Aeropuerto Internacional de Tocumen, S.A.

(A wholly-owned Company of the Government of the Republic of Panama)

Unaudited condensed interim financial statements for the period of six months ended June 30, 2017 and Independent Auditors' Report of August , 2017

Aeropuerto Internacional de Tocumen, S.A.
(A wholly-owned Company of the Government of the Republic of Panama)

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Contents **Pages**

1. General information

a) Incorporation and general information

Aeropuerto Internacional de Tocumen, S.A. (hereinafter “the Company”) was established by Deed No. 2018 of April 11, 2003, and registered in the commercial section of corporations, under the regulatory framework for the management of airports and airfields in Panama in accordance to Law No. 23 of April 20, 2003. Through Resolution No. 30 of April 9, 2003, the Ministry of Economy and Finance authorized the issuance of the Articles of Incorporation of the Company that manages the Tocumen International Airport (hereinafter “Airport”).

The activity of the Company is to provide the Airport management of public services with efficiency, transparency and equal treatment criteria, in order to ensure a quality service to the users. Its main income comes from charging fees to airlines for international flights and departure taxes to passengers as well as commercial rentals and concessions of areas within the airport facilities and basic services.

The main office of the Company is located in the Sub-District of Tocumen, in the District of Panama.

2. Basis of presentation

The condensed statement of financial position as at June 30, 2017, condensed statements of profit or loss and other comprehensive income, condensed changes in equity and condensed cash flows for the six months ended June 30, 2017 and the notes to the condensed financial statements are not audited and are prepared for interim financial information. These condensed financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting.

As a result, all disclosures required in accordance with International Financial Reporting Standards (IFRS) for annual financial statements are not included here; therefore, these unaudited condensed financial statements should be read together with the Company's financial statements as at December 31, 2016. In Management’s opinion, these unaudited condensed financial statements reflect all the normal recurring adjustments that are necessary for a fair representation of the financial results of the interim periods presented.

The financial information as at December 31, 2016 presented in these unaudited condensed financial statements is derived from our audited condensed financial statements for the year ended December 31, 2016.

The results of operations for the six months ended June 30, 2017 do not necessarily indicate the results for the whole years. The Company believes that the disclosures are adequate so as not to misrepresent the information presented.

3. Significant accounting policies

The accounting policies and calculation methods applied by the Company in these unaudited condensed interim financial statements are the same applied by the Company in its financial statements as at December 31, 2016 and for the year ended on that date.

3.1 New and revised International Financial Reporting Standards (IFRSs) affecting the unaudited condensed financial statements

There were no IFRSs or interpretations effective for the year beginning on January 1, 2016 that had a significant effect on the condensed financial statements.

3.2 New and revised International Financial Reporting Standards (IFRSs) issued but not yet effective

A number of new standards or amendments to standards and interpretations are effective for annual periods beginning after July 1, 2017 and have not been applied in the preparation of these condensed financial statements. Below are the standards that are applicable to the entity

- IFRS 9 – Financial Instruments (as revised in 2014) (Effective for annual periods beginning on or after January 1, 2018).
- IFRS 15 – Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2018).
- IFRS 16 – Leases – (effective for annual periods beginning on or after January 1, 2019)

Management is in the process of evaluating the possible impact of these standards / amendments on the condensed financial statements of the Company.

3.3 Segments

The Company reports operating segments under IFRS 8 “Operating Segments.” Operating Segments are components of an entity that: (a) develops business activities from which it may earn income from ordinary activities and incur in expenses; (b) whose operating results are regularly reviewed by the highest authority in decision-making operation of the entity, to decide on the resources to be assigned to the segment and assess its performance; (c) on which differentiating financial information is available.

The Company maintains a reportable segment - “management and airport operations”.

4. Property, equipment and improvements to property, net of depreciation

Property, equipment and improvements to properties are detailed as follows:

Cost	Balance at January 1, 2017	Acquisitions	Disposal in sale or retirement of asset	Capitalization	Balance at June 30, 2017
Lands	270,393,709	-	-	-	270,393,709
Infrastructures and improvements	365,053,877	372,875	-	15,038,299	380,465,051
Furniture and fixtures	3,416,578	68,809	-	-	3,485,387
Vehicles	10,656,809	568,578	-	-	11,225,387
Sweeper equipment	689,753	-	-	-	689,753
Computer equipment	10,348,860	87,305	(644,445)	-	9,791,720
Machinery, equipment and others	42,816,657	75,639	-	-	42,892,296
Office equipments	47,444	624	-	-	48,068
Boarding bridge equipment	21,185,762	-	-	-	21,185,762
Works of art	70,360	-	-	-	70,360
Other cultural goods	19,860	-	-	-	19,860
Other assets	3,354,788	2,675,344	-	-	6,030,132
Total	728,054,457	3,849,174	(644,445)	15,038,299	746,297,485

Depreciation	Balance at January 1, 2017	Depreciation expense	Disposal in sale or retirement of assets	Capitalization	Balance at June 30, 2017
Infrastructures and improvements	56,882,128	4,418,902	-	-	61,301,030
Furniture and fixtures	1,780,485	142,935	-	-	1,923,420
Vehicles	7,293,734	644,788	-	-	7,938,522
Sweeper equipment	469,186	31,169	-	-	500,355
Computer equipment	7,380,828	1,047,155	(536,630)	-	7,891,353
Machinery, equipment and others	28,658,423	2,074,687	-	-	30,733,110
Office equipment	24,407	2,355	-	-	26,762
Boarding bridge equipment	8,797,227	555,174	-	-	9,352,401
Other cultural goods	19,860	-	-	-	19,860
Other assets	888,948	73,328	-	-	962,276
Total	112,195,226	8,990,493	(536,630)	-	120,649,089
	615,859,231				625,648,396

Cost	Balance at January 1, 2016	Acquisitions	Disposal in sale or retirement of asset	Balance at December 31, 2016
Lands	270,393,709	-	-	270,393,709
Infrastructures and improvements	286,401,153	79,350,274	(697,550)	365,053,877
Furniture and fixtures	3,281,013	135,565	-	3,416,578
Vehicles	9,964,235	692,574	-	10,656,809
Sweeper equipment	689,753	-	-	689,753
Computer equipment	9,538,138	810,722	-	10,348,860
Machinery, equipment and others	41,655,485	1,161,172	-	42,816,657
Office equipments	41,497	5,947	-	47,444
Boarding bridge equipment	21,185,762	-	-	21,185,762
Works of art	68,143	2,217	-	70,360
Other cultural goods	19,860	-	-	19,860
Other assets	1,776,310	1,578,478	-	3,354,788
Total	645,015,058	83,736,949	(697,550)	728,054,457

Depreciation	Balance at January 1, 2016	Depreciation expense	Disposal in sale or retirement of assets	Balance at June 30, 2016
Infrastructures and improvements	49,294,687	7,651,383	(63,942)	56,882,128
Furniture and fixtures	1,410,617	369,868	-	1,780,485
Vehicles	5,943,356	1,350,378	-	7,293,734
Sweeper equipment	406,847	62,339	-	469,186
Computer equipment	5,624,072	1,756,756	-	7,380,828
Machinery, equipment and others	24,427,770	4,230,653	-	28,658,423
Office equipment	20,057	4,350	-	24,407
Boarding bridge equipment	7,409,350	1,387,877	-	8,797,227
Other cultural goods	19,860	-	-	19,860
Other assets	744,427	144,521	-	888,948
Total	95,301,043	16,958,125	(63,942)	112,195,226
	549,714,015			615,859,231

5. Constructions in progress

Constructions in progress are detailed below:

	Balance at January 1, 2017	Additions	Capitalizations	Balance at June 30, 2017
South terminal	667,413,735	95,770,540	-	763,184,275
Other remodellings	17,882,402	9,469,609	(15,038,299)	12,313,712
	685,296,137	105,240,149	(15,038,299)	775,497,987

	Balance at January 1, 2015	Additions	Capitalizations	Balance at December 31, 2016
South terminal	585,216,259	156,258,945	(74,061,469)	667,413,735
Other remodellings	7,436,967	14,903,574	(4,458,139)	17,882,402
	592,653,226	171,162,519	(78,519,608)	685,296,137

The Company started the construction of the South terminal in 2013, under the work contract consisting of a new passenger terminal, an access boulevard from the Corredor Sur (including viaducts), expansion of the fire extinguishing system (SEI,) extension of the storage system and drinking water reservoir, taxiways and aircraft parking platform of the existing terminal, electrical substation and connection to the existing Tocumen substation.

The costs of the constructions in progress are the expenses incurred by the Company for the construction of the South Terminal and other remodeling. As of 2013, the airport acquired a financial debt for the construction of the new South Terminal and construction costs include the capitalization of interest expenses attributable in proportion to the works in construction, as well as financial costs.

During 2016, some of the infrastructures that are used for both the current terminal and the future South Terminal were put into operation. These infrastructures are part of the South Terminal Construction contract. The Company has received and put into operation these infrastructures for a value of B/.74,061,469, which includes Tocumen Collector, diversion of the Tocumen River, Boulevard (segments 1 and 2) and remote locations.

At June 30, 2017, net capitalized interest costs amounted to B/.24,501,160 (December 31, 2016: B/.40,330,088).

6. Advance payment and accounts payable to Constructora Norberto Odebrecht, S. A.

As at June 30, 2017, the Company has the following balances with Constructora Norberto Odebrecht, S.A.:

	June 30, 2017	December 31, 2016
Assets		
Advance payments to contractors	18,005,009	27,476,261
Liabilities		
Accounts payable	25,147,055	12,424,402
Withholding to contractors	20,511,720	17,963,615
	45,658,775	30,388,017

The contract establishes that payments for accounts related to construction progress will be made within a period not to exceed ninety (90) days as of the presentation date. In the event that the Company requests them, the contractor shall make every effort to obtain a financing to defer owed payments and related to the progress of the work or advances in order to avoid impacts on the project implementation. The amount and term of the financing, if any, is defined by the Ministry of Economy and Finance and will be paid during the first quarter of the fiscal year or on its own terms. Financing costs will be paid in their totality by the Government and will not be part of the contract price.

7. Cash and bank deposits

Cash and bank deposits are detailed as follows:

	June 30, 2017	December 31, 2016
Cash	34,800	28,800
Current accounts	35,440,434	90,283,820
Time deposits	280,000,000	280,000,000
Guarantee trust fund	51,299,894	58,305,218
	366,775,128	428,617,838

The guarantee trust fund is created by irrevocable guarantee trust between the Company and The Bank of Nova Scotia (Panama), S.A. to guarantee the registered holders of the issuance, the payment of principal, interest, default interest or other fees owed to them, or that they may owe the issuer trustee in the future, under the terms and conditions of the issuance bonds, and any other amounts that the issuer trustee owes the registered holders and other beneficiaries in accordance with the documents of the issue. This fund generates monthly interest at an average rate of 0.25%.

The Company has two time deposits; the first for an amount of B/.80,000,000 with an average interest rate of 2.3750% with a maturity in two years and the other one in the amount of B/.200,000,000 with an average interest rate of 0.95% with a maturity in one year.

Below is the reconciliation of cash and bank deposits shown in the unaudited condensed statement of financial position with cash and cash equivalents shown in the unaudited condensed statement of cash flows:

	June 30, 2017	December 31, 2016
Total cash and deposits in banks	366,775,128	428,617,838
Unavailable cash:		
Time deposits with contractual maturities over 90 days	(280,000,000)	(280,000,000)
Guarantee trust fund	(51,299,894)	(58,305,218)
Total cash and cash equivalents	35,475,234	90,312,620

8. Balances and transactions with related parties

Balances and transactions with related parties are summarized as follows:

	June 30, 2017	December 31, 2016
Assets:		
Accounts receivable:		
Banco Nacional de Panamá	22,237	-
Caja de Ahorros	285	285
Panama's Tourism Authority	7,620	14,064
Ministry of Agrarian Development	27,000	27,000
Ministry of Commerce and Industries	15,192	15,192
Post and telegraph	48,926	39,210
Ministry of Education	-	-
	121,260	95,751
Liabilities:		
Accounts payable:		
Civil Aeronautics Authority	38,090	49,097
Panama's Tourism Authority	3,221,861	5,675,270
Ministry of Public Security	3,500,000	3,500,000
Lotería Nacional de Beneficencia	407	407
Attorney General's Office (National Commission for the Prevention of Commercial Sexual Exploitation)	97,537	170,190
University of Panama	35,852,168	35,852,168
	42,710,063	45,247,132
Equity:		
Accounts receivable shareholder	11,281,930	11,281,930
Declared dividends	-	37,961,736

Accounts receivable and payable related parties do not generate interest, with the exception of the account payable to the University of Panama, as detailed below.

Accounts receivable and payable with related parties are not guaranteed.

	June 30, 2017	December 31, 2016
Income:		
Concession of commercial areas	72,093	72,093
Expenses:		
Special Fund for Development of the National Aeronautics Infrastructure	7,500,000	2,250,000
Attorney General's Office (National Commission for the Prevention of Commercial Sexual Exploitation)	320,710	318,680
Total cash and cash equivalents	7,820,710	2,568,680

All transactions between the Company and each of the government agencies, autonomous or semi-autonomous institutions, are considered transactions with related parties.

Below is the detailed nature of transactions with related parties:

(a) Accounts receivable shareholder

The account receivable shareholder arises from transfers to the National Treasury from the extraordinary income received in 2007 from Duty Free Bid No. 001-05 CONCE, which will be paid in installments as the Board of Directors of the Company declares dividends as specified in Board of Directors' Resolution No.001-JD-10 of April 22, 2010.

(b) University of Panama

By means of Public Deed No.5373 of February 28, 2014, the University of Panama granted as real and effective sale the transfer of property No.455263 resulting from the segregation of property No.17,908 and property No.18,454 for an amount of B/.109,852,167 according to the average of appraisals made by the Ministry of Economy and Finance and the Comptroller General of the Republic.

As at June 30, 2017, the Company owes the amount of B/.35,852,168 (2016: B/.35,852,168) to the University of Panama, which according to the contractual payment agreements are past due. The Company has not recognized liabilities for the amount of 4% interest required by the University, since it considers that it has not been contractually approved and expects to complete the negotiation of the new payment plan and the non-payment of interest required by the University.

(c) Special Fund for the Development of the National Aeronautical Infrastructure (FEDIAN)

In accordance with Law No. 23 of April 20, 2003, which establishes the regulatory framework for the management of Panama's airports and aerodromes, the Special Fund for Infrastructure Development and National Aeronautical Administration (FEDIAN in Spanish) was created, which aims to ensure that resources for the development of the aviation sector will be used exclusively for investments in airports and aerodromes, in systems of assistance and operational safety, and protection to air navigation.

By Cabinet Resolution No. 37 of September 30, 2003, it was determined that Tocumen International Airport, S.A. should make an annual non-reimbursable contribution to the Special Fund for the Development of Infrastructure and National Administration of Aeronautics (FEDIAN) of B/.4,500,000.

Through Official Gazette No.28170-A of December 2, 2016, Tocumen International Airport, S.A. is authorized in Budget Law No.63 to commit the transfer of Capital (FEDIAN) in favor of Civil Aeronautics for the year 2017 for the amount of B/.15,000,000.

As indicated in Note 1, the Company is wholly-owned by the Government of the Republic of Panama, and therefore, all expenses and balances of taxes and social security are with related parties. In addition, the Government has different interests and significant influence on energy distribution and telecommunications companies, where related expenses are transactions with related parties.

9. Deferred income

	June 30, 2017	December 31, 2016
Payments obtained to secure the award of the lease	44,445,960	53,851,641
Current	22,144,164	29,396,736
Non-current	22,301,796	24,454,905
	44,445,960	53,851,641

Deferred income arises as a result of the benefit of the initial payments for turnkey key received from licensees who participate in the concession contracts for the lease of commercial premises located in the duty free zone of Aeropuerto Internacional de Tocumen, S.A. Concession contracts are done for a period of 10 years.

During 2015, the Company requested concessionaries to pay in advance a minimal income guarantee (IMG in Spanish) for the new concession. The minimal income guarantee is usually established for a period of 24 months in which the concessionary is requested to pay in advance 12 months and the another 12 months need to be pay in the 13 month.

The movement of deferred income is as follows:

	June 30, 2017	December 31, 2016
Balance at beginning of the period	53,851,641	83,054,831
Right of key received and guaranteed minimum income	7,073,696	4,645,106
Amortiazation of the right of key and guaranteed minimum income	(16,479,377)	(33,848,296)
Balance at end of the period	44,445,960	53,851,641

10. Bonds payable

Bonds payable consist of the following:

	June 30, 2017	December 31, 2016
2014 Issue	644,062,295	643,838,309
2016 Issue	562,951,781	562,690,707
	1,207,014,076	1,206,529,016

10.1 Detail of the 2014 issue is summarized below:

	Maturity	Annual interest rate	June 30, 2017	December 31, 2016
Bonds - Series A	Julio 2023	5.75%	647,000,000	647,000,000
Debt issuance costs			(2,937,705)	(3,161,691)
			644,062,295	643,838,309

The movement of bonds payable is detailed bellow:

	June 30, 2017	December 31, 2016
Initial balance	643,838,309	646,374,964
Payment to capital	-	(3,000,000)
Amortization of costs	223,986	463,345
Total	644,062,295	643,838,309

The balance as at June 30, 2017 of the bond issuance costs is detailed as follows:

	June 30, 2017	December 31, 2016
Bond issuance costs at beginning of year	4,407,732	4,407,732
Increase from issuance of bonds	-	-
	4,407,732	4,407,732
Accumulated amortization:		
Balance at beginning of the year	(1,246,041)	(782,696)
Increase in the year	(223,986)	(463,345)
Balance at end of the year	(1,470,027)	(1,246,041)
Cost of bond issuance, net	2,937,705	3,161,691

10.2 Detail of the 2016 issue is summarized below:

	Maturity	Annual interest rate	June 30, 2017
Bonds	Mayo 2036	5.625%	575,000,000
Debt issuance costs			(12,048,219)
			562,951,781

The movement of bonds payable is detailed below:

	June 30, 2017
Proceeds from bond issuance, net of costs at beginning of the year	562,690,707
Amortization costs during the period	261,074
Total	562,951,781

Balance as at December 31, 2016, of the bond issuance costs is detailed as follows:

	June 30, 2017
Bond issuance costs at beginning of year	12,784,090
Accumulated amortization:	
Balance at beginning of the year	(474,797)
Increase in the year	(261,074)
Balance at end of the year	(735,871)
Cost of bond issuance, net	12,048,219

As at June 30, 2017, the Company is in compliance with the required financial conditions.

11. Income tax

The reconciliation of the tax rate with the effective rate of income tax expense of the Company, as a percentage of profit before income tax is detailed as follows:

	June 30, 2017	December 31, 2016
Profit before taxes	56,933,481	65,125,676
Income tax using the corporate rate	(17,080,044)	(19,537,703)
Effect of:		
Difference in estimation of prior year	(424,030)	-
Non-taxable income	77,710	-
Non-deductible expenses	(1,317,078)	-
	(18,743,442)	(19,537,703)

The deferred income tax asset under comprehensive income is detailed as follows:

	June 30, 2017	December 31, 2016
Deferred income tax asset		
Effect of revenue recognition by right of key according to the cash method	7,565,405	10,850,265
Provision for asset losses	3,128,666	3,128,666
Provision for benefits to retirees	644,723	644,723
Other provision	946,184	884,894
Deferred income tax asset	12,284,978	15,508,548

The reconciliation of deferred income tax of the previous year with the current year is as follows:

	December 31, 2016	Charge to profit or loss	June 30, 2017
Deferred income tax asset:			
Effect of revenue recognition by right of key according to the cash method	10,850,265	(3,284,860)	7,565,405
Provision for asset losses	3,128,666	-	3,128,666
Provision for benefits to retirees	644,723	-	644,723
Other provision	884,894	61,290	946,184
Deferred income tax asset	15,508,548	(3,223,570)	12,284,978

	2015	Charge to profit or loss	2016
Deferred income tax asset:			
Effect of revenue recognition by right of key according to the cash method	12,418,525	(1,568,260)	10,850,265
Provision for asset losses	578,666	2,550,000	3,128,666
Provision for benefits to retirees	532,878	111,845	644,723
Other provision	821,464	63,430	884,894
Deferred income tax asset	14,351,533	1,157,015	15,508,548

12. Risk management of financial instruments

12.1 Objectives of financial risk management

The Board of Directors is responsible for establishing and monitoring the reference framework for the risk management of the Company. The Board of Directors is responsible for the development and monitoring of risk management policies of the Company.

The risk management policies of the Company are established to identify and analyze the risks to which the Company faces, in order to set risk and control limits that are appropriate, and to track risk and compliance limits. The risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the activities of the Company. The Company, through its training and management standards and procedures, aims to develop a constructive control and discipline environment in which all employees understand their roles and obligations.

The Board of Directors of the Company verifies how Management monitors compliance with the Company's Risk Management policies and procedures in relation to the risks it faces.

The Company is exposed to the following risks related to the use of financial instruments:

- Credit risk
- Liquidity and financing risk
- Market risk
- Operational risk

This Note presents information on the Company's exposures to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and capital management of the Company. The unaudited condensed financial statements also include additional quantitative disclosures.

12.2 Concentration

Service revenues from airport operations are mostly generated by the main airline operating in the airport which is Compañía Panameña de Aviación, S.A. (COPA) and its rental income is mainly generated by two economic groups.

12.3 Credit risk

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Company. This risk mainly arises from accounts receivable and other receivables.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each client.

The Company establishes an allowance for impairment that represents its estimate of losses incurred in connection with accounts receivable. The main components of this allowance are a specific loss component that relates to individually significant exposures. Accounts receivable have maturities as follows:

	June 30, 2017	Impairment	December 31, 2016	Impairment
Clients:				
Current	10,398,699	-	11,023,888	-
From 1 to 30 days	185,378	-	301,108	-
From 31 to 60 days	57,848	-	54,548	-
More than 61 days	1,952,662	1,712,003	2,031,995	1,712,003
	12,594,587	1,712,003	13,411,539	1,712,003
Related parties:				
Current	5,256	-	727	-
From 1 to 30 days	11,515	-	3,270	-
From 31 to 60 days	12,483	-	3,020	-
More than 61 days	92,006	88,291	88,734	88,291
	121,260	88,291	95,751	88,291
Others:				
Current	2,374	-	466	-
	12,718,221	1,800,294	13,507,756	1,800,294

The movement of the impairment provision for accounts receivable is detailed as follows:

	June 30, 2017	December 31, 2016
Balance at beginning of the period	1,800,294	1,923,235
Less: write-offs of the period	-	(122,941)
Balance at end of the period	1,800,294	1,800,294

Cash and cash equivalents:

The Company maintains cash for B/.315,475,234 (2016: B/.370,312,620 Cash is held in the following banks: Caja de Ahorros and Banco Nacional de Panamá, both state-owned, and the guarantee trust fund for B/.51,299,894 (2016: B/.58,305,218)) in The Bank of Nova Scotia (Panamá), S.A. These banks have prestige and solidity.

12.4 Liquidity and financing risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The focus of the Company to manage liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its obligations when due, under normal and stressed conditions, without incurring in unacceptable losses or risking to damage the Company's reputation.

Liquidity risk management:

In managing liquidity, the Company assures itself that it maintains sufficient cash available to liquidate the expected operating expenses.

12.5 Market risk

Market risk is the risk that changes in market prices, such as interest rates, stock prices, etc. may affect the Company's income or the value of its holdings in financial instruments.

Sensibility analysis:

The Company has no substantial exposures with respect to interest and market rate risk since their obligations are based on a fixed rate between 5.625% and 5.75% for bonds payable.

12.6 Capital management

The Company's policy is to maintain a strong capital base. The Board of Directors monitors the return on capital, which the Company defines as the result from operating activities divided by total net equity, excluding preferred shares and minority interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with the highest level of loans and the advantages and security afforded by the capital position.

The debt of the Company by reason of adjusted capital at the end of the period is presented below:

	June 30, 2017	**December 31, 2016**
Total liabilities	1,444,085,361	1,419,821,091
Less: cash	(366,775,128)	(428,617,838)
Net debt	1,077,310,233	991,203,253
Total equity	443,277,585	405,087,546

13. Fair value of financial instruments

Fair value is the price that would be received when selling an asset or would be paid by transferring a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The fair value estimates are made at a specific date, based on market estimates and information on financial instruments. These estimates do not reflect any premium or discount that could result from offering a particular financial instrument for sale at a given date. These estimates are subjective in nature, involve uncertainties and significant judgment; therefore, they cannot be determined with precision. Any changes in assumptions or criteria could significantly affect the estimates.

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on transparency of the inputs used in determining fair value.

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which all market variables are observable, either directly or indirectly.
- Level 3 - Valuation techniques that include significant variables that are not based on observable market variables.

When measurements of fair value for assets and liabilities are determined which are required or permitted to be recorded at fair value, the Company considers the main market or the best market in which the transaction could be made and considers the assumptions that a participant market would use to value the asset or liability. When possible, the Company uses active markets and observable market prices for identical assets and liabilities.

When identical assets and liabilities are not traded in active markets, the Company uses observable market information for similar assets and liabilities. However, certain assets and liabilities are not actively traded in observable markets and the Company must use alternative valuation techniques to determine the fair value measurement. The frequency of transactions, the differential size between supply and demand and the size of investment are factors considered in determining the liquidity of markets and the relevance of observed prices in these markets.

When reference prices are available in an active market, financial instruments are classified within Level 1 of the fair value hierarchy. If the market value prices are not available or available in markets that are not active, the fair value is estimated based on the quoted prices of similar instruments, or if these are not available, internal valuation techniques are used, primarily models of discounted cash flows. Such securities are classified within level 2 or 3 of the fair value hierarchy.

Fair value of the Company's financial assets and liabilities that are not presented at fair value on an ongoing basis (but fair value disclosures are required)

Except as detailed in the table below, Management believes that the carrying amounts of financial assets and liabilities recognized at amortized cost in the unaudited condensed financial statements approximate their fair value.

	Fair value hierarchy			
	June 30, 2017		December 31, 2016	
	Carrying amount	Fair value measurement Level 2	Carrying amount	Fair value measurement Level 2
March 31				
Bonds payable	1,191,014,076	1,286,250,000	1,206,529,016	1,280,439,000

The fair value of financial liabilities included in Level 2 shown above has been determined with fixed prices of similar financial instruments in inactive markets.

14. Non-cash transactions

During the year, the Company made the following investment and non-cash financing activities which are not reflected in the unaudited condensed statement of cash flows:

	June 30,	
	2017	2016
Increase in constructions in progress through accumulation of unpaid bills in accounts payable others and accrued expenses	25,147,055	-
Payments of accounts payable for construction in progress	14,513,517	143,393,427

15. Approval of the unaudited condensed financial statements

The unaudited condensed financial statements were authorized by the Board of Directors to be issued on August _____, 2017.

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