Transfers (-/+)	165,133	-	-	165,133
Final balance accumulated amortisation	3,214,700	5,260,348	-	8,475,048
Final balance, intangible assets, net	12,043,623	2,764,211	1,122,771	15,930,605

At the end of the periods a test for the value impairment to assets was carried out for having registered intangible assets with an indefinite useful life, no impairments were identified in the long-lived assets.

¹ Includes easements.

² Includes the purchases, capital disbursements that meet the recognition criteria.

The useful lives of intangible assets are:

Software and IT applications	5 to 15 years
Licenses	5 years
Other intangible assets	Indefinite

The amortisation of the intangibles is recognized as an expense in the income statement.

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The following intangible assets have indefinite useful life for being compensations and reimbursements paid by the company for the constitution of easements required for the passage of its distribution network and at December 31st, 2015 have a book value of B/.1,119,566 (2014: B/.1,122,771).

	2015	2014
Other intangible assets		
Easements	1,119,566	1,122,771
Total intangible assets with undefined useful life	1,119,566	1,122,771

The book value as at December 31st, 2015 and the remaining period of amortization for the significant assets are:

	Remaining amortization term	Book	
		Value 2015	Value 2014
Commercial System (SAP)	13 años	12,673,755	9,710,610
Maximum system	10 años	1,503,721	1,581,540
SCADA System	8 años	1,503,484	1,691,331
		15,680,960	12,983,481

8. Trade and other accounts receivable

The detail of the trade debtors and other accounts receivable is the following:

	2015	2014
Current		
Customers	104,459,863	163,747,040
Impairment value, Public Utilities	(14,434,079)	(13,748,592)
Others	8,844,302	6,237,969
Total current	98,870,086	156,236,417

Accounts receivable from customers generate interests for the overdue balances which are recognized as income until the completion date of the client account which happens after 60 days after the suspension of the supply of electrical energy.

To the cut-off date, the seniority analysis of financial assets at the end of the period of time on which it is reported that are in arrears but are not deteriorated is:

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Aging of the accounts receivable

Unimpaired accounts receivable	Total	Matured but not impaired				
		Less than 30 days	31-60 days	61-90 days	91-120 days	> 121-days
Public Utilities Debtors						
2015	90,158,748	59,592,677	17,688,790	5,046,160	1,193,609	6,637,512
2014	150,130,539	59,509,622	17,764,440	8,361,689	9,710,563	54,784,225
Other debtors						
2015	8,711,338	1,566,459	602,078	200,251	240,730	6,101,820
2014	6,105,878	2,113,501	620,406	854,878	310,319	2,206,774
Total accounts receivable unimpaired						
2015	<u>98,870,086</u>	<u>61,159,136</u>	<u>18,290,868</u>	<u>5,246,411</u>	<u>1,434,339</u>	<u>12,739,332</u>
2014	<u>156,236,417</u>	<u>61,623,123</u>	<u>18,384,846</u>	<u>9,216,567</u>	<u>10,020,882</u>	<u>56,990,999</u>

To the cut-off date, the seniority analysis of financial assets at the end of the period of time on which it is reported and that is in arrears and deteriorated is:

Impaired accounts receivable	Total	Matured and Impaired				
		Less than 30 days	31-60 days	61-90 days	91-120 days	> 121-days
Utilities debtors						
2015	14,301,115	181,864	173,936	146,143	259,177	13,539,995
2014	13,616,501	140,826	148,049	115,896	192,159	13,019,571
Other debtors						
2015	132,964	-	-	-	-	132,964
2014	132,091	-	-	-	-	132,091
Total accounts receivable impaired						
2015	<u>14,434,079</u>	<u>181,864</u>	<u>173,936</u>	<u>146,143</u>	<u>259,177</u>	<u>13,672,959</u>
2014	<u>13,748,592</u>	<u>140,826</u>	<u>148,049</u>	<u>115,896</u>	<u>192,159</u>	<u>13,151,662</u>

The reconciliation of the impairment losses of the portfolio is:

	2015	2014
Beginning balance	13,748,592	11,627,441
Impairment loss recognized during the year	2,863,475	2,231,576
Write-off during the period	<u>(2,177,988)</u>	<u>(110,425)</u>
Ending balance	<u>14,434,079</u>	<u>13,748,592</u>

The Company writes off, against the deterioration of recognized value in an allowance account, the values of the deteriorated financial assets when they are removed accounts of more than 1 year and which have had the management of charges carried out without success. The Company recognizes the total impairment loss through an allowance account and not in a direct manner.

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**Notes to the Financial Statements
For the year ending December 31st, 2015****9. Other assets**

The detail of other assets at the end of the year is:

	2015	2014
Current		
Advance to vendors	11,289	15,384
Various insurances	205,413	215,592
Other expenses to amortize	111,076	72,817
Temporary costs of vehicle maintenance	34,179	5,582
Total other current assets	361,957	309,375
Non-current		
Severance compensation fund	269,106	344,223
Severance compensation fund - interests	46,767	511,808
Guarantee deposit	185,174	102,610
Accounts receivable, customers	-	43,136
Total other non-current assets	501,047	1,001,777
Total other assets	863,004	1,311,152

10. Inventories

Inventories at the end of the year were represented as follows:

Materials for the rendering of service ¹	24,490,519	17,683,386
Inventory in transit	1,377,040	401,519
Total inventories at cost or net realizable value, whichever is less	25,867,559	18,084,905

¹Includes material for internal use and for rendering of service.

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Notes to the Financial Statements For the year ending December 31st, 2015

11. Cash and cash equivalents

The composition of cash and cash equivalents at end of period is the following:

	2015	2014
Cash at hand and banks	2,146,109	4,214,886
Total cash and cash equivalents presented in the Statement of Financial Situation	<u>2,146,109</u>	<u>4,214,886</u>
Cash and cash equivalents presented in the cash flows statements	<u>2,146,109</u>	<u>4,214,886</u>

12. Equity

The capital stock of the company is composed of 50,000,000 of common shares authorized and issued without nominal value of which 160,031 shares are in treasury.

By minutes of the board of directors dated February 26, 2015 a dividend distribution of B/.74,080,704 was approved corresponding to priors years earnings.

13. Components of other comprehensive income

The detail of each component of the other comprehensive income of the separate statement of financial position and the corresponding tax effect is the following:

	2015			2014		
	Gross	Tax Effect	Net	Gross	Tax Effect	Net
New measures for defined benefits plans	447,074	134,122	312,952	283,023	58,217	224,806
Total	<u>447,074</u>	<u>134,122</u>	<u>312,952</u>	<u>283,023</u>	<u>58,217</u>	<u>224,806</u>

For each component of the integral result a reconciliation of the opening and closing balances to the cut-off date is presented below.

13.1. Component remeasurements of defined benefit plans

The component of new measurements of defined benefit plans represents the cumulative value of the actuarial gain or loss, the performance of the assets of the plan and the changes in the ceiling effect of the asset, excluding the values included in the net interest on liabilities (asset) of defined net benefits. The net value of the new measurements is transferred to the accumulated earnings and not reclassified to the results of the period.

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	2015	2014
Initial balance	224,806	290,610
Results of the year for new measures done to defined benefits plan	164,051	(7,587)
Associated Income Tax	(75,905)	(58,217)
 Total	 312,952	 224,806

14. Credits and Loans

The detail of the facilities and long-term debt to the cut-off date is the following:

	2015	2014
Non-current		
<i>Credits and Loans</i>		
Bonds and securities issued	200,975,975	200,607,076
Total other credits and non-current loans	<u>200,975,975</u>	<u>200,607,076</u>
Credits and Loans		
Commercial banking loans	27,000,000	12,000,000
Total other credits and current loans	<u>27,000,000</u>	<u>12,000,000</u>
Total other credits and non-current loans	<u>227,975,975</u>	<u>212,607,076</u>

The Company maintains contracts for credit lines facilities with the Bank of Nova Scotia, Banco General, S.A., Banistmo, S.A. Panama Bank, S.A., The National Bank of Panama for a total value up to the 31st of December 2015 of B/.172, 000,000 (2014: B/.172, 000,000), with LIBOR annual interest rates of between one (1) to three (3) or six (6) months, plus a margin between 2% to 2.5%. The credit lines are not subject to guarantees and are available for a maximum period of one year. The Company uses these credit facilities depending on the need for working capital or other needs. These credit facilities have an order of precedence "pari passu" with other "senior" obligations not guaranteed and not subordinate of the company. The credit lines include, among other provisions, an indicator of debt coverage which sets a limit of indebtedness that does not exceed 3.25 of its EBITDA.

By entity, the long-term debt detail is the following:

	2015		2014	
	IRR	Value	IRR	Value
Long-term debt				
Preferred bonds 2021	8.16%	101,764,850	8.16%	101,518,185
Corporate Bonds 2018	3.46%	20,223,889	3.46%	20,173,412
Preferred Bonds 2027	4.96%	78,987,236	4.96%	78,915,479
 Total		 <u>200,975,975</u>		 <u>200,607,076</u>

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Preferred bonds 2021

The Company has bonds payable according to the Debt Agreement ("Senior Notes") for a nominal value of B/.100, 000,000. The bonds have a fixed interest rate of 7.6%, payable semi-annually, with maturity in 2021. The payment to capital is performed at maturity. The bonds are not guaranteed and are not subordinated. The company can redeem the bonds, in whole or in part, at any time prior to its expiration provided they meet certain conditions that include the payment of a premium. The obligations include among other provisions an indicator of debt coverage which sets a limit of indebtedness that does not exceed 3.25 times of its EBITDA.

In the occurrence of an event of non-compliance in the terms and conditions of the Debt Agreement the Trustee, at the request of the holders of the bonds that hold no less than 25% in principal amount and foreseeing that the non-compliance event remains, all bonds will be immediately declared due and payable.

Corporate Bonds 2018

On the 20th of October 2008, in a public offering, the company offered corporate bonds "Bonds" for a nominal value of B/.40,000,000 unsecured and unsubordinated with expiration date on October 20th, 2018. On that date, B/.20,000,000 were signed and issued with Banco General, S. A., which correspond to these bonds. The bonds have an order of preference "pari passu" with other company obligations not guaranteed and not subordinated. The bonds will yield a Libor interest rate plus 2.375% annual, payable quarterly. The payment to capital is performed on the due date. The product of the offering of the Bonds was used for current and future capital investments and for general corporate purposes. The Bonds are subject to additional terms and conditions subject to this transaction. The obligations include indicators of coverage of debt and other provisions. The company can redeem the Bonds, in part or completely, upon the third anniversary since the date of offer.

In the event of non-compliance with the terms of the contract that originate in one or more grounds for an anticipated expiration and these have not been corrected within the stipulated deadline, the administrative agent may, for and on behalf of the registered holders of the Bonds, issue a declaration of anticipated expiration which shall be communicated to the company and in whose date of issuance all Bonds of the issue will be constituted automatically in obligations of expired term and the company will be requested to contribute the amount necessary to cover the capital of the Bonds issued and in circulation and the interest earned on the same, whether they are late or ordinary, and all and any fees, commissions or other amounts owed by the Issuer.

Preferred bonds 2027

Dated December 6, 2012 the company signed an Agreement for the Purchase of Promissory Notes with a group of investors that individually agreed to buy from the company a total of B/.80,000,000 in Preferred Bonds ("Senior Notes"). The bonds were agreed upon with a fixed rate of 4.73% payable semiannually, with maturity on the 13th of December 2027 and were issued pursuant to the Indenture Agreement, signed between the company and The Bank of New York Mellon in its capacity as fiduciary agent dated of December 11th, 2012.

With reference to the Agreement of Purchase of Notes and the Indenture Agreement the company signed on December 13th, 2012 a Bridge Financing Agreement where the company agrees to issue promises of payment, free of taxes "Bridge Notes", to the order of each of the buyers for a total of B/.80,000,000., each Buyer severally agrees to the transfer the corresponding respective funds to each one of these Bridge Notes to the company. The Agreement establishes that the Bridge Notes shall bear an annual interest of 4.73% cumulative from the date of the transfer of the funds, with maturity on February 1st, 2013 or on the date of termination of the Financing Agreement, whichever comes first. The Financing Agreement may be terminated

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by mutual agreement of the parties or in the absence of the issuance of the preferred bonds. The Financing Agreement requires that the company maintains and ensures that it has the capacity for indebtedness in funds available under its facilities of credit lines along with their cash equivalents by an amount in excess of the amount to cancel due to the termination of this Agreement.

On January 17th, 2013 the closure of the Purchase Agreement of Notes was carried out whereupon the preferred bonds were handed over to the buyers, being that on the same date it is confirmed by the company and the buyers that the conditions of the purchase agreement of notes that have been met, to satisfaction, and the company is released of its obligations of the payment under the Bridge Notes and the Financing Agreement. The payment of the undersigned price under the issuance of the preferred bonds must be met with the cancellation of the Bridge Notes and the payment obligations established in the Financing Agreement without any additional payment by buyers to the company.

During the time of the Indenture Agreement, the company must comply with the terms of the agreements, some of which are listed below:

- Prohibition on granting tax on any of its properties or assets of the company or its Subsidiaries.
- Do not allow any Subsidiary, in one or several transactions to consolidate, merge with or join with any company or grant, yield or transfer all or substantially all of its assets, assets or income to any company (which is not a Subsidiary of the company) or allow any company (which is not a Subsidiary of the company) to merge with or in it.
- Do not allow the Total Indebtedness Ratio to EBITDA of which at the moment are the most recently elapsed after four fiscal quarters exceed 3.50x. The Total Indebtedness Ratio to EBITDA may exceed 3.50x during a period of Eligible Investment or Capital Investment no more than two times during the validity of the Bonds, provided that during this period the Total Indebtedness Ratio to EBITDA does not exceed 4.0x.

If the Company fails to meet the performance or observation of any of the clauses or terms described above the Trustee shall, at the request of the holders, declare the totality of the bonds immediately due and payable. After the bonds have become immediately due and payable the company must pay the Trustee an amount equal to the sum of the amount of the capital of the outstanding bonds, all interest earned thereon, the additional amounts and the amount of restitution (the "Amount of Depreciation for Events of Default"), calculated by the Company and notified to the Trustee in writing. For the purposes of the amount of depreciation for events of default, the "Sum of Restitution" shall be equal to the difference between (i) the sum of (a) the present value of the future capital and cash flows by interest on expected bonds (minus any accrued interest), discounted at an annual rate equal to the yield of the treasury bonds in force at that corresponding time closest to the weighted average life remaining on the bonds calculated at the time of payment of the depreciation for events of default and (b) 0.50 per cent per annum and (ii) the amount of capital of the bonds in circulation.

The company defers the costs associated with the issuance of long-term debt. These costs include the costs of commission and other costs such as: legal, registration and stamps. The costs of issuing debt are depreciated on the basis of the term of validity of the debt instrument using the effective interest method and is presented net of long-term debt on the balance sheet of the company.

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15. Other financial liabilities

The other financial liabilities are composed of:

	2015	2014
Non-current		
Deposits received in guarantee	3,166,598	3,937,505
Construction Contracts	1,971,938	-
Total other non-current financial liabilities	<u>5,138,536</u>	<u>3,937,505</u>
Current		
Creditos	73,799,485	122,213,151
Purchases of goods and services	27,980,005	17,352,935
Government subsidies	22,488,971	-
Deposits received in guarantee	3,512,776	6,265,695
Advances and advances received	3,222	1,214
Other accounts payable	2,876,624	3,409,316
Construction Contracts	23,819,263	19,816,282
Payable commissions	<u>215,130</u>	<u>264,116</u>
Total other current financial liabilities	<u>154,695,476</u>	<u>169,322,708</u>
Total other financial liabilities	<u>159,834,012</u>	<u>173,260,213</u>

16. Employee Benefits

The line item of employee benefits recognized to the cut-off date, presents the following composition:

	2015	2014
Non-current		
Post-employment benefits	(379,462)	116,433
Current		
Post-employment benefits	<u>(38,882)</u>	<u>(36,420)</u>
Total	<u>(418,344)</u>	<u>80,013</u>

16.1 Post-employment benefits

Includes the defined benefit plans detailed below:

16.1.1. Defined benefit plans

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	Utilities subsidy		Other defined benefit plans		Total	
	2015	2014	2015	2014	2015	2014
Present value of obligations due to defined benefits						
Initial balance	(353,468)	(338,699)	(1,402,816)	(1,281,724)	(1,756,284)	(1,620,423)
Cost of present service	-	-	(81,253)	(51,242)	(81,253)	(51,242)
Income or (expenses) due to interests	(13,182)	(10,609)	(60,379)	(70,398)	(73,560)	(81,007)
Assumptions due to experience	(70,293)	(36,516)	(245,579)	(86,882)	(315,872)	(123,398)
Financial Assumptions	49,354	(4,809)	43,204	(102,346)	92,558	(107,155)
Payments made by the plan ³	37,786	37,165	223,780	189,776	261,566	226,941
Present value of obligations at December 31st	(349,803)	(353,468)	(1,523,043)	(1,402,816)	(1,872,846)	(1,756,284)
Reasonable value of the assets of the plan						
Initial blance	-	-	2,021,129	1,819,110	-	-
Contributions made to plan	-	-	247,470	202,019	-	-
Payments made by the plan ³	-	-	(688,531)	-	-	-
Reasonable value of the assets of the plan at December31st	-	-	1,580,068	2,021,129	-	-
Surplus or (deficit) of the defined benefits plan	-	-	57,025	618,313	-	-
Ajustment to the surplus due to active limit			(125,566)	(184,832)		
Net asset or (liability) of the defined benefits plan	-	-	(68,541)	433,481	-	-
Other line items of defined benefits						
Total defined benefits	(349,803)	(353,468)	(68,541)	433,481	(418,344)	80,013

The company has three post-employment defined benefit plans:

- Seniority Premium and Severance Payment fund**

According to the Labor Code of the Republic of Panama upon the termination of a contract for an indefinite time, whatever the cause may be, the worker has the right to a seniority premium at a rate of one week's salary for each year of work, since the start of the employment relationship. The seniority premium represents 1.92% of the wages paid.

The Labor Code, amended by Act No. 44 of August 12th, 1995, specifies that employers shall establish an unemployment fund to cover the seniority premium and compensation for unjustified dismissal or justified resignation. The Company maintains a trust through an authorized entity called Profuturo, S.A., who acts as trustee to ensure liabilities for the unemployment fund.

- Discount on the electricity billing to a group of retirees of the IRHE**

The benefit grants a 50% discount on the billing for electrical services to a closed group of former collaborators of the IRHE, regardless of the service provider that these may use.

- Retirement Bonus**

Current employees of the company have the benefit of a bonus of B/.2 thousand when they benefit from their retirement by age conceded by the Social Insurance Fund.

The weighted average of the duration in years, of the obligations for defined benefit plans, the cut-off date, is from 2016 to 2056.

The company made contributions for defined benefits during the period for B/.247,470 (2014: B/.202,019) and is expects to make contributions for the next annual period of B/.250,489.

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The assets of the plan, managed by Pro Futuro, invests mainly in fixed terms and bonds as regulated in the Executive Decree No. 106 of the year 1995. The maximum the fair value of the asset is the amount contributed by the company (the employees do not perform contributions), the revenues for the change of the market value of the investments correspond to the administrator of the Fund.

The principal actuarial assumptions used to determine the obligations for defined benefit plans are the following:

Assumptions	Concept	
	2015	2014
Discount rate - seniority premium (%)	4.39	4.43
Annual salary increase rate (%)	4	4
Survival rates	Mortality Table of the Urban Population of the Republic of Panama	

The following table reflects the effect of a variation of more than 1% and less 1% in the wage increase, the discount rate and the increase in the benefit on the obligation due to defined post-employment benefits plans:

Assumptions	Increase in the discount rate at +1%	Decline in the discount rate - 1%	Rise in salary increase at +1%	Decline in salary increase at - 1%	Rise in the increase of the benefit at +1%	Decline in the increase of the benefit at - 1%
Seniority premium	(134,310)	162,649	138,034	(116,835)	-	-
Utilities' subsidy	(23,093)	26,043	-	-	24,732	(22,324)
Retirement bonus	(6,069)	7,050	-	-	-	-
Total Post-employment benefits	(163,472)	195,742	138,034	(116,835)	24,732	(22,324)

There have been no changes in the methods and assumptions used to prepare the sensitivity analysis of the period previous to the current.

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17. Provisions, Contingent Assets and Liabilities

17.1 Provisions

Item	Dismantling or restoration	Litigation	Others	Total
Initial balance	175,315	485,293	1,315,372	1,975,980
Shares	2,802	10,848	3,049,023	3,062,673
Utilization (-)	-	(5,000)	(913,480)	(918,480)
Reversals and unused amounts	-	(66,009)	(30,368)	(96,377)
Final Balance	178,117	425,132	3,420,547	4,023,796
Non-current	-	425,132	-	425,132
Current	178,117	-	3,420,547	3,598,664
Total	178,117	425,132	3,420,547	4,023,796

17.1.1 Dismantling

The company is obliged to incur in dismantling costs or restoration of its facilities and related assets with transformers where it is confirmed or is deemed to contain poly-chlorinated Bi-Fenol ("PCB") whether it is in use or out of service. The company is committed to the dismantling of these assets since 2002 to 2025 maximum term indicated by the Stockholm Convention. The provision is recognized by the present value of the expected costs to cancel the obligation using estimated cash flows. The cash flows are discounted at a rate before taxes, which is the average rate of indebtedness of the company. The main assumptions considered in the calculation of the provision are:

- a. It was determined that 34 transformers should be discarded for being suspects in PCB content.
- b. The present value of the obligation was determined by using a discount rate of 1,598% which is the rate of return extrapolated for Global Bonds 2015 of the Republic of Panama.
- c. The legal obligation (implicit) of dismantling the transformers appears for the first time in ENSA in the year 2002 with the subscription of the Republic of Panama to the Rotterdam Convention.

17.1.2 Litigation

This provision covers the probable estimated losses related to labor, administrative, civil and fiscal litigations (administrative and governmental procedures) that arise in the operation. The main assumptions considered in the calculation of the provision are:

- a. Cases are reviewed by the legal advisers to determine, according to their development, the likelihood or not of incurring in outflow of resources.
- b. The legal advisers provide the best estimate for the reserve of litigations.
- c. The estimated date of payment is provided by the legal technicians.

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The following are the recognized litigations:

Claims:	Valor
Civil ordinary process for affecting third parties	300,000
Civil process for the development of the project of the Llano Bonito Substation	116,665
Civil process for the discount applied in billed services	6,110
Civil Liability Lawsuit for equipment damages	2,357
Total recognized litigation	425,132

17.1.3 Other provisions

The company maintains other provisions to cover compensations to customers that occur due to possible breaches in standards regulated by the Autoridad Nacional de los Servicios Públicos (ASEP). The amounts of these compensations are provided by the technical area of the company which makes calculations based on indicators provided by the system.

Estimated payments

The estimate of the dates in which the company deems that it must deal with the payments related to provisions included in the statement of financial position to the cut-off date, is the following:

Estimated Payments	Dismantling or restoration	Litigation	Others	Total
2016	178,117	-	3,420,547	3,598,664
2017	-	425,132	-	425,132
Total	178,117	425,132	3,420,547	4,023,796

17.2 *Contingent Liabilities*

Type of Contingency	Contingent Liabilities
Litigation	7,313,639
Guarantees	83,212,422
Total	90,526,061

The ASEP through Resolution AN No. 9075-Elec of September 7th, 2015, orders the company, to apply a tariff reduction for the non-compliance of the service quality standards, for the sum of US\$7,060,063.27 associated with the interruptions registered over the years 2012, 2013 and 2014. According to the resolution, the amount previously indicated must be applied every six months, in a period of eight (8) years from the first half of 2016,

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totaling sixteen (16) semiannual installments. The company believes that the calculated sum and criteria applied by the Regulator to fix the amounts are not correct, which is why an appeal for reconsideration was filed before the ASEP against the resolution, which has not been resolved. The company submitted before the Supreme Court of Justice, 33 protections of guarantees, 19 of which have already been admitted and are pending to be resolved in the fund. With the presentation of these protections of warranty, the effects of the resolution AN No. 9075-Elec of September 7th, 2015 were suspended.

The main litigations pending resolution and judicial and extrajudicial disputes in which the Business is a party to the cut-off date, are listed below:

Contingent liabilities:

Libel	Value
For being in default of the technical service quality standard	7,060,063
Civil Lawsuit due to damages caused by the cancellation of the contract	188,649
Lawsuit for property damages	60,000
Process for consumer protection due to demand in billing	4,927
Total contingent liabilities	7,313,639

The company has granted the following guarantees:

Third Parties	Libel	Value
Autoridad Nacional de los Servicios Publicos	Performance bond to guarantee compliance with obligation contracted in the Concession Agreement.	15,000,000
Generating Companies	Performance bond to provide credit surety and compliance with the obligations contracted in the Power Purchase Agreements	61,765,487
Empresa de Transmisión Eléctrica, S.A.	Bank guarantee to assure the payment of one month of billing of the Transmission System	1,255,120
Empresa de Transmisión Eléctrica, S.A.	Letter of credit as payment guarantee of the power purchase costs in the spot market	4,768,051
Regulator Operating Entity	Letter of credit as payment guarantee of the power purchase costs in the spot market	423,764
Total Guarantees Granted		<u>83,212,422</u>

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18. Other liabilities

The detail of the Other liabilities is the following:

	2015	2014
Non-current		
Unearned income	711,520	820,773
Government subsidies	<u>2,303,914</u>	<u>2,409,510</u>
Total	<u>3,015,434</u>	<u>3,230,283</u>

18.1 The detail of government subsidies to the cut-off date was:

	2015	2014
Initial balance	2,409,510	2,515,105
Recognized in the year's results	<u>(105,596)</u>	<u>(105,595)</u>
Final Balance	<u>2,303,914</u>	<u>2,409,510</u>

19. Deferred regulatory accounts

The company is subject to regulation by the ASEP. This entity is responsible for regulating and setting the final rates that the Company invoices to their customers. The company maintains its accounting records in accordance with the uniform system of accounts established by the ASEP for the electricity companies.

The regulated system under which the company operates allows any excess or deficiency between the estimated cost of energy considered in the rate and the actual cost incurred by the company to be included as a compensatory adjustment, to be recovered from or returned to the customers in the next tariff review. Any excess in the energy cost charged to customers is accumulated as credit balance in a deferred regulatory account in the balance sheets of the company and leads to a reduction in the next tariff review to be applied to clients. In the same way, any shortfall in the energy cost charged to customers is accumulated as debit balance into a deferred regulatory account in the balance sheets of the company and leads to an increase in the next tariff review to be recovered from the customers.

The deferred regulatory accounts with debit balance represent probable future revenues associated with certain costs which are expected to be recovered from the customers through the process of the fare. The deferred regulatory accounts with credit balance represent probable reductions in future income associated with amounts that are expected to be credited to the customers through the process of rates.

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The movement of the regulatory accounts is the following:

	Assets (liabilities)	
	2015	2014
Initial balance	11,105,450	4,185,753
Recognized in profit or loss	(30,121,563)	6,919,697
Ending balance	(19,016,113)	11,105,450

The movement of the deferred tax associated with the regulatory accounts is the following:

	Assets (liabilities)	
	2015	2014
Initial balance	(3,331,635)	(1,255,726)
Recognized in the year's results	9,036,469	(2,075,909)
Ending balance	5,704,834	(3,331,635)

The balances associated with the deferred regulatory accounts according to the regulation must be recovered or returned in the following two semesters.

20. Income from continuing operations

	2015	2014
Sales of goods		
Rendering of services		
Power service	588,273,224	664,466,628
Total rendering of services	588,273,224	664,466,628
Other income		
Fees	8,366,790	10,422,845
Other income	7,029,533	2,979,958
Total other income	15,396,323	13,402,803
 Total income for ordinary activities	 603,669,547	 677,869,431

The company has no pledged ordinary income, nor does it have firm commitments with customers, for the provision of services in the future.

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The detail of the costs of rendering services is the following:

	2015	2014
Purchase of energy	467,837,798	543,769,202
Personnel salary and expenses	6,847,107	6,387,634
Maintenance and repairs	2,187,807	2,027,461
Operating leases	1,312,755	1,133,255
General	733,749	650,909
Taxes, contributions and rates	1,202,548	1,016,852
Orders and contracts for other services	17,480,109	14,685,600
Depreciation	20,175,796	18,363,182
Regulatory penalties	3,556,210	1,485,687
Provision for bad debts	2,722,995	2,086,591
Others	1,347,897	1,039,391
 Total costs for rendering services	 525,404,771	 592,645,763

22. Administrative expenses

Details of the administrative expenses are as following:

	2015	2014
Personnel expenses:		
Salaries and wages	4,733,495	4,312,447
Social Security expenses	734,657	632,766
Benefits of the Collective Agreement	1,130,236	1,020,927
Total personnel expenses	6,598,388	5,966,140
 Overhead:		
Taxes, contributions and rates	1,613,511	1,388,767
Comissions, fees and services	2,889,783	2,627,152
Leasing	731,502	658,837
Maintenance	1,961,768	1,977,416
Depreciation	3,203,765	1,962,364
Provision for contingencies	(60,227)	356,751
Others	3,010,741	2,616,086
Total Overhead expenses	13,350,843	11,587,373
 Total	 19,949,232	 17,553,513

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The company signed an operating lease agreement not revocable for seven years, whose validity began in May 2007, for the use of the offices and operating facilities. In October 2013 an automatic extension was requested for an additional three years to the lease contract leaving its expiration in April 2017.

To the cut-off date, the minimum future payments by operating lease, not cancelable, are distributed in the following way:

	2015	2014
	Operational Leasing which cannot be cancelled	
At year one	538,957	559,888
Over one year and up to five years	<u>181,414</u>	<u>770,797</u>
 Total leasing	 <u>720,371</u>	 <u>1,330,685</u>

The quotas of operating lease recognized as the period expenses are B/.731,502 (2014: B/.658,837).

23. Other Expenses

The detail of the other expenditures is as follows:

	2015	2014
Loss in disposal of fixed assets	1,011,940	1,073,399
 Total	 <u>1,011,940</u>	 <u>1,073,399</u>

24. Financial income and expenditures**24.1. Financial Income**

	2015	2014
Income coming from interests		
Bank deposits	69,760	157,447
Other earned interests	<u>138,149</u>	<u>196,020</u>
 Total	 <u>207,909</u>	 <u>353,467</u>

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For the year ending December 31st, 2015****24.2. *Financial expenses***

	2015	2014
Interest expenses:		
Unsecure bonds issues	13,063,761	13,365,346
Total interests	<u>13,063,761</u>	<u>13,365,346</u>
Total expense for interests of financial liabilities which are not measured at reasonable value with changes in the results		
Less capitalized interests in apt assets	(702,022)	(1,136,381)
Other financial expenses	<u>149,118</u>	<u>149,930</u>
Total	<u>12,510,857</u>	<u>12,378,895</u>

25. Income Tax**25.1 *Tax provisions***

The tax provisions applicable and in force, establish the following:

a) The nominal rate of income tax is 30%.

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25.2 Reconciliation of the effective rate

The conciliation between the applicable tax rate and the effective rate and the composition of expenditure by income tax for the 2015 and 2014 periods is as follows:

	2015	%	2014	%
Result before Taxes	45,000,656		54,571,328	
Tax in Theory	13,705,381	30.5%	16,313,635	29.9%
Plus items which increase revenue	80,466,963		6,969,702	
Less items which decrease revenue	(2,807,449)		(54,731,184)	
Liquid ordinary income of the term	122,660,170		6,809,846	
Less exempt income	69,760		157,447	
Taxable liquid income	122,590,410		6,652,399	
Income tax rate		30%		30%
income tax	36,777,123		1,995,720	
Another adjustment to the previous year income tax filing	136,805		-402	
Current tax	<u>36,913,928</u>	<u>30.1%</u>	<u>1,995,318</u>	<u>30.0%</u>
Detail of the current and deferred expenses				
Current tax	36,913,928		1,995,318	
Deferred tax	(23,208,547)		14,318,317	
Income tax	<u>13,705,381</u>		<u>16,313,635</u>	

25.3 Income tax recognized in profits or losses

The most significant components of expenditure by income tax to the cut-off date are:

Expense (income) for current income tax	36,777,123	1,995,720
Adjustments recognized in the current term related to the current income tax of previous terms	136,805	(402)
Total current income tax	<u>36,913,928</u>	<u>1,995,318</u>
Deferred tax		
Net expense (income) neto for deferred tax related to the origin and reversal of temporary differences	(23,208,547)	14,318,317
Total deferred tax	<u>(23,208,547)</u>	<u>14,318,317</u>
Income tax	13,705,381	16,313,635

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25.4 Income tax recognized in other comprehensive income

The value of the assets or liabilities of the tax on the current income is the following:

	2015	2014
Asset or liability for current income tax	58,217	47,227
Income tax	<u>75,905</u>	<u>10,990</u>
Total asset (or liability) income tax	<u>134,122</u>	<u>58,217</u>

The detail of the tax effect corresponding to each component of the "other integral result" of the state of the separate integral result is the following:

	2015			2014		
	Gross	Taxable Effect	Net	Gross	Taxable Effect	Net
New measurements of defined benefits plan	(447,074)	134,122	(312,952)	(283,023)	58,217	(224,806)
Total	<u>(447,074)</u>	<u>134,122</u>	<u>(312,952)</u>	<u>(283,023)</u>	<u>58,217</u>	<u>(224,806)</u>

25.5 Deferred tax

The detail of the deferred tax is:

Non-current Assets

Properties, plant and equipment	(2,104,594)	139,524	-	(1,965,070)
Accounts receivables	(12,941)	12,941	-	-
Others	(103,267)	22,535	-	(80,732)
Investment Properties	(311,194)	(101,373)	-	(412,567)

Current Liabilities

Employees' benefits	10,927	738	-	11,665
Provisions	558,802	612,824	-	1,171,626
Other liabilities	346,935	(126,736)	-	220,199

Non-current liabilities

Employees' benefits	(34,930)	99,554	75,905	140,529
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Total deferred assets/liabilities tax	(13,571,335)	14,172,077	75,905	676,647
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26. Profit per share

The figure of the profit for basic earnings per share is calculated by dividing the net profit for the fiscal year attributable to the holders of ordinary equity of the controller by the weighted average of ordinary shares outstanding during the fiscal year. The figure of the profit per diluted share is calculated by dividing the net profit attributable to ordinary shareholders (after the adjustment for the interests by the convertible preferred

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shares) by the weighted average number of ordinary shares outstanding during the period plus the weighted average of ordinary shares which would be issued through the conversion into ordinary shares of all potential diluted ordinary shares

Below is the information on earnings and shares used in the calculations of the profit per basic and diluted share:

Net profit (loss) attributed to the holders of ordinary equity instruments of the controlling company, to compute basic profit	31,295,275	38,257,693
Net profit (loss) attributed to the holders of ordinary equity instruments of the controlling company adjusted for the diluted effect	31,295,275	38,257,693
Weighted average of the amount of ordinary shares, attributed to the basic profit per share	49,839,969	49,839,969
Weighted average of the amount of ordinary shares adjusted by the diluted effect	49,839,969	49,839,969

There was no other operation with ordinary shares or potential ordinary shares between the date of submission and the date of issuance of these financial statements.

27. Disclosure of information on related parties

ENSA is a commercial company, whose owners are Panama Distribution Group, S.A. (PDG) who owns 51% of the authorized common shares, issued and in circulation; the Panamanian government, and ex-employees of IRHE who possess 48.25% and 0.43%, respectively.

The companies that resulted from the restructuring of the electricity sector in Panama are deemed parties related to ENSA, in which the Government of Panama has participation and the key management personnel.

Below is the total value of the transactions carried out by the company with its related parties during the corresponding period:

	Income	Costs/expenses	Receivable Value	Payable Value
Other related parties:				
2015	86,593,806	236,759,441	2,852,439	38,709,366
2014	73,622,796	291,976,241	1,602,489	28,327,633

Transactions between the company and its related parties, are carried out in conditions equivalent to those that exist in transactions between independent parties, regarding their object and conditions.

In the normal course of business, ENSA purchases electricity from the generators and other distribution companies, they sell energy to governmental institutions and make payments to the transmission company.

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The company is obliged by law to ensure through contracts 100% regulated coverage of the demands of its customers within the following 24 months. The energy purchasing strategy is based on holding contracts of medium and long term to protect customers from the strong fluctuations in the charges of generation of the rates. In addition, ENSA pays to the Electric Transmission Company, S.A. (ETESA) a company owned 100% by the Panamanian State, a regulated rate for the connection and use of the transmission system.

Remuneration for the Directive Board and the key personnel of the company:

The members of the key management personnel in the company include the general manager, vice-presidents and members of the executive committee of the company.

	2015	2014
Remuneration of key management staff	1,894,658	1,446,571

The amounts disclosed are those recognized as cost or expense during the reporting period for compensation of key management personnel.

28. Capital Management

The capital of the company consists of debt (short-term loans, preferential and corporate bonds) and equity (composed of share capital, other comprehensive income and retained earnings). The main objective of the capital management of the Company is to ensure that a strong credit rating and healthy capital indexes are maintained in order to support the sustainability of the business and maximize the return for shareholders.

The company manages its capital structure and makes adjustments in the light of changes in economic conditions and according to requirements of the financial agreements. To maintain or adjust the capital structure, the company may adjust the payment of dividends to shareholders and the return of capital. No changes were made to these objectives during the years ending the 31st of December 2015 and 2014.

The Company keeps track of capital by using an index of indebtedness, which is total debt divided by the sum of the total operating profit plus depreciation and amortization ("EBITDA" by its initials in English Earnings before Interest, Tax, Depreciation and Amortization) in accordance to the requirements of the financial agreements. The policy of the company is to maintain this index of indebtedness that does not exceed 3.25 times of its EBITDA.

To achieve this overall objective, the capital management of the company, among other things, aims to ensure that it complies with the financial agreements of its debt issues that form part of the requirements of its capital structure. The violations of the financial clauses would allow bondholders to immediately call for their cancellation. There have been no breaches of the financial clauses of the bond issues in the current period or earlier.

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	2015	2014
Short-term debt	27,000,000	12,000,000
Preferred Bonds 2021	101,764,850	101,518,185
Corporate Bonds 2018	20,223,889	20,173,412
Preferred Bonds 2027	78,987,236	78,915,479
Cash and Cash Equivalents	(2,146,109)	(4,214,886)
Total net debt	225,829,866	208,392,190
Common shares	106,098,875	106,098,875
Comprehensive Profit and Loss	(312,952)	(224,806)
Retained Profit	31,295,275	72,089,698
Total equity	137,081,198	177,963,767
Total capital	362,911,064	386,355,957
Indebtness Index	165%	117%
Total Indebtness to EBITDA	2.82x	2.45x

29. Objectives and policies of financial risk management

The company is exposed to financial risk, which is defined as the possibility of the occurrence of an event that adversely affects the financial results, within which the market risk, interest rate risk, liquidity risk and credit risk are found.

The company is exposed to financial risks that are part of the course of the business. There is a policy aimed at establishing what the financial risks are that could negatively impact the performance of the business. The policy of the company contemplates, among other things, the development of a risk matrix in which the parameters of measurement, impact and monitoring are established which will allow you to take the necessary prevention and control measures when facing a risk situation. The risks are reviewed by the Administration periodically with the purpose of upgrading the status of the same and deal with it in a timely manner when facing an eventuality.

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29.1 Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument can fluctuate due to variations in market prices. The company has determined that it does not have financial instruments significantly affected by the market risk. Although the thermal generation contracts involve a price adjustment depending on fluctuations in the price of bunker fuel, which generates variations in expenditures of cash flows, these variations in energy purchase costs by regulatory provisions are transferred in its entirety to customers through semiannual adjustments to the tariff.

29.2 Interest rate risk

The interest rate risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of variations in market interest rates. The company is exposed to interest rate risk due to debt contracted at a floating interest rate. The risk is managed by the company maintaining a proper balance between contracted fixed and floating interest rate. In order to minimize the impact of fluctuations in interest rates in our cash flows, the company has the practice of negotiating the margins with our banking institutions of preference. In recent years, we have been able to reduce the margins with regard to our lines of credit that are not guaranteed. Historically, we have not used swaps of interests and similar derivatives to cover our exposure to the risk of interest rate. It is our policy to invest the surplus funds of our operations in sight deposits with first-rate financial entities in Panama. The company also has available credit lines with financial institutions that enable it to withstand potential cash deficits to meet its short-term commitments.

Up to December 31st, 2015 the company maintains a 10% (2014: 10%) of the debt contracted at a floating interest rate and a 90% (2014: 90%) to a fixed interest rate. The position of the Administration with regard to its financing structure has been to contract most of their debt to a fixed rate within a range above 85% and to a variable rate by 15%.

Analysis of sensitivity to interest rates

The interest rate for the unsecured and unsubordinated LIBOR corporate 3-month bonds plus a margin with a maturity of October 20th, 2018, is our only significant debt with a variable interest rate.

The following table indicates the sensitivity to a possible reasonable change in interest rates of the corporate bonds, without considering the effect of hedge accounting. Keeping the other variables constant, the profits before taxes and the equity of the company would be affected by changes in the variable interest rates as follows:

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	Increase/decrease in basic points	Results before taxes	In the equity
2015			
Interest rate 3M LIBOR + Margin	+ 100	(202,778)	(141,945)
Interest rate 3M LIBOR + Margin	- 100	202,778	141,945
Interest rate 3M LIBOR + Margin	+ 200	(405,555)	(283,889)
Interest rate 3M LIBOR + Margin	- 200	405,555	283,889
2014			
Interest rate 3M LIBOR + Margin	+ 100	(272,857)	(191,000)
Interest rate 3M LIBOR + Margin	- 100	272,857	191,000
Interest rate 3M LIBOR + Margin	+ 200	(545,714)	(382,000)
Interest rate 3M LIBOR + Margin	- 200	545,714	382,000

The company believes that the sensitivity analysis is representative with regards to the exposure to the risk of interest rate.

29.3 Foreign exchange risk

The foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of variations in exchange rates. Our revenue and loans and other obligations are denominated in US dollars. We do not face any foreign exchange risk due to the adoption of the U.S. dollar as legal tender and functional currency of Panama and the use of the United States dollar by the company in all our operations and transactions. We do not use Swaps of exchange rates as a hedge against the risk of foreign currency.

29.4 Credit Risk

The credit risk is the risk that one of the partners does not comply with the obligations derived from a financial instrument or contract of purchase and this will translate into a financial loss. The financial instruments that are potentially subject to credit risk for the company are mainly cash and cash equivalents, accounts receivable, accounts receivable from related parties and other financial assets.

The financial institutions in which the company maintains its cash and cash equivalents are recognized institutions and with appropriate credit ratings. The Administration does not consider that there are risk exposures by these financial institutions.

Our credit risk of consumer customers is managed in part by requiring the equivalent to the billing for one month as a security deposit for all new customers. Existing customers with good payment history can open additional accounts without this security deposit. The Company believes that it has no significant concentration of credit risk with respect to non-governmental accounts.

The concentration of credit risk is limited due to the fact that the company is exclusively dedicated to the distribution and marketing of electricity to customers located in its concession area. The company does not believe that there is a risk of significant loss as a result of the concentration of credit, given that a large number of their customers who make up the portfolio are geographically dispersed.

The industrial and commercial customers typically provide deposits or bank guarantees equivalent to one month of estimated cost of service in order to be able to connect to the electricity services. These deposits or

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guarantees may be compensated against the overdue debt for this category of customers. The overdue Government accounts may vary depending on the approval processes of the budget of each government entity. These accounts tend to be paid after the date of its original maturity, usually due to complications in governmental processes of presentation of accounts for its cancellation. The company charges interest on late payments. However, once these governmental budgets are approved and the process is complete, the company generally has the capacity to retrieve all the overdue government accounts receivable.

The Electricity Act 1997 allows the electricity distribution companies to interrupt service to any client whose invoice is not canceled within the 60 days after their billing. The company policy is to contact the commercial and industrial customers in an active manner, whose invoices are due. If a satisfactory agreement is not reached, the service is suspended until you obtain the late charge or get a satisfactory payment agreement. Cuts are routinely carried out for our residential customers after they have been given a notice of termination in a subsequent invoice, a letter of notification, a phone call or any other means of notification at our disposal to inform them of their pending termination of service. Most of the customers cut reconnect again after the customer cancels the invoice due or signs a satisfactory financing agreement. The Electricity Act of 1997 allows the distribution companies to charge interest on the overdue debt from 30 days after the billing date. The company currently uses a regulated interest rate based on the average rate available in local banks. The service is restored once the payment of the debt and the due interest is made. A regular monitoring of the accounts receivable and actions related to daily cut services are used to limit the risk of giving continuous service to delinquent customers.

In addition, the Company believes that its potential credit risk is adequately covered by the provision for doubtful accounts.

With regard to credit risk arising from the other financial assets of the company, which include cash and cash equivalents, other accounts receivable and other financial assets, the company's exposure to credit risk arises from the breach of the counterpart, with a maximum exposure equal to the book value of these instruments. The Company limits the counterparty credit risk in these assets by only dealing commercially with financial institutions with high credit rating.

The Company believes that the value that best represents their exposure to credit risk at the end of the period, without considering any warranty taken or other credit improvements is:

	2015	2014
Restricted cash and cash equivalents	2,146,109	4,214,886
Accounts receivable	14,301,115	13,616,501
Other accounts receivable	132,091	132,964
Deposits and guarantees	<u>958,641</u>	<u>501,047</u>
Maximum exposure to credit risk	<u>17,537,956</u>	<u>18,465,398</u>

29.5 Liquidity Risk

Liquidity Risk

Liquidity risk is the risk that the company finds itself having difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company monitors its risk to the shortage of funds monitoring its debt index and the expiration dates of their existing debt and of the other accounts payable.

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The Company has adopted practices for the management of liquidity risk that have the intention to maintain sufficient cash and liquid financial assets. The company maintains lines of short-term financing with first-rate financial entities in Panama that provide us with the operational flexibility required to meet our energy purchase and other obligations. Due to the fact that the company invests its operation funds to support the annual investment program, it does not maintain significant amounts of cash surplus for additional investments. The main sources of liquidity are the funds generated by operations, and to a lesser extent, by the lines of short-term financing. The company considers that its sources of liquidity are sufficient to meet the needs.

The concentration of liquidity risk is managed by the company negotiating credit facilities with various financial institutions in Panama that allow them to access funds in an expeditious and reliable manner.

The following table shows the remaining contractual maturity analysis for non-derivative financial liabilities:

	Average effective interest rate	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Total contractual obligation
2015							
Non-derivative financial liabilities	-	165,194,611	-	-	-	-	165,194,611
Financial Debt Instruments							
with variable interest rate	3.46%	27,000,000	-	-	-	20,000,000	47,000,000
Financial Debt Instruments							
with fixed interest rate	6.56%	-	-	-	-	180,000,000	180,000,000
Total		<u>192,194,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000,000</u>	<u>392,194,611</u>
2014							
Non-derivative financial liabilities		202,034,353	-	-	-	-	202,034,353
Financial Debt Instruments							
with variable interest rate	3.46%	12,000,000	-	-	-	20,000,000	32,000,000
Financial Debt Instruments							
with fixed interest rate	6.56%	-	-	-	-	180,000,000	180,000,000
Total		<u>214,034,353</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>414,034,353</u>

The values listed in the tables above for non-derivative financial assets and liabilities may change with changes in the variable interest rate with respect to the interest rate estimated at the end of the period of time in which it is reported. The company considers that the cash flows cannot occur earlier than when it is indicated above.

30. Measurement of fair value on a recurring and non-recurring basis

The methodology established in the IFRS 13 Measurement of fair value specifies a hierarchy in valuation techniques on the basis of whether the variables used in the determination of the fair value are observed or not observable. The company determines the fair value with a recurring and non-recurring basis, as well as for the purposes of disclosure:

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Based on prices quoted in the assets market for assets or liabilities that are identical to those that the company can access on the date of the measurement (level 1).

- On the basis of valuation techniques commonly used by market participants that use different variables of the quoted prices that are observable for assets or liabilities, directly or indirectly (level 2).
- Based on internal valuation techniques for discounted cash flows or other valuation models, using variables estimated by the company that are not observable for the asset or liability, in the absence of variables observed in the market (level 3).

There have been no transfers between hierarchy levels of the fair value, given that there have been no transfers of inputs and outputs.

Valuation techniques and variables used by the company in the measurement of fair value for recognition and disclosure:

The reasonable value for long-term debt instruments of fixed rate has been determined with data from level 1 entry that uses quoted prices in active markets for liabilities which are identical to those that the company can access on the date of measurement.

The reasonable value for long-term debt instruments with a variable interest rate has been determined with input data of level 3, using a methodology of discounted cash flows on the basis of the information available on the market.

Investment properties measured at fair value for the purposes of recognition: the price quoted is used in a specific valuation of the goods; these items are classified in level 1 of the hierarchy of fair value.

Accounts receivable customers, accounts payable, short-term debt and customer deposit: the accumulated amount approximates fair value because of the short maturity of these instruments.

The valuation techniques used in the current period of market prices, discounted cash flows and valuations of goods have not changed with respect to the ones used the previous period.

The company used the following significant non-observable variable in the determination of the fair value of level 3 of the hierarchy of the fair value:

	Valuation techniques	Unobserved Variable	Range (Weighted Average)
Pasivos			
Debt Instrument - variable rate	Discounted cash flows	5.25% Discount rate	1.50% -2.50% LIBOR 3M + Margin

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The book value and the estimated fair value of the assets and liabilities of the company that are not recognized at fair value in the separate statement of financial position, but require its disclosure to fair value to the cut-off date are:

Liabilities	2015				2014			
	Book Value	Estimated Reasonable Value			Book Value	Estimated Reasonable Value		
		Nivel 1	Nivel 3	Total		Level 1	Level 3	Total
Debt Instrument - rate	180,752,086	195,472,800		195,472,800	180,433,664	198,647,600		198,647,600
Debt Instrument - variable	20,223,899	-	19,507,679	19,507,679	20,173,412	-	18,434,437	18,434,437
Total	200,975,975	195,472,800	19,507,679	214,980,479	200,607,076	198,647,600	18,434,437	217,082,037
		92%	8%			92%	8%	

31. Subsequent events

The Company evaluated all events and transactions that took place between the date of the state of the financial situation and the date on which the financial statements were issued and determined that no additional disclosures are required.

32. Approval of the financial statements

The financial statements were approved by the Board of Directors and authorized to be issue on February 17, 2016.

* * * * *

Profit and loss statement (unaudited)
 for the twelve months ending on December 31st, 2015 and 2014

	Twelve months ending		Quarter ending	
	December 31st 2015	December 31st 2014	December 31st 2015	December 31st 2014
Income				
Energy sales	588,273,224	664,466,628	143,244,674	141,470,778
Other income	15,396,323	13,402,803	4,524,062	3,309,861
Total income	603,669,547	677,869,431	147,768,736	144,780,639
Power purchases and transmission charges, net	467,837,798	543,769,204	111,137,915	108,983,262
Gross margin, distribution	135,831,749	134,100,227	36,630,821	35,797,377
Operation expenses				
Salaries and other costs related to personnel	12,051,487	11,028,055	3,452,571	2,798,576
Provision for doubtful collection accounts, net	2,722,995	2,086,590	790,441	505,573
Repair and maintenance	3,844,945	3,736,219	921,691	1,196,107
Professional services	20,369,892	17,313,165	5,952,445	5,064,122
Depreciation and amortization	23,379,561	20,325,546	5,957,465	5,013,894
Overhead	15,147,325	11,940,497	5,092,771	2,055,846
Loss in writing off a fixed asset	1,011,940	1,073,399	283,756	452,820
Total operation expenses	78,528,145	67,503,471	22,451,140	17,086,938
Profits from operations	57,303,604	66,596,756	14,179,681	18,710,439
Financial income	207,909	353,467	58,538	53,207
Financial expenses	(12,510,857)	(12,378,895)	(3,069,408)	(3,620,791)
Profit before Income Taxes	45,000,656	54,571,328	11,168,811	15,142,855
Income tax				
Current	36,913,928	1,995,318	3,924,815	(329,890)
Deferred	(23,208,547)	14,318,317	(577,437)	4,841,337
Total Income Tax	13,705,381	16,313,635	3,347,378	4,511,447
Net Profit	31,295,275	38,257,693	7,821,433	10,631,408