Free Translation

Elektra Noreste, S.A.

(a 51% owned subsidiary of Panama Distribution Group, S.A.)

Financial Statements
For June 30, 2011 and December 31, 2010

Elektra Noreste, S.A.

(a 51% owned subsidiary of Panama Distribution Group, S.A.)

Financial Statements
June 30, 2011 and December 31, 2010

Table of Contents	Page

Elektra Noreste, S.A.

ENSA

Management Responsibility for the Financial Reporting

The management of Elektra Noreste, S.A. is responsible for the information and representations in the Company's financial statements. The Company prepares the financial statements in accordance with accounting principles generally accepted in the United States of America, based upon available facts and circumstances and management best estimates and judgments of known conditions.

The Company maintains an accounting system and related system of internal controls designed to provide reasonable assurance to Elektra´s management regarding the preparation of reliable financial statements and that the financial records are accurate and Company's assets are protected. The Company's staff of internal auditors conducts periodic reviews to maintain effectiveness of internal control procedures, corrective actions are taken to address control deficiencies and other opportunities for improving the system as they are identified.

Based on our knowledge, the financial statements as of June 30, 2011 fairly present in all material respects the financial condition, results of operations and cash flows for the Company as of, and for the periods presented.

Javier Pariente	Eric Morales
Executive Vice President &	Chief Financial Officer
General Manager	C.P.A. #1769

August 30, 2011
Panama, Republic of Panama

Elektra Noreste, S.A.
(a 51% owned subsidiary of Panama Distribution Group, S.A.)

Balance Sheets (unaudited)
As of June 30, 2011 and December 31, 2010
(Expressed in United States dollars)

Assets	Notes	2011	2010
Current assets:			
Cash		$ 7,205,317	$ 21,984,499
Accounts receivable:			
Trade and other, net	3	67,917,927	58,168,380
Fuel component adjustment	2m, 6	26,440,351	-
Accounts receivable, net		94,358,278	58,168,380
Inventory		4,891,347	5,630,085
Prepaid income tax	4	1,846,980	-
Deferred income tax		-	1,586,742
Other current assets		1,360,937	522,034
Total current assets		109,662,859	87,891,740
Property, plant, and equipment, net		261,367,470	258,026,592
Other assets:			
Debt issuance costs		2,361,941	2,443,999
Severance fund		1,683,391	1,525,092
Security deposits on facilities		87,807	104,820
Intangibles, net		6,583,899	5,743,114
Tools and spare parts		887,212	739,608
Total other assets		11,604,250	10,556,633
Total assets		$ 382,634,579	$ 356,474,965

Liabilities and Stockholders' Equity	Notes	2011	2010
Current liabilities:			
Accounts payable:			
Generation and transmission		$ 74,260,210	$ 56,137,544
Suppliers		11,246,885	11,049,741
Construction contracts		9,178,364	8,500,845
Fuel Component adjustment	2m, 6	-	1,903,649
Income tax payable		-	10,221,045
Deferred income tax	4	6,650,126	-
Customers´ deposits		705,606	825,323
Withholding taxes		244,404	334,172
Total accounts payable		102,285,595	88,972,319
Interest payable on debt		3,651,172	3,653,246
Accrued expenses		1,741,582	1,789,901
Total current liabilities		107,678,349	94,415,466
Long-term debt	5	119,324,346	119,302,154
Customers´ deposits and other liabilities:			
Deferred income tax	4	1,195,184	2,755,575
Customers´deposit		5,754,424	5,867,000
Reserves for contingencies	7	166,110	173,110
Other accrued liabilities		2,331,162	2,360,903
Total liabilities		236,449,575	224,874,208
Stockholders' equity:			
Common stock authorized, issued and outstanding: 50,000,000 shares without par value; 160,031 held in treasury		106,098,875	106,098,875
Retained earnings		40,086,129	25,501,882
Total stockholders' equity		146,185,004	131,600,757
Total liabilities and stockholders´ equity		$ 382,634,579	$ 356,474,965

See accompanying notes to financial statements.

Elektra Noreste, S.A.
(a 51% owned subsidiary of Panama Distribution Group, S.A.)

Statements of Operations (unaudited)
For the six months ended June 30, 2011 and 2010
(Expressed in United States dollars)

	Notes	Three months ended June 30 2011	Three months ended June 30 2010	Six months ended June 30 2011	Six months ended June 30 2010
Revenues:					
Energy sales		$ 115,823,722	$ 124,870,846	$ 219,342,767	$ 235,621,923
Other revenues		2,343,973	2,016,231	4,801,488	4,040,282
Total revenues		118,167,695	126,887,077	224,144,255	239,662,205
Purchase of energy and transmission charges, net	6	91,619,625	102,998,600	173,848,755	192,555,724
Gross distribution margin		26,548,070	23,888,477	50,295,500	47,106,481
Operating expenses:					
Labor and other personnel		2,075,424	2,182,572	4,404,714	4,222,622
Severance expenses		79,785	131,407	140,935	343,008
Provision for doubtful accounts, net of recoveries		52,976	234,200	297,305	424,622
Repair and maintenance		705,823	737,260	1,320,641	1,335,667
Professional services		3,373,789	3,377,592	6,645,217	6,460,955
Depreciation and amortization		3,812,642	3,637,690	7,559,018	7,249,833
Management fee		-	-	-	129,382
Administrative and other		2,071,213	2,156,365	4,107,061	4,048,203
Loss on disposal of fixed asset		72,196	131,103	51,583	135,976
Total operating expenses		12,243,848	12,588,189	24,526,474	24,350,268
Operating income		14,304,222	11,300,288	25,769,026	22,756,213
Other income (expense):					
Other income		270,301	93,993	312,940	186,956
Interest income		281,388	240,627	542,141	436,675
Interest expense		(2,118,287)	(2,180,325)	(4,208,166)	(4,459,895)
Total other expenses		(1,566,598)	(1,845,705)	(3,353,085)	(3,836,264)
Income before income taxes		12,737,624	9,454,583	22,415,941	18,919,949
Income taxes:	4				
Current		-	7,244,952	(4,451)	13,298,942
Deferred (benefit) expense		3,839,087	(4,619,040)	6,676,476	(7,817,250)
Total income taxes		3,839,087	2,625,912	6,672,025	5,481,692
Net income		$ 8,898,537	$ 6,828,671	$ 15,743,916	$ 13,438,257

See accompanying notes to financial statements.

Elektra Noreste, S.A.
(a 51% owned subsidiary of Panama Distribution Group, S.A.)

Statements of Changes in Equity (unaudited)
For the six months ended June 30, 2010 and 2011
(Expressed in United States dollars)

	Notes	Common Stock	Treasury Stock	Retained Earnings	Total Equity
Balance as of January 1, 2010		$ 106,642,962	$ (544,087)	$ 25,789,653	$ 131,888,528
Net income		-	-	13,438,257	13,438,257
Dividends paid		-	-	(5,294,672)	(5,294,672)
Accredited complementary dividend tax		-	-	202,243	202,243
Complementary dividend tax paid		-	-	(179,608)	(179,608)
Balance as of June 30, 2010		106,642,962	(544,087)	33,955,873	140,054,748
Balance as of December 31, 2010		106,642,962	(544,087)	25,501,882	131,600,757
Net income		-	-	15,743,916	15,743,916
Accredited complementary dividend tax		-	-	(949)	(949)
Complementary dividend tax paid		-	-	(1,158,720)	(1,158,720)
Balance as of June 30, 2011		$ 106,642,962	$ (544,087)	$ 40,086,129	$ 146,185,004

See accompanying notes to financial statements.

Elektra Noreste, S.A.
(a 51% owned subsidiary of Panama Distribution Group, S.A.)

Statements of Cash Flows (unaudited)
For the six months ended June 30, 2010 and 2011
(Expressed in United States dollars)

	June 30, 2011	June 30, 2010
Cash flows from operating activities:		
Net income	$ 15,743,916	$ 13,438,257
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,559,018	7,249,833
Loss on disposal of fixed asset	51,583	135,976
Provision for doubtful accounts, net of recoveries	297,305	424,622
Discount amortization of senior notes	22,192	20,578
Amortization of debt issuance costs	82,058	76,033
Provision for severance payments net of contribution to severance fund	(16,542)	(109,665)
Deferred income tax	6,676,477	(7,817,250)
Fuel component adjustment	(28,344,000)	25,997,000
Change in operating assets and liabilities:		
Accounts receivable	(10,046,851)	(24,848,014)
Inventory	738,738	(1,072,876)
Other assets	(1,079,641)	(14,882)
Trade accounts payable and other liabilities	18,588,134	417,515
Income tax	(12,068,025)	13,298,943
Seniority premium	(31,611)	(7,612)
Net cash (used) provided by operating activities	(1,827,249)	27,188,458
Cash flows from investing activities:		
Acquisition of fixed assets	(11,901,998)	(10,701,041)
Proceeds from sales of fixed assets	109,734	76,154
Net cash used in investing activities	(11,792,264)	(10,624,887)

(Continued)

Elektra Noreste, S.A.
(a 51% owned subsidiary of Panama Distribution Group, S.A.)

Statements of Cash Flows (unaudited)
For the six months ended June 30, 2010 and 2011
(Expressed in United States dollars)

	June 30, 2011	June 30, 2010
Cash flows from financing activities:		
Accredited complementary dividend tax	$ (949)	$ 202,243
Complementary dividend tax paid	(1,158,720)	(179,608)
Dividends paid	-	(5,294,672)
Net cash used in financing activities	(1,159,669)	(5,272,037)
Cash and cash equivalents:		
Net increase (decrease) for the year	(14,779,182)	11,291,534
Beginning of year	21,984,499	5,912,571
End of year	$ 7,205,317	$ 17,204,105
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest, net of amounts capitalized	$ 4,118,492	$ 4,265,492
Income taxes	$ 12,063,574	$ -

(Concluded)

See accompanying notes to financial statements.

1. Organization and Nature of Business

Nature of Business

Elektra Noreste, S.A. ("Company") is a corporation created as a result of the privatization of the Institute for Hydraulic Resources and Electricity (Instituto de Recursos Hidraúlicos y Electrificación ("IRHE") in Spanish). The Company was incorporated by means of Public Deed No.143, dated January 19, 1998, and began operations in January 1998. The authorized capital stock of the Company consists of fifty million common shares without par value. At present, Panama Distribution Group, S.A. ("PDG") owns 51% of the authorized, issued and outstanding shares of common stock of the Company, while the Panamanian Government and former employees of IRHE own 48.25% and 0.43%, respectively. The remaining amount of shares is held as treasury stock.

The activities of the Company include the purchase of energy in blocks and its transportation through the distribution network to customers. The Company performs voltage transformation, delivers the power to end consumers, and performs meter reading, invoicing and collections. The Company is also responsible for installing, operating, and maintaining public lighting in the concession zone (as defined in the following paragraph), according to the lighting levels and criteria established by the National Public Services Authority (Autoridad Nacional de los Servicios Públicos ("ASEP") in Spanish). Additionally, the Company is authorized to perform power generation activities up to a limit of 15% of the maximum demand and energy in the concession zone.

According to the concession contract described in Note 7, the Company has exclusivity for the distribution and commercialization of electric power to customers located in the geographical areas of Panama East, Colon, Panama Bay, the Kuna Yala Comarca and Darien. In regards to "large customers" defined by Law 6 of February 3, 1997, who have a maximum demand over 100 KW per site have the option to purchase energy directly from other agents of the electricity market, the Company has exclusivity for only the distribution of electricity.

Basis of Presentation

The financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP").

The financial statements have been prepared on the historical cost basis.

Records are maintained in balboas, the currency of the country in which the Company is incorporated and operates. The translation of balboas amounts into U.S. dollar amounts are included solely for the convenience of readers in the United States of America, and as at June 30, 2011 and December 31, 2010, and for the periods then ended, were at par value and freely exchangeable with the U.S. dollar. The Republic of Panama does not issue paper currency and instead uses the U.S. dollar as legal tender.

2. Significant Accounting Policies

A summary of the significant accounting policies used in the preparation of the accompanying financial statements is as follows:

a) ***Cash and Cash Equivalents-*** All highly liquid investments with original maturities of three months or less are classified as cash equivalents.

b) ***Accounts Receivable -*** Accounts receivable are recorded at the invoiced amount and bear interest on past due amounts. The interest is recognized until the customer account is closed or terminated, which occurs approximately 60 days after electric power service has been suspended.

It is the Company's policy to review outstanding accounts receivable on a monthly basis and adjust the corresponding allowance for doubtful accounts.

The Company establishes a provision for losses if it determines that amounts may not be collectible and estimates the allowance based on the length of time the receivables are past due; conditions affecting its customers; and historical tendency.

Account balances are written off after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

c) ***Fuel Component Adjustment-*** The regulated system under which the Company operates provides that any excess or deficiency between the estimated energy costs included in the tariff and the actual costs incurred by the Company be included as a compensation adjustment to be recovered from or refunded to customers in the next semi-annual tariff charge adjustment. Any excess in energy costs charged to customers is accrued in the accounts payable on the balance sheet and leads to a reduction in the next tariff charge adjustment. Conversely, any deficit in energy cost charged to customers is accrued in the account receivable on the balance sheet and leads to an increase in the next tariff charge adjustment to be recovered from customers.

d) ***Inventory-*** Inventory consists primarily of materials and supplies for the Company's consumption. Inventory is accounted for at the lower of cost or market. Cost is determined using the average cost method.

e) ***Property, Plant, and Equipment-*** Upon the Company's creation, the IRHE transferred a portion of its productive assets stated at historical cost net of the associated accumulated depreciation. New asset acquisitions and construction in progress are recorded at their original cost which include materials, contractor costs, construction overhead and financing costs. The Company reports property, plant and equipment on the balance sheet net of accumulated depreciation.

Costs associated with improvements made to property, plant and equipment are capitalized as well as major disbursements for renewals. Costs associated with repairs and minor replacements are expensed as incurred. Major maintenance costs that do not extend the useful life by improving the conditions of the asset to the condition it had when originally purchased are also expensed. The Company also capitalizes interest during construction in accordance with the Accounting Standard Codification ("ASC") 835 "Interest", issued by the Financial Accounting Standard Board ("FASB").

Long-lived assets are reviewed for impairment whenever events or changes occur if circumstances indicate the carrying amount of an asset may not be recoverable through operations, in accordance with ASC 360, Property, Plant and Equipment (ASC 360-10-35) "Impairment or Disposal of Long-Lived Assets". If the carrying amount of the asset exceeds the expected undiscounted future cash flows generated by the asset or group of assets, an impairment loss is recognized and the asset is written down to its fair value. Fair value can be determined by the use of quoted market prices, appraisals or other valuation techniques, such as expected discounted future cash flows. Management's judgment is involved in both deciding whether testing for recoverability is necessary and for estimating undiscounted cash flows. As at June 30, 2011 and 2010, no impairments of long-lived assets were identified.

Gains or losses on property, plant and equipment are recognized when the assets are retired or otherwise disposed of. The difference between the net book value of the property and any proceeds received for the property is recorded as a gain or loss in the Statements of Operations.

Depreciation and amortization are calculated on the straight-line method over the estimated useful lives of the assets. Estimated useful lives used for each fixed asset category are shown below:

	Estimated Useful Life (in years)
Poles, towers and accessories	30
Electric transformers	30
Underground conductors and ducts	30
Overhead conductors and accessories	25
Substation equipment	30
Consumer meters	20 to 30
Buildings and improvements	35
Public lighting equipment	25
Transportation equipment	8
Communications equipment	8 to 25
Office furniture and equipment	5 to 20

f) ***Debt Issuance Costs-*** The Company defers all costs related to the issuance of long-term debt. These costs include borrowers' commissions and other costs such as legal, registration and stamp costs. Debt issuance costs are amortized over the term of the debt instrument using the effective interest method.

g) ***Purchased Energy and Transmission Charges-*** The Company records the annual cost of purchased energy obtained under long-term and short-term contracts in the Statements of Operations. These contracts are considered executory in nature, since they do not convey to the Company the right to use the related property, plant or equipment. The Company also engages in short-term hourly purchases in the wholesale market, which is administered by the National Dispatch Center (Centro Nacional de Despacho ("CND") in Spanish).

The Company also pays a regulated tariff to Empresa de Transmisión Electrica, S. A. (“ETESA”), a company fully-owned by the Panamanian Government for connecting to and for use of the transmission system. ETESA is responsible for expanding and upgrading the interconnecting transmission system to meet the requirements of demand growth and system stability. The current transmission tariff is due to remain in force until June 30, 2013; thereafter the tariff would be revised by ETESA and the ASEP for a four-year period.

h) ***Income Taxes-*** Deferred income taxes are accounted for under the asset-liability method as prescribed by ASC 740, “Income Taxes”. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Statement of Operations in the period that includes the enactment date.

i) ***Customer Deposits-*** The Company requires customers to provide cash deposits as a guarantee of payment for energy consumed, according to the legislation set forth by the ASEP. The ASEP has issued resolution AN 411-Elec (Nov. 16, 2006) amended by Res. AN 3473-Elec (May 7, 2010) which provide that in those cases where the customer has established a good payment record, defined as no more than three late payments in a twelve-month period, the deposit shall be returned.

j) ***Contingencies-*** In the normal course of business, the Company is subject to various regulatory actions, proceedings, and lawsuits related to environment, tax or other legal matters. The Company establishes reserves for these potential contingencies when they are deemed probable and reasonably estimable. For further discussion of contingencies, see Note 7.

k) ***Seniority Premium and Severance Fund-*** According to the Panamanian Labor Code, upon the termination of any employee contracted for an indefinite period of time, regardless the causes; the employee is entitled to a seniority premium at the rate of one week’s salary for every year of work, since they were first employed. Seniority premiums represent 1.92% of total salaries paid.

Law 44 of 1995 introduced reforms to the Panamanian Labor Code by requiring all employers to make a cash contribution to a severance fund that would cover the payment to employees of a seniority premium and severance for unjustified dismissal. The Company maintains a trust fund through an authorized private entity, Progreso, S. A., which acts as trustee to secure the severance fund liability. This trust fund is reported in the Balance Sheets under “Severance fund”.

l) ***Related Parties-*** As a result of the restructuring of the electricity sector of Panama, three distribution companies, four generating companies and one transmission company were formed. The Panamanian Government retains an approximate fifty-one percent (51%) interest in the hydraulic generating companies, a forty-nine percent (49%) interest in the thermal- generating company and distribution companies, and a one hundred percent (100%) interest in the transmission company. The Panamanian Government retained 48.25% of the Company’s stock and 0.43% is owned by former IRHE employees.

In the normal course of business, the Company purchases electricity from the generating and other distribution companies, sells energy to governmental institutions and makes payments to the transmission company. The Company recognizes these activities as related party transactions.

m) ***Utility Regulation-*** The Company is subject to regulation by the ASEP. This agency regulates and makes the final determination regarding the rates the Company charges to its customers. The Company maintains its accounts in accordance with the Uniform System of Accounts prescribed for electric utilities by the ASEP.

The Company is subject to the provisions of ASC 980, “Regulated Operations”. Regulatory assets represent probable future revenues associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are expected to be credited to customers through the ratemaking process.

Regulatory assets and liabilities reflected in the Company's balance sheets at June 30, 2011 and December 31, 2010, relate to the following:

	2011	2010	Note
Fuel component adjustment - asset (liability)	$ 26,440,351	$ (1,903,649)	(See Note 6)
Deferred income tax (liabilities) asset	(7,932,105)	571,095	(See Note 4)
	$ 18,508,246	$ (1,332,554)	

In the event that a portion of the Company's operations is no longer subject to the provisions of ASC 980, the Company would be required to write off related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition, the Company would be required to determine if any impairment to other assets, including Property, plant and equipment exists and, if impaired, write down the assets to their fair value.

n) ***Revenue Recognition***

Energy Sales
The Company recognizes its revenues for energy sales when service is delivered to and consumed by customers. The Company invoices customers based on meter readings that are performed on a systematic basis throughout the month. The applicable rates used to invoice customers include energy cost and distribution components. The energy cost component operates as a pass-through for the energy purchased and transmission charges while the distribution components in the tariff are set by the ASEP to allow distributors to recover the operating cost, maintenance, administration and commercial expenses, depreciation, standard energy losses and also to obtain a fair return on their investment. The energy cost component is adjusted partially to reflect fluctuations in energy costs every month through the fuel clause. Every six months is adjusted integrally through the rate adjustments, while the distribution components are adjusted based on the consumer price index.

The Company recognizes revenue for energy sales that have not yet been invoiced, but where electricity has been consumed by customers. This revenue is recorded as unbilled revenue within the trade receivables on the balance sheet and is calculated based on actual daily average energy consumption and applicable rates to the customers of the Company.

Other Revenues
The Company recognizes connection and reconnection charges, pole rentals, and wheeling charges as service is rendered. These charges are included in other operating revenue in the Statements of Operations.

o) ***Use of Estimates-*** The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates and assumptions used are based upon management's evaluation of the relevant facts and judgments. Actual results could differ from those estimates. The most significant estimates include but are not limited to, the useful lives for depreciation and amortization, allowances for doubtful accounts receivable, estimates of future cash flows associated with asset impairments, loss contingencies, collection or reimbursement of the fuel component adjustment account and estimated unbilled revenue.

p) ***Intangibles-*** The Company's intangible assets consist of software licenses which are recorded at historical cost. The Company amortizes its intangible assets using the straight-line method until 15-years estimated useful lives. Intangible assets are reviewed annually to determine if any adverse conditions exist or a change in circumstances has occurred that would required a change in the remaining useful lives.

q) ***Concentration of Credit Risk-*** The Company has exclusivity for the distribution and marketing of electric power to customers located in its concession zone. The Company does not believe that significant risk of loss from a concentration of credit risk exists given the large number of customers that comprise its customer base and their geographical dispersion. The Company also believes that its potential credit risk is adequately covered by the allowance for doubtful accounts.

r) ***Environmental Matters-*** The Company is subject to a broad range of environmental, health and safety laws and regulations. In July 1998, the Panamanian Government enacted environmental legislation creating an environmental protection agency (Autoridad Nacional del Ambiente ("ANAM") in Spanish) and imposing new environmental standards affecting the Company's operations. Failure to comply with these applicable environmental standards, stricter laws and regulations may require additional investments or may adversely affect the Company's financial results.

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current law.

Established accruals are adjusted periodically due to new assessments and remediation efforts or as additional technical and legal information become available.

Environmental costs are capitalized if the costs extend the life of the property, increase its capacity and mitigate or prevent contamination from future operations. Costs related to environmental contamination treatment and clean-up are charged to expense.

s) Application of Recent Accounting Pronouncements- The Company adopted, or will adopt, the recent accounting standards listed below, if applicable, on their respective effective dates.

In January 2010, the FASB issued the Accounting Standards Update No. 2010-06 (ASU 2010-06) "Fair Value Measurements and Disclosures (ASC 820): Improving Disclosures about Fair Value Measurements". This Update requires disclosures regarding: (1) significant transfers into and out of Levels 1 and 2 of the fair value hierarchy and (2) fair value measurement inputs and valuation techniques. Furthermore, ASU No. 2010-06 requires presentation of disaggregated activity within the reconciliation for fair value measurements using significant unobservable inputs (Level 3), beginning in the first quarter of 2011. This Update is effective for interim and annual fiscal periods beginning after December 15, 2009. The adoption of this Update had no impact on the Company's financial statements.

In May 2011, the FASB issued the Accounting Standards Update (ASU 2011-04) "Fair Value Measurement (ASC 820) - Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS". These amendments do not modify the requirements for when fair value measurement apply, rather they generally represent clarifications on how to measure and disclose fair value. These amendments required new disclosures as: (1) for level 3, quantitative information about unobservable inputs, description of the valuation processes, qualitative discussion about the sensitivity of the measurement; (2) information about the use of a nonfinancial asset when it differs from the asset's highest and best use; (3) the level of fair value hierarchy for assets and liabilities that are not measured at fair value but whose fair value is required to be disclosed; (4) nonpublic entities are exempt from certain disclosures, including those for transfers between Level 1 and Level 2 of the fair value hierarchy, the reasons for those transfers, and qualitative discussion about the sensitivity of Level 3 measurements. For public entities, the amendments in the ASU are effective prospectively for interim and annual periods beginning after December 15, 2011. Non public entities are required to adopt the amendments prospectively for annual periods beginning after December 15, 2011. The Company does not expect that the adoption of ASU No. 2011-04 has impact on its financial statements.

3. Accounts Receivable - Trade

At June 30, 2011 and December 31, 2010, accounts receivable - trade are as follows:

	June 30, 2011	December 31, 2010
Customers	$ 47,734,736	$ 43,484,564
Government and municipal entities	10,487,102	7,662,017
	58,221,838	51,146,581
Unbilled revenue	8,912,826	7,802,620
Government subsidy	6,957,828	3,794,450
Other	2,724,877	3,833,619
	76,817,369	66,577,270
Allowance for doubtful accounts	(8,899,442)	(8,408,890)
Total	$ 67,917,927	$ 58,168,380

At December 31, 2010, the Company charged off against the allowance for doubtful accounts the amounts of US$1,761,816. At June 30, 2011, the Company has not charged off against the allowance for doubtful accounts. At June 30, 2011 and 2010, the Company recovered from previous write-off balances the amounts of US$193,247 and US$187,270, respectively.

4. Income Taxes

The provision for income tax is determined based on book income before income taxes, adjusted for any non-taxable income and non-deductible expenses. The statutory income tax rate is 30%. Deferred income tax is recognized for the effects of all temporary differences between the book and tax basis of assets and liabilities. A valuation reserve is recorded to reduce the value of deferred tax assets when it is more likely than not that tax benefits will not be totally realized.

The difference between the provision for income tax for the periods ended at June 30, 2011 and 2010, and the income tax calculated using the enacted statutory corporate tax rate of 30% for income before income tax reported in the financial statements is attributable to the following:

	June 30, 2011	June 30, 2010
Income tax:		
Computed at expected statutory rate	$ 6,724,783	$ 5,675,985
Difference in the prior year income tax	(4,451)	-
Decrease in income tax due to non-taxable income	(67,822)	(196,683)
Increase in income tax due to non-deductible expenses	19,515	2,390
Total income tax	$ 6,672,025	$ 5,481,692

Deferred income tax assets and liabilities recognized on temporary differences that will be reversed in future periods are as follows:

	June 30, 2011	December 31, 2010
Current deferred income tax assets (liabilities):		
Provision for doubtful accounts	$ 679,661	$ 758,740
Fuel component adjustment	-	571,095
Other	602,318	256,907
Total deferred income tax assets	1,281,979	1,586,742
Current liabilities-fuel component adjustment	(7,932,105)	-
Current deferred income tax (liabilities)asset, net	$ (6,650,126)	$ 1,586,742

	June 30, 2011	June 30, 2010
Non-current deferred income tax assets (liabilities):		
Provision for contigencies	$ 49,833	$ 51,933
Others	1,508,569	-
Total non-current deferred income tax assets:	1,558,402	51,933
Non-current deferred income tax liabilities:		
Severance fund	(165,516)	(151,070)
Depreciation expense	(2,588,070)	(2,656,438)
Non-current deferred income tax liabilities, net	$ (1,195,184)	$ (2,755,575)

In accordance with tax regulations, the income tax returns of companies in Panama are open for examination by the tax authorities for the last three years. Years starting at 2008 are subject to examination by tax authorities, although no examination is currently scheduled or in process. Those prior to 2008 are considered closed years.

Companies are also subject to examination by the Panamanian tax authorities regarding compliance with stamp tax regulations.

Pursuant to ASC 740, "Income Taxes", the Company is required to recognize the financial statement effects of tax positions if they meet a "more-likely-than-not" threshold. In evaluating items relative to this threshold, the Company must assess whether each tax position will be sustained based solely on its technical merits assuming examination by a taxing authority. The interpretation requires the Company to establish liabilities to reflect the portion of those positions that cannot be concluded as "more likely than not" of being realized upon ultimate settlement. These are referred to as liabilities for unrecognized tax benefits under ASC 740. The Company identified and evaluated any potential uncertain tax positions and concluded that there are no uncertain tax positions requiring recognition in the financial statements. Management expects the tax authorities to allow these positions when and if examined and has a high confidence level in the technical merits of these positions. Accordingly, Management expects the full amount of the tax position to be ultimately realized in the financial statements.

Investment Tax Credit

During 2001, the Company received an investment tax credit of US$13,673,745 which was granted by the Panamanian Government under an incentive law that promoted investments in infrastructure to enhance the energy distribution network. The tax credit can be used as a reduction of up to 25% of the income tax incurred in any given year, until 100% of the amount pending to be realized in future years is consumed. The Company had been using the tax credit during the course of these years. All the tax credit was fully utilized.

Due to the benefit received, the Company is not allowed to deduct for tax purposes, the depreciation on US$13,673,745 of investments in infrastructure, as result of this, the tax effect in future years is US$4,102,123 (US$13,673,745 x 30%).

5. Debt

Short-term debt

The Company has available revolving credit lines with The Bank of Nova Scotia, Banco General, S. A., HSBC Bank (Panama), S.A., Banco Panamá, S.A. and Banco Nacional de Panamá with an aggregated credit line of US$102,500,000 at June 30, 2011 and December 31, 2010, with annual interest rates ranging between 1 to 6 months LIBOR plus 2.00% and 3.75%. These unsecured credit facilities are available with a maximum term of up to one year. Floor rates margins between 3.00% and 3.85% exist for all the revolving agreements. The Company uses these facilities as needed for working capital and other needs. The Company had no outstanding debt under these credit facilities neither as at June 30, 2011 nor December 31, 2010.

Long-term debt

At June 30, 2011and December 31, 2010, the balance of the long-term notes is as follows:

	June 30, 2011	June 30, 2010
Long -Term Notes		
Senior Notes	$ 100,000,000	$ 100,000,000
Corporate Bonds	20,000,000	20,000,000
Less:		
Senior notes discount	(675,654)	(697,846)
Total Long-term debt	$ 119,324,346	$ 119,302,154

The Company has notes payable under a senior debt agreement ("Senior Notes") totaling US$100,000,000 which is recorded at US$99,324,346 net of US$675,654 unamortized discount at June 30, 2011. The notes have a fixed interest rate of 7.6%, payable semi-annually, and mature in 2021. Principal payment is due upon maturity. The notes maintain a senior credit position and are unsecured. The Company may redeem the Senior Notes, in whole or in part, at any time prior to their maturity thereof upon satisfaction of certain conditions including, payment of a specified make-whole premium. Notes' covenants include debt coverage ratios and other provisions.

On October 20, 2008, in a public offering, the Company submitted a US$40,000,000 aggregate principal amount of unsecured and unsubordinated corporate bonds ("Bonds") due October 20, 2018. On such date, US$20,000,000 of this corporate bond offering was subscribed and issued with Banco General, S.A. The bonds rank pari passu among equal in right of payment with all other unsecured and unsubordinated obligations. The bonds will bear interest at LIBOR plus 2.375% per annum, payable on a quarterly basis. Principal is due upon maturity. The proceeds from the offering of the bonds will be used to fund current and future capital expenditures and for general corporate purposes. The bonds are subject to additional terms and conditions which are customary for this transaction. Bond´s covenants include debt coverage ratios and other provisions. The Company may redeem the Bonds, in whole or in part, at the third anniversary from the date of the offer.

6. Purchase of Energy and Transmission Charges, Net

The Company recorded purchase of energy and transmission charges as follows:

	For three monts ended June 30,		For six months ended June 30,	
	2011	**2010**	**2011**	**2010**
Purchase of energy	$ 107,800,515	$ 86,133,207	$ 197,187,128	$ 163,034,168
Transmission charges	2,569,110	1,795,393	5,005,627	3,524,556
Fuel component adjustment	(18,750,000)	15,070,000	(28,344,000)	25,997,000
Total purchase of energy and transmission charges, net	$ 91,619,625	$ 102,998,600	$ 173,848,755	$ 192,555,724

Fuel Component Adjustment

Changes in the under/over collection of these energy costs are reflected under net energy purchased and transmission costs in the Statements of Operations. The cumulative amount receivable/payable is presented as a fuel component adjustment receivable/payable on the balance sheets until these amounts are billed or reimbursed to customers. The fuel component adjustment includes six months with actual fuel price information, plus six months of estimated fuel price information.

For the last several years, the fuel component adjustment has not been fully passed through to distribution company customers in the form of a tariff increase; the amount not invoiced to customers has been subsidized by the Panamanian Government. As of June 30, 2011 and 2010, the Government Subsidy-accounts receivable amounted to US$6,957,828 and US$3,794,450, respectively, see Note 3.

At June 30, 2011, the Company shows in its Balance Sheet a net receivable of US$26,440,351 at Fuel Component Adjustment (a payable of US$1,903,649 at December 31, 2010) as a consequence of the accumulated variance resulting from the real cost (generation and transmission) for the second semester of 2010 and the first semester of year 2011 and the cost recovered in income. The balance is comprised of a receivable of US$3,298,000 from the variance for the second semester of year 2010, to be recovered from customers during the second semester of year 2011; and a receivable of US$23,142,351 from the variance for the first semester of year 2011 to be recovered in the second semester of year 2011 and the first semester of year 2012.

7. Commitments and Contingencies

As result of issues generated from the ordinary course of business, the Company is or can be involved in legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies. The ultimate outcome of these proceedings is not expected to have a material impact on the Company's financial position, result of operations or liquidity. At June 31, 2011 and December 31, 2010, the Company had total reserves for loss contingencies in the amount of US$166,110 and US$173,110 respectively; these reserves are reported in the Balance Sheets in "Reserves for contingencies". Following are the most representative matter:

Litigations

The ASEP through Resolution JD-5863, dated February 17, 2006 approved Title IV of the Distribution and Commercialization Regimen enacted from July 2006 through June 2010, which contains a provision on its article number 22, requiring that excess earnings considered above a reasonable margin of the company's Maximum Allowed Income at the end of the July 2006 - June 2010 tariff period will cause an adjustment by reducing the approved Maximum Allowed Income to be applied in the July 2010 - June 2014 period. However and even though the procedure to calculate and adjust an unreasonable excess has yet to be defined by the regulatory body, the Company's management position is that as of June 30, 2011 there is no contingency loss to be recorded in the Financial Statements as a consequence of this particular provision under the above mentioned resolution. This conclusion is based on: i) a final outcome still in progress at the Supreme Court related to the appeal of this article filed in the Supreme Court by another power distribution company; ii) in case the regulatory entity approves a resolution to adjust any unreasonable excess, the Company has the right to file an appeal in the Supreme Court which is the independent body and final instance that will decide on this particular matter; and iii) there is no written nor approved procedure to calculate and adjust what could be deemed by the regulatory body as an unreasonable excess, ergo, any calculation will be highly subjective. In spite of the above, the Resolution AN-3574-Elec dated June 25, 2010 that approved the Maximum Allowed Income for the July 2010 - June 2014 tariff period has no adjustment related to the previous, July 2006 - June 2010, tariff period.

Commitments

As of June 30, 2011, the Company had energy and long-term firm capacity purchase contracts with the following generation companies:

Company	MW(Monthly)	Begins	Ends
AES Panamá - Estí	49	November 20, 2003	November 20, 2013
Inversiones y Desarrollos Balboa	24.9	August 4, 2008	December 31, 2011
Empresa de Generación E. Fortuna	80/120	January 1, 2009	December 31, 2018
Térmica del Caribe	2.85	March 1, 2009	June 30, 2014
Generadora del Atlántico	30	June 1, 2009	June 30, 2014
Energía y Servicios de Panamá, S.A.	0.96	July 1, 2009	June 30, 2014
Empresa de Generación E. Fortuna	31.25; 39.87	January 1, 2010	December 31, 2011
Pedregal Power Co.	13; 12.66	January 1, 2010	December 31, 2011
Autoridad del Canal de Panamá	12	January 1, 2010	December 31, 2011
Bahía Las Minas	108	January 1, 2010	December 31, 2018
Panam Generating	20	January 1, 2010	December 31, 2019
Sistema de Generación, S.A.	as request	July 1, 2010	June 30, 2020
Paso Ancho Hidro-Power	4	October 5, 2010	October 4, 2018
Autoridad del Canal de Panamá	27	January 1, 2011	December 31, 2011
Autoridad del Canal de Panamá	16.2	January 1, 2011	December 31, 2011
Térmica del Caribe	22.5	January 1, 2011	December 31, 2018
Panam Generating	60	January 1, 2011	December 31, 2020
AES Panamá	39	January 1, 2012	December 31, 2012
Energía y Servicios de Panamá, S.A.	1.49; 1.15; 9.31	January 1, 2012	December 31, 2014
Empresa de Generación E. Fortuna	1.2; 0.92; 7.5	January 1, 2012	December 31, 2014
Generadora del Atlántico	0.5; 0.38; 3.12	January 1, 2012	December 31, 2014
Autoridad del Canal de Panamá	3.6; 2.77; 22.5	January 1, 2012	December 31, 2014
Generadora Pedregalito	0.86	January 1, 2012	December 31, 2014
Caldera Energy Corp.	0.65	January 1, 2012	December 31, 2014
Generadora Río Chico	0.46	January 1, 2012	December 31, 2014
Generadora Alto Valle	0.4	January 1, 2012	December 31, 2014
Generadora Hidro Piedra	0.16	January 1, 2012	December 31, 2014
Electrogeneradora del Istmo	0.15	January 1, 2012	December 31, 2014
AES Panamá	23	January 1, 2013	December 31, 2021
Enel Fortuna	8.05	January 1, 2013	December 31, 2022
AES Panamá	9.43	January 1, 2013	December 31, 2022
Hidro Caisan	5.092	January 1, 2013	December 31, 2022
Electron Investment	10.35	January 1, 2013	December 31, 2022
Alternegy	18.4	January 1, 2013	December 31, 2022
Bontex	4.6	January 1, 2013	December 31, 2022
Enel Fortuna	7.872984	January 1, 2015	December 31, 2029
Consorcio Hidroeléctrico Tabasará	3.17373	January 1, 2015	December 31, 2029
Hidroeléctrica del Téribe	2.667	January 1, 2015	December 31, 2029
Energía y Servicios de Panamá, S.A.	2.667	January 1, 2015	December 31, 2029
Generadora Pedregalito	1.0502646	January 1, 2015	December 31, 2029
Caldera Energy Corp.	0.8001	January 1, 2015	December 31, 2029
Generadora Río Chico	0.6440805	January 1, 2015	December 31, 2029
Generadora Alto Valle	0.6128766	January 1, 2015	December 31, 2029
Desarrollos Hidroeléctricos Corp.	0.5075301	January 1, 2015	December 31, 2029
Hidroeléctrica San Lorenzo	0.3555111	January 1, 2015	December 31, 2029
Electrogeneradora del Istmo	0.333375	January 1, 2015	December 31, 2029
Bahía Las Minas	108	January 1, 2019	December 31, 2023

In accordance with the 1997 Electricity Law, the Company enters into long-term power purchase agreements with generation companies that cover most of its regulated customers' contributions to the total peak customer demand of electricity and work towards limiting any associated energy costs. Historically, the Company contracts annually for approximately 98% to 79% of its total energy requirements via purchase agreements on the contract market. For the years ended June 31, 2011 and December 31, 2010, the Company purchased approximately 100% and 98%, respectively, of its total energy requirements via power purchase agreements on the contract market. These purchase agreements include both a fixed charge based on energy capacity requirements and a variable charge based on fuel cost. Based on changes in the Electricity Law, as of August 2009 the Transmission Company (ETESA) is the responsible in preparing the bid processes for energy purchase on behalf the distribution companies. Offers are received, evaluated and awarded by ETESA and then assigned to each distribution company based on their requirements. Distribution companies are obligated to signed contracts based on said awarded offers.

The Company has unconditional purchase obligations, related with the purchase of energy capacity. The aggregate amount of future payments required for this obligations, is as follows:

Year	**Obligation**
2011	$ 46,021,396
2012	78,679,407
2013	92,397,733
2014	90,937,799
Thereafter	621,780,565
Total	$ 929,816,900

At June 30, 2011 and 2010, the Company has expensed the amount of US$46,021,396 and US$42,995,154 respectively on such unconditional purchase obligations, recorded under Purchase of energy and transmission charges, net on the Statements of Operations.

The Company and the workers' union every four years negotiate a Labor Collective Agreement. The current Agreement is effective as of February 2008. These agreements do not maintain or consider additional material commitments besides those established in the labor law.

Operating Leases

The Company has entered into a seven year non-cancelable lease agreement which will provide for the use of office and operating facilities. As of June 30, 2011 the future minimum rental payments required under this operating lease with initial or remaining non-cancelable lease terms in excess of one year are:

Year ending December 31st :

	Obligation
2011	$ 251,165
2012	512,376
2013	527,748
2014	177,641
Total	$ 1,468,930

At June 30, 2011 and 2010, the operating lease expense is US$888,295 and US$792,752 respectively.

Guarantees
The Company has provided limited guarantees to generation companies in order to provide for credit assurance and performance obligations under the power purchase agreements. These guarantees are not recognized on the balance sheets, because the Company believes that it will be able to perform under these contracts and that is not probable that payments will be required. The guaranteed amounts are limited to a month's estimate of energy capacity and associated energy consumption and are established for a twelve-month period with automatic renewals as long as the power purchase agreement is in place. The aggregate guarantee amount for the performance obligation is US$33,632,500. The Company has also issued a guarantee in favor of the ASEP for US$8,000,000 in compliance with clause 53 of the Concession Contract.

The Company has several standby letters of credit for US$2,519,514 in favor of ETESA guaranteeing the payment of transmission costs and energy purchases in the energy exchange market.

Concession Contract
The Company has exclusive rights to install, own and operate an energy distribution network, and to supply energy to end customers other than large customers, currently defined as those with peak demand on a site-by-site basis of over 100KW. Large customers can choose to buy energy directly from generation companies or from the spot market.

The Company's concession contract has a 15-year term and expires in October 2013. One year prior to the expiration of the concession period, the ASEP will hold a competitive tender for the sale of 51% ownership share currently held by Panama Distribution Group, S.A., and who owns the right to set the asking price for the tender (by making its own bid) and will only be required to sell its share of the Company if a higher offer is made, in which case, Panama Distribution Group, S.A. will be entitled to retain the sale proceeds. If no higher offer is made, Panama Distribution Group, S.A. will retain its ownership for another 15-year term, subject to the same renewal procedure thereafter with no requirement to make any payment to the Panamanian Government.

The concession contract establishes provisions related to the Concessionaire's obligation in service supply issues, the non-separation of the majority shares package, the delivery of periodic, technical and financial information to the ASEP, compliance with the technical quality standards (quality standards, measurement standards and operation regulations of the CND), and payment of the control, supervision and monitoring tariff of the ASEP, which may not be transferred to the users through the tariff.

8. Fair Value of Financial Instruments

The estimated fair values of financial instruments as of June 30, 2011 and December 31, 2010 are based on the information available at the date of the balance sheets. The Company has no knowledge of any factors that may significantly affect the estimated fair values of the most common financial assets and liabilities such as cash, trade receivables, severance funds, accounts payable, short-term and long-term debt; and customer deposits. The Company uses the following methods and assumptions for estimating fair value of financial instruments:

Trade Receivable, Accounts Payable, Short-Term Debt and Customer Deposits
The carrying amount approximates fair value because of the short maturity of those instruments.

Long-Term Debt
The fair value of long-term debt with variable interest rates approximates their carrying value. For fixed rate long-term debt, fair value has been determined using discounted cash flow analyses based on available market information. These estimates are subjective in nature and involve uncertainties. Therefore, actual results may differ from these estimates.

The estimated fair values of financial instruments are as follows:

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	$119,324,346	$137,052,000,	$119,302,154	$138,910,000

9. Subsequent Events

For the second semester of 2011, the ASEP accept that the Company increase 10% in the tariff. It was order, as request by the National Secretary of Energy (Secretaria Nacional de Energía in Spanish), that for the period of July to December 2011, the Company will apply the same tariff of the first semester of 2011, and the additional requirements will be paid as a Government contribution. For these reason the income for energy consumption will not reflect the real price approved, the difference will be recognized with the government contribution. The Company is waiting the resolution of ASEP that will indicate the means in which the Government will compensate the increase not recovered through customers during the second semester of year 2011.