

IMPORTANT NOTICE

You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering memorandum (the “Offering Memorandum”) accessed from this page or otherwise received as a result of such access and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached Offering Memorandum. In accessing the attached Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

THE FOLLOWING DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THIS DOCUMENT MAY ONLY BE DISTRIBUTED IN “OFFSHORE TRANSACTIONS” AS DEFINED IN, AND AS PERMITTED BY, REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITHIN THE UNITED STATES TO QIBs (AS DEFINED BELOW) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, WITH THE EXCEPTION OF PANAMA, IN WHICH THE NOTES HAVE BEEN REGISTERED WITH THE SUPERINTENDENCIA DEL MERCADO DE VALORES DE PANAMÁ (“SUPERINTENDENCY OF CAPITAL MARKETS”) OR THE “SMV”), AND, SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES MAY NOT BE OFFERED OR SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A “QIB”), OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

CONFIRMATION OF YOUR REPRESENTATION: In order to be eligible to view the attached Offering Memorandum or make an investment decision with respect to the securities, you must be: either (a) a QIB that is acquiring the securities for its own account or for the account of another QIB or (b) not a US person within the meaning of Regulation S under the Securities Act; and you must be either (i) a relevant person (as defined below) if in the United Kingdom, or (ii) outside the United Kingdom (and the electronic mail address that you gave us and to which this electronic mail has been delivered is not located in such jurisdiction). By accepting the email and accessing this document, you shall be deemed to have represented to us and the Initial Purchasers that you and any customers you represent are not U.S. persons (within the meaning of Regulation S) or that you and any customers you represent are QIBs, and that you are a relevant person if in the United Kingdom or that you are outside the United Kingdom (and the electronic mail address that you gave us and to which this electronic mail has been delivered is not located in such jurisdiction), and that you consent to delivery of such document by electronic transmission. You are reminded that the attached Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the attached Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the attached Offering Memorandum to any other person. The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers, as named in this document, or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the Aeropuerto Internacional de Tocumen, S.A. in such jurisdiction. Under no circumstances shall this document constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of this document who intend to subscribe for or purchase the securities are reminded that any subscription or purchase may only be made on the basis of the information contained in the attached Offering Memorandum.

This Offering Memorandum is for distribution only to persons who (a) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”); (b) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated

associations etc.”) of the Order; (c) are outside the United Kingdom; or (d) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

NOTICE TO RESIDENTS OF PANAMA. THE PUBLIC OFFERING OF THE NOTES HAS BEEN REGISTERED IN PANAMA WITH AND AUTHORIZED IN PANAMA BY THE SMV AND THE NOTES HAVE BEEN LISTED AND ADMITTED FOR TRADING ON BOLSA LATINOAMERICANA DE VALORES, S.A. (“LATINEX”). NONE OF THE REGISTRATION WITH OR THE AUTHORIZATION BY THE SMV, THE LISTING OF THE NOTES ON LATINEX OR THE REST OF THE DOCUMENTATION AND INFORMATION PRESENTED FOR THE REGISTRATION OF THE PUBLIC OFFERING OF THE NOTES IMPLIES THAT THE SMV RECOMMENDS INVESTING IN THE NOTES NOR DOES IT REPRESENT A FAVORABLE OR UNFAVORABLE OPINION ON THE ISSUER’S BUSINESS PROSPECTS. THE SMV WILL NOT BE RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION PRESENTED IN THIS OFFERING MEMORANDUM OR OF THE DECLARATIONS CONTAINED IN THE REGISTRATION APPLICATION OR THE OTHER DOCUMENTATION AND INFORMATION PRESENTED BY US FOR THE REGISTRATION OF THE PUBLIC OFFER.

THE ISSUER WILL OFFER THE NOTES FOR SALE ON LATINEX ON THE LOCAL TRADING DATE PURSUANT TO A PUBLIC AUCTION PROCESS DETAILED IN THIS OFFERING MEMORANDUM. See “*Plan of Distribution*.”

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II, or (ii) a customer within the meaning of Directive 2016/97/EU (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission, and consequently, none of the initial purchasers nor any person who controls any Initial Purchasers or any of their directors, officers, employees or agents, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the initial purchasers.

Subject to completion, dated July 26, 2021

Strictly confidential

Preliminary Offering Memorandum



S\$

Aeropuerto Internacional de Tocumen, S.A.

US\$ % Senior Secured Notes due
US\$ % Senior Secured Notes due

Pursuant to the Public Offering Authorized by the Superintendency of Capital Markets of Panama under SMV Resolution No. _____ dated _____ (the “SMV Resolution”), 2021, of up to US\$ _____.

Aeropuerto Internacional de Tocumen, S.A. is offering US\$ _____ principal amount of notes, in two series of notes: _____, % Senior Secured Notes due _____ for a nominal value of up to US\$ _____ and _____ % Senior Secured Notes due _____ for a nominal value of up to US\$ _____ pursuant to a registration with the Panama Superintendency of Capital Markets of up to US\$ _____. All or any portion of the registered remaining US\$ _____ may be issued in the future.

We are a *sociedad anónima* organized under the laws of the Republic of Panama (“Panama”), domiciled in Panama and duly recorded since April 15, 2003 in the Mercantile Section of the Panamanian Public Registry Office, at Microjacket 432290, Document 456104, contact telephone is +507 238-2600 (the “Issuer”). Our commercial address is located at Vía Tocumen, Terminal de Pasajeros, Tercer Nivel, Panama, Republic of Panama. We are offering US\$ _____ aggregate principal amount of our _____ % Senior Secured Notes due _____ in nominal form, registered and without coupons (the “_____ notes”) and US\$ _____ aggregate principal amount of our _____ % Senior Secured Notes due _____ in registered and without coupons (the “_____ notes”). Unless redeemed prior thereto, the _____ notes will mature on _____ and the _____ notes will mature on _____.

We intend to use the net proceeds from the offering of the notes, after deducting fees and commissions payable by us to the Initial Purchasers and transaction fees and expenses as follows: (i) *first*, to finance the purchase of the Existing Notes pursuant to the Tender Offer and to pay the expenses of such Tender Offer; (ii) *second*, to fund the Payment Account for the notes; (iii) *third*, to fund the Debt Service Reserve Account for the notes; (iv) *fourth*, to repay outstanding bank debt; and (v) *fifth*, the remainder will be transferred to the COVID Recovery Account.

We will allocate amounts currently on deposit in the Payment Accounts and Debt Service Reserve Accounts for the Existing Notes (taking into consideration the purchase of Existing Notes pursuant to the Tender Offer) to fund the Payment Accounts and the Debt Service Reserve Accounts for the notes, and will use our existing cash balances to fill any shortfall in such accounts and to ensure that at least U.S.\$100 million are transferred to the COVID Recovery Account.

Interest on the _____ notes will accrue from _____ at a rate of _____ % and interest on the _____ notes will accrue from _____ at a rate of _____ %. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months, and will be payable semi-annually in arrears in cash on each _____ and _____ beginning on _____, 2021. The ratio of the total principal amount of the notes being offered to the paid-in capital (defined as common shares plus additional paid-in capital) of the Issuer is _____ times. Principal on the notes will be payable on the same dates as interest on the notes, beginning on _____, 2021 with the final payments thereof being required to be made on the applicable Maturity Date. For a description of the principal amortization schedule of the notes, see “*Summary of the Business, Terms, Conditions and Risk Factors Relating to the Offering —The Offering.*”

The notes will be our direct, unconditional senior secured obligations and will rank *pari passu* in right of payment with all of our existing and future senior debt. The notes will rank senior in right of payment to all of our future debt that is, by its terms, expressly subordinated to the notes.

The notes will be issued only in registered form in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof.

The notes will be secured by a first-priority lien on certain transaction accounts established by the Collateral Trustee (as defined herein) and the revenues held therein. 95% of our revenues derived from providing aeronautical services and non-aeronautical commercial services that relate to the use of the facilities of the *Aeropuerto Internacional de Tocumen* (the “Airport”), will be transferred to and deposited in the transaction accounts. The remaining 5% of our revenues derived from such aeronautical services and non-aeronautical commercial services and all revenues or other assets of the Other Airports (as defined herein), Airport City (as defined herein) or any Unrestricted Subsidiary (as defined herein) will not be included in the Collateral (as defined herein). The notes will be effectively senior to any of our existing and future unsecured debt to the extent of the value of the collateral securing the notes and effectively subordinated to all of our existing and future indebtedness secured by assets other than the Collateral to the extent of the value of the assets securing such indebtedness. Pursuant to the Trust Agreement (as defined herein), the Collateral also

equally and ratably secures our obligations under the 5.625% senior secured notes due 2036 (the “2036 Notes”) and the 6.000% senior secured notes due 2048 (the “2048 Notes”), and together with the 2036 Notes, the “Existing Notes”) and may also secure future debt permitted under the Indenture (as defined herein). See “*Description of the Notes*”.

We may, at our option, redeem any series of notes, in whole or in part, at any time at a redemption price including the Make-Whole Premium defined herein. No Make-Whole Premium shall be payable for redemption during the last prior to maturity of the notes. No Make-Whole Premium shall be payable for redemption during the last prior to maturity of the notes. We may also redeem any series of notes at any time in the event of certain tax law changes requiring payment of additional amounts as described in this offering memorandum (the “Offering Memorandum”). See “*Description of the Notes—Redemption of the Notes—Optional Redemption for Changes in Taxes*.” Additionally, if a change of control occurs, we will be required to offer to purchase the notes from the holders at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest. We must also offer to purchase at par the notes at par if we experience specific loss or termination events or upon certain sales of assets or insurance recoveries. See “*Description of the Notes*.”

Investing in the notes involves risks that are described in the “Risk Factors” section beginning on page 38 of this Offering Memorandum.

Price per	note:	% plus accrued interest, if any, from	, 2021.
Price per	note:	% plus accrued interest, if any, from	, 2021.

The notes have not been, and will not be, registered under the under the United States Securities Act of 1933, as amended (the “Securities Act”) or under the securities or “blue sky” laws of any state of the United States or the securities laws of any other jurisdictions, except in Panama, as described in the next paragraph. The notes may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, we are offering the notes only to (i) persons reasonably believed to be “qualified institutional buyers” (“QIBs”) as defined in, and in reliance on, the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act (the “U.S. Offering”) and (ii) non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act (the “International Offering,” and together with the U.S. Offering, the “Offering”). For a description of certain restrictions on resale or transfer of the notes, see “*Notice to Investors*,” “*Plan of Distribution*” and “*Transfer Restrictions*.”

THE PUBLIC OFFERING OF THE NOTES HAS BEEN AUTHORIZED IN PANAMA BY THE SMV. THIS AUTHORIZATION DOES NOT IMPLY THAT THE SMV RECOMMENDS INVESTING IN THE NOTES NOR DOES IT REPRESENT A FAVORABLE OR UNFAVORABLE OPINION ON THE ISSUER’S BUSINESS PROSPECTS. THE SMV WILL NOT BE RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION PRESENTED IN THIS OFFERING MEMORANDUM OR OF THE DECLARATIONS CONTAINED IN THE REGISTRATION APPLICATION OR THE OTHER DOCUMENTATION AND INFORMATION PRESENTED BY THE ISSUER FOR THE REGISTRATION OF THE PUBLIC OFFER.

THE LISTING AND TRADING OF THE NOTES HAVE BEEN AUTHORIZED BY LATINEX. THIS AUTHORIZATION DOES NOT IMPLY ANY RECOMMENDATION OR OPINION REGARDING THE NOTES OR THE ISSUER. Application will be made to list the notes on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed, or reports contained in this Offering Memorandum.

The offering date, the issue date, the interest rate on the notes, the interest payment dates and the particulars of any potential redemption of the notes will be notified to the SMV and Latinex by means of the delivery of a supplemental prospectus on the business day prior to the Panamanian Public Auction (as defined herein).

On or prior to the date the notes are issued, the notes are expected to have been rated BBB by Standard & Poor’s Rating Services and Baa2 by Moody’s Investor Services, Inc. A RISK RATING DOES NOT GUARANTEE THE REPAYMENT OF THE OFFERING. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

The notes will be issued in the form of one or more registered notes in global form without interest coupons and will be deposited with a custodian for The Depository Trust Company (“DTC”) in New York, New York and registered in the name of Cede & Co., as nominee of DTC. Investors may hold their interests in a global note representing the notes through organizations that are participants in DTC, including Euroclear Bank SA/NV (“Euroclear”) or Clearstream Banking, *société anonyme* Luxembourg (“Clearstream”). Beneficial interests in the notes may be held in Panama through Central Latinoamericana de Valores S.A. (“LatinClear”), a participant in Euroclear and Clearstream.

TO THE EXTENT THAT THE SPANISH LANGUAGE OFFERING MEMORANDUM USED IN CONNECTION WITH THE OFFERING OF THE NOTES CONFLICTS WITH THIS OFFERING MEMORANDUM IN ENGLISH, THIS OFFERING MEMORANDUM IN ENGLISH SHALL GOVERN AND CONTROL. *EN LA MEDIDA QUE EL PROSPECTO INFORMATIVO EN IDIOMA ESPAÑOL UTILIZADO EN RELACIÓN CON LA OFERTA DE LOS BONOS CONTRADIGA O PRESENTE UN CONFLICTO CON EL PROSPECTO INFORMATIVO EN IDIOMA INGLÉS, ESTE ÚLTIMO REGIRÁ Y CONTROLARÁ.*

THE NOTES WILL BE OFFERED FOR SALE BY THE ISSUER ON LATINEX PURSUANT TO THE BIDDING PROCESS DESCRIBED HEREIN.

THE SETTLEMENT WILL TAKE PLACE ON THE BUSINESS DAY FOLLOWING THE DATE OF THE PRICING OF THE NOTES.

CONSUMMATION OF THE SALE AND PURCHASE OF THE NOTES ON THE SETTLEMENT DATE AS CONTEMPLATED IN THE PURCHASE AGREEMENT WILL BE CONDITIONED UPON THE INITIAL PURCHASERS’ SATISFACTION ON THE SETTLEMENT DATE THAT ALL CONDITIONS PRECEDENT SET FORTH IN THE PURCHASE AGREEMENT HAVE BEEN MET OR WAIVED ON OR PRIOR TO THE SETTLEMENT DATE (THE “CONDITIONS”). IN ADDITION, THE PURCHASE AGREEMENT PERMITS THE INITIAL PURCHASERS TO TERMINATE THEIR OBLIGATION TO PURCHASE THE NOTES IN CERTAIN CIRCUMSTANCES, INCLUDING GENERAL TRADING SUSPENSIONS, BANK MORATORIA IN THE UNITED STATES OR PANAMA AND ACTS OF WAR OR TERRORISM (“TERMINATION EVENTS”).

IF THE INITIAL PURCHASERS WERE TO DETERMINE ON OR PRIOR TO THE SETTLEMENT DATE, IN ACCORDANCE WITH THE TERMS OF THE PURCHASE AGREEMENT, THAT ANY OF THE CONDITIONS HAS NOT BEEN SATISFACTORILY MET OR WAIVED OR THAT A TERMINATION EVENT HAS OCCURRED OR IF THE ISSUER AND THE INITIAL PURCHASERS MUTUALLY AGREE, THE INITIAL PURCHASERS HAVE THE RIGHT TO REQUIRE THE ISSUER TO REPURCHASE THE NOTES (IN WHOLE OR IN PART) ON THE SETTLEMENT DATE BY DELIVERING A NOTICE TO THE ISSUER, AND IN THAT EVENT THE ISSUER SHALL REPURCHASE ON THE SETTLEMENT DATE THE NOTES SOLD TO THE INITIAL PURCHASERS ON LATINEX.

THE REPURCHASE PRICE SHALL BE EQUAL TO THE PRICE PAYABLE TO THE ISSUER FOR THE NOTES (INCLUDING ANY PREMIUM, DISCOUNT AND/OR PREPAID INTEREST), AND NO MAKE-WHOLE PREMIUM OR ANY OTHER AMOUNTS SHALL BE PAYABLE IN CONNECTION THEREWITH.

THE ISSUER’S OBLIGATION TO PAY THE REPURCHASE PRICE FOR THE NOTES ACQUIRED BY THE INITIAL PURCHASERS WILL BE SET OFF AGAINST THE INITIAL PURCHASERS’ OBLIGATION TO PAY THE PURCHASE PRICE FOR SUCH NOTES. SEE “PLAN OF DISTRIBUTION.”

Joint bookrunners and joint lead arrangers

BofA Securities

Citigroup

Joint lead arranger and local structuring agent

Banco General

The date of this Offering Memorandum is , 2021.

SMV Resolution No:

Printing Date of the Offering Memorandum

NOTICE TO INVESTORS

You should assume that the information appearing in this Offering Memorandum is accurate as of the date on the front cover of this Offering Memorandum or as of the dates specified herein. Our business, properties, financial condition and results of operations may have changed since that date. Neither the delivery of this Offering Memorandum nor any sale of notes made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date specified herein or on the cover of this Offering Memorandum.

We have furnished this Offering Memorandum in connection with an offering that is exempt from registration under, or not subject to, the Securities Act, and applicable securities laws of other jurisdictions, solely to allow a prospective investor to consider purchasing the notes. Delivery of this Offering Memorandum to any person or any reproduction of this Offering Memorandum, in whole or in part, without our, BofA Securities, Inc.'s ("BofA Securities"), Citigroup Global Markets Inc.'s ("Citigroup"), or Banco General S.A.'s ("Banco General") and, together with BofA and Citigroup, the "Initial Purchasers") prior consent, is prohibited.

We have prepared the information in this Offering Memorandum. Neither we nor the Initial Purchasers take any responsibility for other information others may give you.

Upon receiving this Offering Memorandum, you acknowledge that (i) you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained herein, (ii) you have not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with any investigation of the accuracy of such information or your investment decision and (iii) we have not, and the Initial Purchasers have not, authorized any person to deliver any information different from that contained in this Offering Memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the Initial Purchasers or their agents. The Offering is being made on the basis of this Offering Memorandum. Any decision to purchase the notes in the Offering must be based on the information contained in this Offering Memorandum. In making an investment decision, investors must rely on their own examination of us and the terms of the Offering, including the merits and risks involved.

The information contained in this Offering Memorandum has been furnished by us and other sources that we believe to be reliable. You acknowledge and agree that the Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of any of the information set forth in this Offering Memorandum, and you should not rely on anything contained in this Offering Memorandum as a promise, representation or warranty, whether as to the past or the future. The Initial Purchasers have not independently verified any of the information that we have provided and assume no responsibility for the accuracy or completeness of any such information. This Offering Memorandum contains summaries, believed to be accurate, of the terms that we consider material of certain documents, but reference is made to the actual documents, copies of which will be made available upon request, for the complete information contained in those documents, as indicated under "*Available Information*." All such summaries are qualified in their entirety by this reference.

The Offering is being made in reliance upon an exemption from registration in the United States under the US Securities Act. In making your purchase, you will be deemed to have made certain acknowledgments, representations, warranties and agreements set forth in this Offering Memorandum, including those under the caption "*Transfer Restrictions*."

The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See "*Plan of Distribution*" and "*Transfer Restrictions*."

Laws in certain jurisdictions may restrict the distribution of this Offering Memorandum and the offer and sale of notes. Persons into whose possession this Offering Memorandum or any of the notes are delivered must inform themselves about, and observe, any such restrictions. Each prospective purchaser of the notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the notes or distributes this Offering Memorandum and must obtain any consent, approval or permission required under any

regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Initial Purchasers shall have any responsibility therefor.

We reserve the right to withdraw this Offering at any time, and we and the Initial Purchasers reserve the right to reject any commitment to subscribe for the notes in whole or in part and to allot to you less than the full amount of notes subscribed for by you. We are making this Offering subject to the terms described in this Offering Memorandum and the indenture dated as of May 4, 2016, as amended and restated on May 13, 2016 (as may be further amended from time to time) (the “Amended and Restated Indenture”) between us and Citibank, N.A., as indenture trustee (the “Indenture Trustee”), as supplemented by (i) the first supplemental indenture dated as of May 3, 2018 (the “First Supplemental Indenture”), (ii) the second supplemental indenture dated November 7, 2018 (the “Second Supplemental Indenture”), and (iii) the third supplemental indenture dated October 2, 2020 (the “Third Supplemental Indenture”) and, together with the Amended and Restated Indenture, the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture, and as may be further amended from time to time, the “Indenture”), with Citibank, N.A., as indenture trustee (the “Indenture Trustee”).

This Offering Memorandum does not constitute an offer to sell the notes to or a solicitation of an offer to buy the notes from any person in any jurisdiction where it is unlawful to make such an offer or solicitation. You are not to construe the contents of this Offering Memorandum as investment, legal or tax advice. You should consult your own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the notes. We and the Initial Purchasers are not making any representation to you regarding the legality of an investment in the notes by you under any law. No one has taken any action that would permit a public offering of the notes to occur in any jurisdiction other than the Republic of Panama.

The offer and sale of the notes has not been registered with the United States Securities and Exchange Commission (“SEC”), or any other federal, state or foreign securities commission or regulatory authority, except in Panama, as described before, and none of the notes have been recommended by or approved by the SEC or any other federal, state or foreign securities commission or regulatory authority, nor has the SEC or any other federal, state or foreign securities commission or regulatory authority passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

This Offering Memorandum omits certain information that we would be required to include in a prospectus prepared in compliance with SEC rules relating to a public offering of securities, including, for example, certain executive compensation and corporate governance disclosures, historical consolidated financial data and ratios of earnings to fixed charges data required by Regulation S-K under the Securities Act.

The notes are listed on LATINEX. We intend to list the notes on the SGX-ST.

STABILIZATION

IN CONNECTION WITH THE OFFERING OF THE NOTES, THE INITIAL PURCHASERS (OR PERSONS ACTING ON THEIR BEHALF) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZATION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE, AND, IF BEGUN MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN 30 DAYS AFTER THE DATE ON WHICH WE RECEIVED THE PROCEEDS OF THE ISSUE, OR NO LATER THAN 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE RELEVANT SECURITIES, WHICHEVER IS THE EARLIER. ANY STABILIZATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT INITIAL PURCHASER(S) (OR PERSONS ACTING ON THEIR BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES AND WILL BE UNDERTAKEN AT THE OFFICES OF THE STABILIZING MANAGER(S) (OR PERSONS ACTING ON THEIR BEHALF) AND ON LATINEX. OVER-ALLOTMENT INVOLVES SALES IN EXCESS OF THE OFFERING SIZE, WHICH CREATES A SHORT POSITION FOR THE INITIAL PURCHASERS. STABILIZING TRANSACTIONS INVOLVE BIDS TO PURCHASE THE NOTES IN THE OPEN

MARKET FOR THE PURPOSE OF PEGGING, FIXING OR MAINTAINING THE PRICE OF THE NOTES. STABILIZING TRANSACTIONS MAY CAUSE THE PRICE OF THE NOTES TO BE HIGHER THAN IT WOULD OTHERWISE BE IN THE ABSENCE OF THOSE TRANSACTIONS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE “*PLAN OF DISTRIBUTION*.”

NOTICE TO RESIDENTS OF PANAMA

THE PUBLIC OFFERING OF THE NOTES IS REGISTERED IN PANAMA WITH AND AUTHORIZED BY THE SMV AND THE NOTES ARE LISTED ON LATINEX. NONE OF THE REGISTRATION WITH OR THE AUTHORIZATION BY THE SMV, THE LISTING OF THE NOTES ON LATINEX OR THE REST OF THE DOCUMENTATION AND INFORMATION PRESENTED FOR THE REGISTRATION OF THE PUBLIC OFFERING IMPLIES ANY CERTIFICATION OR RECOMMENDATION TO THE INVESTMENT QUALITY OF THE NOTES, THE SOLVENCY OF THE ISSUER, OR A FAVORABLE OR UNFAVORABLE OPINION OF THE ISSUER’S BUSINESS OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION AS CONTAINED IN THIS OFFERING MEMORANDUM AND IN ITS FILING REQUEST.

NOTICE: This Offering Memorandum shall be known as the *Prospecto Informativo* in Spanish for purposes of the registration of the public offering of notes with the SMV and its filing before LATINEX, and as the Offering Memorandum in English for purposes of the offering of the notes in the United States and outside the United States (except in Panama). Any future amendments to the terms and conditions of the Notes are subject to SMV Accord 4-2003 of April 11, 2003 (by which the SMV adopts the proceeding for the filing of registration requests of amendments to the terms and conditions of securities registered with the SMV) as amended, restated or replaced, whereby the SMV adopts the procedure for filing requests to amend the terms and conditions of registered securities before the SMV, or any other applicable regulation, and must be performed in compliance with the provisions thereof. To the extent that the Spanish translation of this Offering Memorandum conflicts with this Offering Memorandum in English, this English language Offering Memorandum will govern and control.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

This Offering Memorandum has been prepared on the basis that any offer of the notes referred to herein in any Member State of the EEA will be made pursuant to an exemption under the “Prospectus Regulation”) from the requirement to publish a prospectus for offers of notes. The expression “Prospectus Regulation” means Regulation (EU) 2017/1129 (as amended or superseded).

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”), or (ii) a customer within the meaning of Directive 2016/97/EU (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This Offering Memorandum has been prepared on the basis that any offer of the notes in the UK will be made pursuant to an exemption under the UK Prospectus Regulation and the Financial Services and Markets Act 2000 from the requirement to publish a prospectus for offers of notes. The expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the

FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Any distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “UK MiFIR Product Governance Rules”) (for the purposes of this paragraph, a “distributor”) subsequently offering, selling or recommending the notes is responsible for undertaking its own target market assessment in respect of the notes and determining the appropriate distribution channels. Neither the Issuer nor any of the Initial Purchasers make any representations or warranties as to a distributor’s compliance with the UK MiFIR Product Governance Rules.

CERTAIN DEFINED TERMS AND CONVENTIONS

In this Offering Memorandum, unless the context otherwise requires:

- “2036 Notes” refers to the 5.625% senior secured notes due 2036.
- “2048 Notes” refers to the 6.000% Senior Secured Notes due 2048.
- “ACI” refers to the Airports Council International.
- “Airport” refers to the *Aeropuerto Internacional de Tocumen*.
- “Airport Operation Services” refers to revenues from airport operation services related to PEF and other fees for the use of the Airport.
- “ALAP” refers to Panama Airlines Association.
- “ALS” refers to approach lighting system.
- “AML” refers to Anti-money laundering.
- “AOS” refers to Multi-Airport Operation System.
- “ARFF” refers to aircraft rescue and firefighting facility.
- “ASIC” refers to the Australian Securities and Investments Commission.
- “ATCT” refers to Airport Traffic Control Tower.
- “ATP” refers to the Panama Ministry of Tourism or *Autoridad de Turismo de Panamá*.
- “Banco General” refers to Banco General S.A.
- “BofA” Securities refers to BofA Securities, Inc.
- “BNP” refers to Banco Nacional de Panama.
- “Canal” refers to The Panama Canal.
- “CAA” refers to the Civil Aviation Authority.
- “Citigroup” refers to Citigroup Global Markets Inc.
- “CONAPREDES” refers to the National Commission for the Prevention of Crimes of Sexual Exploitation.
- “Concessionaires” refers to the Airport’s non-aeronautical revenue sources, including rent and sales commission payments from operators of concessions for duty-free and food and beverage operations.
- “Contraloria” refers to the General Comptroller’s Office.
- “Copa Airlines” refers to the Compañía Panameña de Aviación, S.A.
- “Development Fee” refers to a special Airport development fee authorized by Resolution No. 022.

- “DHL” refers to DHL Group.
- “DTC” refers to Depository Trust Company.
- “El Dorado” refers to Bogota El Dorado International Airport.
- “Existing Notes” refers to the 2036 Notes together with the 2048 Notes
- “Government” refers to the Government of Panama.
- “IATA” refers to the International Air Transport Association.
- “ICAO” refers to the International Civil Aviation Organization.
- “IFRS” refers to the International Financial Reporting Standards.
- “ILS” refers to the Instrument Landing System.
- “IMG” refers to *ingreso minimo garantizado*.
- “IASB” refers to the International Accounting Standard Board.
- “IRS” refers to the Internal Revenue Service.
- “LAC” refers to Latin America and the Caribbean.
- “Latinex” refers to the Bolsa Latinoamericana de Valores, S.A.
- “LatinClear” refers to Central Latinoamericana de Valores S.A.
- “Law 23” refers to the Panamanian Law No. 23 of January 29, 2003.
- “Law 71” refers to an amendment to Law 23 introducing certain changes to the corporate organization and governance of the airport management companies created pursuant to Law 23, including authorizing chief executive officers of these companies to retain external auditors and establishing a procedure for removal of chief executive officers.
- “Law 86” refers to a law modifying articles 19 and 20 of Law 23 that authorizes the companies created pursuant to Law 23 to issue bonds and sell them in Panama or internationally.
- “MEF” refers to the Ministry of Economy and Finance.
- “National Assembly” refers to the Panamanian National Assembly.
- “OAG” refers to OAG Aviation Group.
- “Offering Memorandum” refers to this offering memorandum.
- “Origin/Destination Passengers” refers to the passengers for which the Airport is the origination or destination point.
- “Original 2048 Notes” refers to the 6.000% Senior Secured Notes due 2048 for an aggregate principal amount of US\$225.0 million issued on May 9, 2018

- “*Other Airports*” refers to Scarlett Raquel Martínez Airport in Rio Hato, Enrique Malek International Airport in David, Enrique Adolfo Jiménez Airport in Colón and Panama Pacífico International Airport.
- “*Panama*” refers to the Republic of Panama.
- “*PEF*” refers to Passenger Exit Fee.
- “*Project Manager*” refers to CSA Group and Cemosa.
- “*Rent*” refers to rent payments for commercial space in the Airport, including any amounts paid for turnkey rights, a fixed rent per square meter and a variable rent based on a percentage of gross sales.
- “*Runway Project*” refers to the potential expansion of airfield capacity through the construction of a third air carrier runway for the Airport, along with associated facilities.
- “*Securities Act*” refers to the U.S. Securities Act of 1933.
- “*Security Fee*” refers to a security charge of US\$1.25 for every arriving, departing and transiting international passenger at the Airport.
- “*SEC*” refers to the Securities and Exchange Commission.
- “*SUNTRACS*” refers to the National Union Workers of the Construction Industry and Similar Industries.
- “*Superintendency of Capital Markets*” or “*SMV*” refers to the Superintendencia Del Mercado De Valores De Panama.
- “*Terminal 1*” or “*T1*” refers to the Airport’s original terminal.
- “*Terminal 2* or “*T2*” refers to the Airport’s new terminal, which is partially operational.
- “*Transit/Transfer Passengers*” refers to the Airport’s connecting passenger.
- “*Turnkey Rights*” refers to rents and commissions on gross sales received by the Airport under its Turnkey model.
- “*VPIP*” refers to the Vice Presidency for Engineering and Projects.
- “*WHO*” refers to the World Health Organization.
- “*World Bank*” refers to the International Bank for Reconstruction and Development.
- “*World Bank Group*” refers to the World Bank together with its affiliates International Finance Corporation and Multilateral Investment Guaranty Agency.

SERVICE OF PROCESS AND ENFORCEABILITY OF CIVIL LIABILITIES

We have been advised by our Panamanian counsel, Icaza, González Ruiz & Alemán, and the Initial Purchasers have been advised by their Panamanian counsel, Alemán, Cordero, Galindo & Lee, that no treaty exists between the United States and Panama for the reciprocal enforcement of foreign judgments and that there is doubt as to the enforceability, in original actions in Panamanian courts, of liabilities predicated solely on United States federal securities laws and as to the enforceability in Panamanian courts of judgments of United States courts obtained in actions predicated upon the civil liability provision of the United States federal securities laws. In any case, judgments of courts outside Panama, including but not limited to judgments of United States courts, may only be recognized and enforced by the courts of Panama in the event that the Supreme Court of Panama validates the judgment by issuing a writ of *exequatur*. Subject to a writ of *exequatur*, any final money judgment rendered by any foreign court will be recognized, conclusive, and enforceable in the courts of Panama without reconsideration of the merits, *provided that* (i) such foreign court grants reciprocity to the enforcement of judgments of courts of Panama, (ii) the party against whom the judgment was rendered, or its agent, was personally served (service by mail not being sufficient) in such action within such foreign jurisdiction, (iii) the judgment arises out of a personal action against the defendant, (iv) the obligation in respect of which the judgment was rendered is lawful in Panama and does not contradict the public policy of Panama, (v) the judgment, in accordance with the laws of the country where it was rendered, is final and not subject to appeal, (vi) the judgment is properly authenticated by diplomatic or consular officers of Panama, or pursuant to the 1961 Hague Convention on the legalization of documents and, (vi) a copy of the final judgment is translated into Spanish by a licensed translator in Panama. Any final money judgment rendered against us and validated by the Supreme Court of Panama will be delivered by the Supreme Court of Panama to us for payment. If after three years from the validation of the foreign judgment by the Supreme Court of Panama, we have not satisfied the court judgment, you may request the Supreme Court of Panama to instruct the National Bank of Panama (*Banco Nacional de Panama* or “BNP”) to make available for payment of the court judgment any moneys that we may have in our accounts with the BNP, if any.

Panamanian courts may consider that since we are beneficially owned by Panama, we may not be subject to the insolvency laws of Panama. In any event, if we become subject to insolvency procedures or related administrative laws under Panamanian regulation and therefore your rights under the Notes are affected, we cannot assure you that you will be able to effectively enforce your rights in such insolvency or similar proceedings. In addition, if applicable, insolvency, or other similar proceedings, and other laws of Panama may be materially different from, or in conflict with, each other, including in the areas of rights of creditors, priority of government entities and related party creditors, and the ability to obtain post-bankruptcy filing loans or to pay interest. The application of these laws, or any conflict among them, could call into question what and how Panamanian laws should apply. The laws of Panama may not be as favorable to your interests as the laws of jurisdictions with which you are familiar.

We consider that it is possible that Panamanian courts grant us certain benefits that our procedural law grants to the State of Panama and other Panamanian governmental entities, through Articles 1047, 1048, 1650 (14) and 1939 of the Judicial Code of Panama, as set forth below. These benefits would be applicable in the event actions are taken through Panamanian courts.

Article 1047 of the Judicial Code of Panama sets forth that if there is a judgment through which an autonomous entity of the Republic of Panama is ordered to pay a sum of money, the judge shall send an authenticated copy of the decision to the Executive Branch of the Government through the Ministry of Economy and Finance, or to AITSA’s legal representative, to enforce the judgment to the extent it is within its authority. If compliance with the judgment is beyond its authority, the governmental entity to which the judgment was communicated will, within thirty days from receiving said communication, notify the Cabinet Council (*Consejo de Gabinete*), the relevant municipal council (*Consejo Municipal*) or the relevant entity, so that the relevant council or corporation, as the case may be, orders the taking of any necessary action to comply with the judgment. If after one year from the date in which the communication is sent, the judgment has not been enforced, the corresponding court shall request, through the President of the Supreme Court, to the President of the Republic of Panama, the Mayor of the respective district, or the President of the entity in question, to take the necessary action to comply with the judgment.

Article 1048 of the Judicial Code of Panama provides that if despite all these efforts, three years have passed since the resolution ordering the enforcement, and the obligation to pay has not been satisfied, the creditor may request the court to instruct Banco Nacional de Panamá to make available for payment, from our bank accounts in said bank, the sums of money equal to the enforcement amount within one month.

Article 1650 (14) of the Judicial Code of Panama sets forth that the assets that belong to Panama, municipalities, autonomous or semi-autonomous state entities cannot be subject to attachment.

Article 1939 of the Judicial Code of Panama sets forth, among other things, that no cautionary measure can be taken against Panama and municipalities, with the exception of those relative to evidence.

Furthermore, pursuant to Law 23 of 2003, as amended, our Board of Directors may waive any prerogatives, guarantees and immunities granted by the procedural laws to Panama and its entities, including us, in respect of any assets assigned, transferred, or granted as guarantee in any manner to secure our obligations and in respect of any judicial enforcement thereof. This waiver shall be included and authorized by a resolution of the Board of Directors of the Airport approving the transaction pursuant to the powers granted to it by Article 21 of Law 23 of 2003. On July 6, 2021, our Board of Directors waived these procedural privileges. Nevertheless, since such privileges are a matter of public policy, Panamanian courts may uphold such privileges regardless of such waiver.

All of our directors and officers are residents of Panama or elsewhere outside of the United States. All or a substantial portion of the assets of these persons are located in Panama or outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, or to enforce against them judgments predicated upon the civil liability provisions of U.S. federal securities laws, or otherwise obtained, in U.S. courts. Because all or a substantial portion of our assets are located outside the United States, any judgment obtained in the United States against us may not be fully collectible in the United States.

We have appointed Corporation Service Company, 19 West 44th Street, Suite 200, New York, NY 10036, as our authorized agent upon which process may be served in any action arising out of or in connection with the Indenture and the intercreditor agreement dated April 19, 2016, among us, Scotia Panama Trust Company S.A. (formerly known as the Bank of Nova Scotia (Panama), S.A.), as the collateral trustee (the “Collateral Trustee”) and Citibank, N.A., as intercreditor agent, and the other parties thereto, as joined by the Indenture Trustee on May 3, 2018 (as amended and restated from time to time, the “Intercreditor Agreement”). Such Intercreditor Agreement, together with the Indenture, an amended and restated trust agreement dated April 19, 2016, between us, the Collateral Trustee and Paying Agent, as further amended on or prior to the Panamanian Auction Date (as amended and restated from time to time, the “Trust Agreement”) and an assignment agreement (*Contrato de Cesión*) dated September 21, 2013, as amended and restated on April 19, 2016, entered into by and among the Issuer, as assignor, and the Collateral Trustee, as assignee, as further amended on or prior to the Panamanian Auction Date (the “Assignment Agreement”), collectively, the “Transaction Documents”). With respect to such actions, we have submitted to the jurisdiction of the courts of the State of New York sitting in the County of New York in New York City, or courts of the United States for the Southern District of New York.

See “Risk Factors—Risks Relating to the Collateral—The ability of investors to enforce civil liabilities under U.S. securities laws may be limited.”

AVAILABLE INFORMATION

For so long as any of the notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, we will prepare and furnish, upon the request of any noteholder, such information as is specified in Rule 144A(d)(4) under the Securities Act: (i) to such noteholder, (ii) to a prospective purchaser of such note (or beneficial interests therein) that is a QIB designated by such noteholder and (iii) to the Indenture Trustee for delivery to any applicable noteholders or such prospective purchaser so designated, at our expense, in each case in order to permit compliance by such noteholder with Rule 144A in connection with the resale of such note (or beneficial interest therein) in reliance upon Rule 144A. All such information shall be in the English language. See “*Transfer Restrictions*.”

We have filed with the SMV a registration statement, which includes a Spanish language translation of this Offering Memorandum, made by an authorized public translator. We have also filed with the SMV and LATINEX our annual audited financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. This information can be obtained by investors upon request at LATINEX, located at Edificio Bolsa de Valores de Panama, Calle 49 y Av. Federico Boyd, Panama, Republic of Panama, or upon request at the SMV located at Calle 50, Edificio Global Plaza, Piso 8, Panama, Republic of Panama. The documents filed with the SMV are not and will not form part of this Offering Memorandum and are not incorporated by reference herein. However, you may submit a written request for a copy of the Trust Agreement, the Intercreditor Agreement and the respective joinders thereto to the SMV at:

Panamá, Ciudad de Panamá, Calle 50, Edificio Global Plaza Piso 8
Tel: (507)501-1700 Fax: (507)501-1709
Apartado Postal 0832-2281 WTC Panamá, República de Panamá
E-mail: info@supervalores.gob.pa

Our principal executive offices are located at *Vía Tocumen, Aeropuerto Internacional de Tocumen, Terminal de Pasajeros, Tercer Nivel*, Panama City, Panama.

We will be required to comply with any undertakings given by us from time to time to the SGX-ST and LATINEX in connection with the notes, and to furnish all such information as the rules of the SGX-ST and LATINEX may require in connection with the listing of the notes.

FORWARD-LOOKING STATEMENTS

Except for the historical information contained in this Offering Memorandum, certain matters discussed herein, including without limitation under “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, contain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Although we believe that any such statements made by us herein are based on reasonable assumptions, any such statement may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. When used in this Offering Memorandum, the words “anticipates,” “believes,” “expects,” “intends” and similar expressions, as they relate to us or our management, are intended to identify such forward-looking statements.

These forward-looking statements are subject to numerous risks and uncertainties. There are important factors that could cause actual results to differ materially from those in such forward-looking statements, certain of which are beyond our control. These factors, risks and uncertainties include, among other things:

- our revenues are highly dependent on levels of air traffic at the Airport, which depend on factors beyond our control;
- adverse effects in the global economy, including adverse effects as a result of the COVID-19 outbreak and related economic shutdown and its impact on the Panamanian economy, or other global or local epidemics and the Panamanian government’s response;
- our income is affected by aeronautical fees and rates and revisions thereto. The Board of Directors has the right to change aeronautical fees and rates pursuant to applicable law, subject to the CAA’s approval, but no assurances can be given as to the timing or magnitude of any such changes;
- any deficiencies in Airport security could have a material adverse effect on our business;
- we are exposed to the effects that international events can have on international air travel;
- competition from other destinations or from other airports could adversely affect our business;
- we are substantially dependent on one airline, Copa Airlines, which is currently responsible for the substantial majority of flights to and from the Airport and which is expected to be a driver of future growth; any disruption of this relationship or negative developments in Copa Airlines’ business may adversely affect our business;
- business interruptions could harm our business;
- we are wholly-owned by the Government and provide a public service; our ability to generate revenue and our flexibility in managing our business is limited by the legal and regulatory framework in which we operate and may create conflicts of interest relating to our business;
- we may not generate sufficient revenues if Airport management fails to implement its business strategy;
- we are expanding the Airport, including construction of the new Terminal 2 and the acquisition of land to build a new third runway, and the expansion and related contracts expose us to construction, operational, financial and counterparty risks;
- terrorist attacks have had a severe impact on the international air travel industry, have adversely affected our business and may continue to do so in the future;
- hardware and software failures, delays in the operation of our computer systems or the failure to implement system enhancements may have an adverse effect on our business;

- third parties with which we do business rely on software systems for the reporting of accurate information, and any errors or software malfunctions with respect to such systems could materially and adversely affect us;
- the Government could grant new concessions and authorize the construction of new airports that compete with the Airport;
- our annual budget is subject to approval by the Cabinet Council and the Panamanian National Assembly (the “National Assembly”);
- the Government may privatize us;
- increases in or the volatility of international petroleum prices could reduce demand for air travel;
- labor issues could have an adverse impact on our business;
- the operations of the Airport may be affected by the actions of third parties, including subcontractors, concessionaires and other counterparties, which are beyond our control;
- some of our concession agreements for the lease of retail spaces in the Airport will expire in the near future. As these concessions expire, we may not be able to re-lease retail space on favorable terms, or at all;
- we have entered into certain transactions with related parties that may create conflicts of interest;
- a downgrading of Panama’s International Aviation Safety Assessment rating could impact our revenues by prohibiting airlines from increasing service to the United States from the Airport;
- failure to comply with anti-corruption and anti-money laundering laws, as well as sanctions laws or other international trade laws;
- we are dependent on our management;
- we are exposed to risks inherent in the operation of airports;
- we are subject to environmental, health and safety laws and regulations;
- our insurance policies may not provide sufficient coverage against all liabilities;
- unexpected equipment failure, repairs and maintenance, including to our electricity supply equipment, may adversely affect Airport operations;
- the outcome of legal and regulatory proceedings in which we or any of our contractors are involved or may become involved;
- risks caused by natural forces; our property may be damaged, and our business interrupted or impaired by the occurrence of a natural disaster;
- our performance is heavily dependent on economic conditions in Panama, which may affect our business and ability to meet our obligations under the notes;
- any investment in the notes is subject to emerging market risks that may affect our business and our ability to make payments under the notes;
- Panama’s economy, and therefore our business and usage of the Airport, remains vulnerable to external shocks, including the recent global economic crisis and those that could be caused by future

significant economic difficulties of major regional trading partners or by more general “contagion” effects, which could have a material adverse effect on Panama’s economic growth;

- our ability to make required payments on the notes may be adversely affected by the nature of the Panamanian monetary system and the competitiveness of the Panamanian economy may be affected by the strength of the U.S. dollar;
- any additional taxes resulting from changes to tax regulations or the interpretation thereof in Panama could adversely affect our business;
- our substantial debt could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or in the aviation industry and prevent us from meeting our debt obligations, including our obligations under the notes;
- our operations at the Airport are restricted by the terms of our debt (including the Existing Notes), and will be restricted by the terms of the Indenture and the notes, all of which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase the credit risk to noteholders;
- we have, and may incur, additional debt ranking equally to the notes;
- the notes are not obligations of, or guaranteed by, the Government and there may not be sufficient Collateral to pay all or any amounts due on the notes in the event of a foreclosure, liquidation, bankruptcy or similar proceeding;
- changes in prices or delays in the final delivery date may cause the actual construction costs for Terminal 2 to exceed its budgeted costs (See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Commitments—Odebrecht Contract.”);
- changes in business strategy and development plans with respect to the Airport;
- *force majeure* and other catastrophic events such as fires, explosions, earthquakes, floods and acts of terrorism and war that could result in forced outages, personal injury, loss of life, severe damage or destruction of the Airport and suspension of operations, other factors beyond our control;
- the ability of noteholders to seek remedies with respect to the Shared Collateral (as defined herein) may be materially limited by the Intercreditor Agreement;
- the lack of a security interest in the payment account and debt service reserve account established and maintained in respect of the Existing Notes, the notes and/or other Collateral Secured Debt (as defined herein);
- the settlement of disputes over the terms of the Trust Agreement under arbitration proceedings in Panama; and
- any potential change in ownership and management of us and the Airport.

Some of these factors are discussed under “*Risk Factors*,” but there may be other risks and uncertainties not discussed under “*Risk Factors*” or elsewhere in this Offering Memorandum that may cause actual results to differ materially from those in forward-looking statements.

Accordingly, we cannot assure you that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what impact they will have on our business. We do not intend, and undertake no obligation, to publicly revise any forward-looking statements that have been made to reflect the occurrence of events after the date hereof. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements.

Each investor in the notes offered in this Offering Memorandum will be deemed to have represented and agreed that it has read and understood the description of the assumptions and uncertainties underlying the projections that are set forth in this Offering Memorandum, and to have acknowledged that neither we nor the Initial Purchasers are under an obligation to update the information and do not intend to do so, except for certain information that we will be required to file in Spanish with the SMV and LATINEX, such as quarterly and annual reports and notices of material events and any other required filings with the SGX-ST.

These cautionary statements should be considered in connection with any written or oral forward-looking statements that we may issue in the future.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

We prepare our annual audited financial statements in accordance with IFRS as issued by the International Accounting Standard Board (“IASB”) and our unaudited interim financial statements in accordance IAS34 “*Interim Financial Reporting*”.

Our financial information contained in this Offering Memorandum includes:

- our unaudited condensed interim financial statements as of March 31, 2021 and for the three months ended March 31, 2021 and 2020, included elsewhere in this Offering Memorandum (our “unaudited interim financial statements”); and
- our audited financial statements as of and for the years ended December 31, 2020, 2019 and 2018, included elsewhere in this Offering Memorandum (our “audited financial statements”). Our audited financial statements and our unaudited interim financial information are collectively referred to herein as our “Financial Statements.”

Our audited financial statements were prepared in accordance with IFRS and our unaudited interim financial statements were prepared in accordance with IAS34 “*Interim Financial Reporting*” and are presented in Panamanian Balboas. Unless otherwise specified, references herein to “U.S. dollars,” “dollars,” or “US\$” are to the legal currency of the United States of America and Panama. The Balboa, the official monetary unit of Panama, is freely exchangeable for the U.S. dollar on a one-to-one basis. Panama does not issue paper currency; instead, it uses the U.S. dollar as its legal currency.

Rounding

Rounding adjustments have been made to figures included in this Offering Memorandum. Unless otherwise stated or the context otherwise requires, all financial information in this Offering Memorandum is rounded to the nearest one hundred thousand U.S. Dollars, and percentage figures included in this Offering Memorandum are rounded to the nearest one-tenth of one percent. As a result, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

Industry and Market Data

This Offering Memorandum includes market share and industry data and forecasts that we have obtained from industry publications and surveys, reports of governmental agencies, market research and internal reports and surveys as well as independent third-party reports. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of the information. While we have taken reasonable actions to ensure that the information is extracted accurately and in its proper context, we have not independently verified any of the data from third parties contained in this Offering Memorandum and cannot give any guarantee of the accuracy or completeness of the data.

The market data includes projections that are based on a number of assumptions. These assumptions are inherently subject to significant uncertainties and actual results could differ materially from those projected. The Airport cannot give any assurance that these assumptions are correct or that these projections and estimates will reflect actual results of operations.

All tonnage information in this Offering Memorandum is expressed in metric tons, and all references to ounces are to troy ounces, unless otherwise specified.

Non-IFRS Financial Measures

We refer to the terms “Adjusted EBITDA”, “Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income” and “Rent Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income” in various places in this Offering Memorandum. Adjusted EBITDA, Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income and Rent Excluding Amortization of Turnkey Rights and

Guaranteed Minimum Income are supplemental financial measures that are not prepared in accordance with IFRS. We define (1) Adjusted EBITDA as net profits, as adjusted to exclude “other income”, before financial costs, net, income taxes and depreciation, (2) Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income as operating revenues, net of amortization of right of key and guaranteed minimum income and (3) Rent Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income as rent, net of amortization of right of key and guaranteed minimum income. See note 11 in our audited financial statements and note 10 in our unaudited interim financial statements for more information on amortization of right of key and guaranteed minimum income. Any analysis of non-IFRS financial measures should be used only in conjunction with results presented in accordance with IFRS.

The SEC has adopted rules to regulate the use in filings with the SEC and in public disclosures of non-IFRS financial measures, such as Adjusted EBITDA and ratios related thereto. These measures are derived on the basis of methodologies other than in accordance with IFRS. These rules govern the manner in which non-IFRS financial measures are publicly presented and require, among other things:

- a presentation with equal or greater prominence of the most comparable financial measure or measures calculated and presented in accordance with IFRS, as applicable; and
- a statement disclosing the purposes for which the registrant’s management uses the non-IFRS financial measure.

The rules prohibit, among other things:

- the exclusion of charges or liabilities that require, or will require, cash settlement or would have required cash settlement, absent an ability to settle in another manner, from a non-IFRS liquidity measure; and
- the adjustment of a non-IFRS performance measure to eliminate or smooth items identified as non-recurring, infrequent or unusual, when the nature of the charge or gain is such that it has occurred in the past two years or is reasonably likely to recur within the next two years.

Our management believes that disclosure of Adjusted EBITDA, Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income and Rent Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income can provide useful information to investors, financial analysts and the public in their review of our operating performance and their comparison of our operating performance to the operating performance of other companies in the same industry and other industries. Adjusted EBITDA is perceived as a more objective and comparable measure of operating performance and liquidity. For example, interest expense is dependent on the capital structure and credit rating of a company. However, debt levels, credit ratings and, therefore, the impact of interest expense on earnings vary significantly between companies. Similarly, the tax positions of individual companies can vary because of their differing abilities to take advantage of tax benefits and the differing jurisdictions in which they transact business, with the result that their effective tax rates and tax expense can vary considerably. Finally, companies differ in the manner in which they acquire productive assets and the choice and useful life of such assets selected, and thus the relative costs of those assets, as well as in the depreciation method (straight-line, accelerated, units of production) applied, which can result in considerable variability in depreciation and amortization expense between companies. Additionally, as we continue to lease out more retail space under minimum guaranteed income arrangements (*ingreso mínimo garantizado* or “IMG”) (which involve lower upfront payments in exchange for higher gross sales commissions) instead of key deposit based contracts, we believe that showing Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income and Rent Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income without the inclusion of revenues from such upfront payments is helpful to investors in comparing our operating and financial performance across periods. Thus, for comparison purposes, our management believes that Adjusted EBITDA, Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income and Rent Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income are useful as objective and comparable measures of operating profitability because they exclude these elements of earnings that do not provide information about the current operations of existing assets. Accordingly, our management believes that disclosure of Adjusted EBITDA, Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income and Rent Excluding Amortization of Turnkey

Rights and Guaranteed Minimum Income provides useful information to investors, financial analysts and the public in their evaluation of our operating performance.

The non-IFRS financial measures presented in this Offering Memorandum may not comply with the SEC rules governing the presentation of non-IFRS financial measures. For example, some of the adjustments to Adjusted EBITDA, Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income and Rent Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income as presented in this Offering Memorandum may not be allowed under Regulation S-X. In addition, our measurement of Adjusted EBITDA, Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income and Rent Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income may not be comparable to those measured or reported by other companies. Please see “*Summary of the Business, Terms, Conditions and Risk Factors Relating to the Offering—Summary Financial and Other Information*” for a discussion and reconciliation of our use of Adjusted EBITDA, Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income and Rent Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income in this Offering Memorandum.

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SUMMARY OF THE BUSINESS, TERMS, CONDITIONS AND RISK FACTORS RELATING TO THE OFFERING

The following summary highlights selected information from the Offering Memorandum and is qualified in its entirety by, and is subject to, the more detailed information and financial statements appearing elsewhere in this Offering Memorandum. This summary does not contain all of the information you should consider before investing in the notes. You should read this entire Offering Memorandum carefully, including the risk factors, the cautionary statement regarding forward-looking statements and the Financial Statements appearing elsewhere in this Offering Memorandum, before making an investment decision. Unless otherwise indicated or the context otherwise requires, all references in this Offering Memorandum to “we,” “our,” “ours,” “us,” the “Issuer” and similar terms refer to Aeropuerto Internacional de Tocumen, S.A., also known as Tocumen International Airport and referred to herein as the “Airport.”

Overview

We are a wholly-owned state company that owns, operates, maintains and develops the Airport, which is the principal international airport in Panama, the third busiest airport in Latin America and the Caribbean (the “LAC Region”) based on international passenger traffic and the ninth busiest airport in the LAC Region based on total passenger traffic in 2019, the most recently available data. The Airport is the principal international airport directly serving Panama City, the largest city in Panama. Accordingly, the Airport is a critical gateway, linking travel across North America, Central America, South America, the Caribbean and Europe, because of its strategic position in the middle of the Americas and its role as the network hub for *Compañía Panameña de Aviación, S.A.* (“Copa Airlines”). As of the date of this Offering Memorandum, Copa Airlines is a leading Latin American airline, serving throughout 2020 more than 49 destinations in 25 countries in the Americas and the Caribbean with one of the newest and most modern fleets in the industry. In 2020, the Airport was the origination point or destination point for approximately 30% of its passengers (“Origin/Destination Passengers”), while approximately 70% of its passengers were connecting passengers, also known as transit/transfer passengers (“Transit/Transfer Passengers”).

During the first quarter of 2021, the Airport served 66 destinations in 34 countries with approximately 12,000 flights on 19 airlines. During the first quarter of 2020, we served 89 destinations in 39 countries with approximately 38,800 commercial flights per year on 32 airlines. As of December 31, 2020, the Airport served 92 destinations in 41 countries with approximately 38,800 commercial flights per year on 32 airlines, with 40 routes having at least one or more daily departures and as of December 31, 2019, the Airport served 91 destinations in 40 countries with approximately 136,000 commercial flights per year on 25 airlines, with 64 routes having at least one or more daily departures. Despite the adverse effects of the COVID-19 pandemic and the implementation of travel restrictions worldwide, our privileged geographical position and the fact that we remain an important travel network hub serving the Latin America region has kept us competitive throughout 2020 and so far through 2021.

The Airport is one of the two airports in Central America with two active runways capable of accommodating commercial traffic. The facilities of the Airport also include an international passenger terminal complex with 54 contact gates, including 34 contact gates in Terminal 1 and 20 in the Airport’s new Terminal 2 (nine of which are already operational), in addition to a small domestic terminal, car parking lots, an air cargo facility, a maintenance facility, an air traffic control tower, fuel storage and other assets. The Airport has been recognized by Skytrax as the “*Best Airport in Central America*” and as having the “*Best Airport Staff Central America*” for each year from 2011 through 2020. In January 2020, the Airport also ranked the 14th airport worldwide and 1st among Latin American and Caribbean airports in the “On time Performance Punctuality League” ranking published by the OAG Aviation Group (“OAG”).

We believe the Airport’s geographic location provides competitive advantages including a central location in the Americas, consistent weather conditions and facilities at sea level that provide relative cost and operational advantages compared to airports located at higher elevations. The Airport’s location allows airlines to serve cities as far north as Toronto and as far south as Buenos Aires, through the use of modern and efficient narrow-body aircraft, while its facilities remain equipped to handle wide-body aircraft such as the Boeing 777. The Airport has a balanced capacity among destinations served: in 2019, 40.82% of scheduled departing seats from the Airport went to South America, 30.75% went to North America, 12.35% went to the Caribbean, 10.68% went to Central America, 5.26% went to Europe and 0.13% went to Asia. Further, in 2020, despite the adverse effects of the COVID-19 pandemic, the Airport maintained its balanced capacity among destinations served, having 41.51% of scheduled departing seats

going to South America, 32.13% to North America, 10.91% to the Caribbean, 10.17% to Central America 5.21% to Europe and 0.06% went to Asia.

Additionally, the Airport is located in the Province of Panama, a center of commerce that is home to large corporations, a significant banking presence, a wide variety of tourism businesses and the most affluent residents in the country. As of July 1, 2019, approximately 52.7% of Panamanians resided in the Province of Panama, which includes the Panama City metropolitan area. As a result, the Airport is positioned to serve the region and a large population likely to travel internationally for both business and leisure.

In 2019, the Airport reached an all-time high of passengers served of 16.6 million and we partially opened five gates of Terminal 2 to accommodate for the increase. However, due to the COVID-19 pandemic, in 2020 passenger traffic diminished, and the Airport served 4.5 million passengers throughout the year.

The table below includes certain of our recent operating and financial metrics.

	Three Month Period Ended March 31,		Year Ended December 31,		
	2021	2020 ⁽³⁾	2020	2019	2018 ⁽³⁾
	<i>(US\$ except percentages, destinations and passengers)</i>				
Destinations served ⁽¹⁾	66	89	92	91	90
Total passengers (millions)	1.3	3.4	4.5	16.6	16.2
Total passengers' annual growth	(62.8)%	(16.4)%	(72.7)%	2.1%	4.0%
Total aeronautical revenues (millions)	14.4	36.9	53.8	165.9	155.5
Total non-aeronautical revenues (millions)	8.4	20.1	34.7	92.9	81.3
Operating revenues (millions)	22.8	57.0	88.5	258.8	236.8
Operating revenues year-on-year growth	(60.0)%	(14.4)%	(65.8)%	9.3%	1.4%
Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income (millions) ⁽²⁾	20.4	51.1	78.4	227.6	213.8
Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income year-on-year growth ...	(60.1)%	-	(65.6)%	6.5%	-

- (1) Changes in destinations served reflect the impact of the COVID-19 pandemic, seasonal flight variations and other non-recurring events, such as private charters.
- (2) We define Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income as operating revenues, net of amortization of right of key and guaranteed minimum income. We believe such a measure is useful to investors to illustrate the expiration of certain high value duty free and retail space leases that were originally concessioned under the turnkey rights model as we no longer have turnkey rights deposits to recognize in relation to such concessions. Please see "Summary of the Business, Terms, Conditions and Risk Factors Relating to the Offering—Summary Financial and Other Information" for a discussion and reconciliation of our use of Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income in this Offering Memorandum.
- (3) Percentages showing changes for the three-month period ended March 31, 2020 and the year ended December 31, 2018 show variation in relation to the same periods in 2019 and 2017, respectively.

The table below shows our passenger traffic and flights per month from March 2020 until March 2021:

	Total Passengers	Total Flights
2020		
January	1,434,568	12,729
February	1,279,261	11,679
March	752,748	8,243
April	2,380	813
May	4,496	913
June	5,835	975
July	8,988	1,055
August	13,091	1,080
September	29,844	1,413
October	154,671	2,473
November	357,930	4,070
December	482,851	5,533
2021		
January	458,628	5,829
February	376,182	4,700
March	456,112	5,067
April	456,264	5,184
May	601,278	6,207
June	751,219	7,315

The increase in operating revenues during 2018 and 2019 was primarily related to the scheduled expiration of certain duty free and retail space leases that were originally concessioned under the turnkey rights model, and their replacement by leases using our IMG leasing rights model. Under the turnkey model, at the start of a lease, we received a significant upfront fee and, thereafter, relatively smaller rents and commissions on gross sales (“turnkey rights”). These upfront payments for turnkey rights were recognized as revenue evenly over the course of the lease agreement. Our current IMG leasing model involves lower upfront payments in exchange for higher gross sales commissions that are subject to a monthly minimum. Please see “*Business—Non-aeronautical Revenues*” for a discussion of the change from the turnkey approach to a new model. During 2020 and the first quarter of 2021, we experienced decreases in operating revenues of 65.8% and 60.0%, as compared to the same periods in the prior year, primarily as a result of the adverse effects of the COVID-19 pandemic.

We generate revenue from both aeronautical services and non-aeronautical commercial services. Aeronautical services refer to airline passenger services and air cargo services, and the associated fees include passenger exit fees, the Development Fee, transit fees and any other passenger fees, security charges, aircraft landing and take-off charges, aircraft parking charges, passenger boarding bridge charges, utility charges, airline club room leases and cargo charges. Revenues from non-aeronautical commercial services include fixed and variable rents from commercial leases, sales of turnkey rights to secure commercial leases, IMG arrangements with concessionaires, installation fees, various administrative and approval fees and other revenues such as car parking fees and advertising fees.

Impact of COVID-19

The ongoing COVID-19 pandemic has caused severe disruptions in the world economy and in Panama. In order to contain the spread of COVID-19, the Panamanian government announced and implemented several measures such as the declaration of a state of emergency at the end of the first half of March 2020, which entailed restrictions that significantly affected economic activity in the country. Mainly due to the negative economic effects caused by the COVID-19 pandemic and the measures undertaken by the Panamanian Government to combat it, GDP in Panama decreased by 17.9% in 2020. In addition, Panama’s fiscal deficit in 2020 was of US\$5,350.4 million, or 9.95% of Panama’s GDP, as compared to 2019, when Panama had a fiscal deficit of US\$2,505 million, or 3.75% of Panama’s GDP. On March 24, 2020, the Panamanian government approved and began the implementation of a fiscal stimulus package, which included health-related expenditures, income transfers for vulnerable sectors of the population and extensions to tax deadlines.

To combat the COVID-19 pandemic, on March 14, 2020 the government of Panama suspended temporarily all flights from Europe and Asia and banned all foreigners from entering Panama. Citizens and permanent residents

would be subject to mandatory quarantine for fourteen days. On March 19, 2020, the government of Panama suspended temporarily all international flights. As a result, airlines flying through the Airport were forced to cancel flights and modify itineraries, as the number of confirmed cases worldwide increased, including Copa Airlines. In October 2020, commercial flights resumed, and during the months of October, November and December 2020, there were 12,076 flights operated through the Airport.

The suspension of international and domestic commercial flights as a result of the COVID-19 pandemic directly impacted commercial businesses established at the Airport. Due to the closure of commercial activities in the Airport, the Airport had to adopt temporary financial relief measures for commercial concessionaires, including reduced invoicing and fees and the application of discounts. These were applied during the seven-month suspension of commercial flights at the Airport and were gradually phased-out once operations resumed. The impact of COVID-19 pandemic affected our results of operations. For example, operating revenues decreased by US\$34.2 million, or 60.0%, from US\$57.0 million for the three-month period ended March 31, 2020 to US\$22.8 million for the three-month period ended March 31, 2021 and by US\$170.3 million, or 65.8%, from US\$258.8 million for the year ended December 31, 2019 to US\$88.5 million for the year ended December 31, 2020.

We undertook steps to address the temporary reduction in revenues, including: (i) constant communication with the National Government of Panama, our sole shareholder, which reiterated its support for the measures adopted; (ii) constant communication with customers, especially airlines and concessionaires operating at the Airport, as well as constant communication with the market, through regular updates; (iii) measures to limit operational costs, including part-time work and other personnel related measures, for Airport staff; and (iv) suspension of all non-essential investments.

We cannot predict the extent of the impact of the COVID-19 pandemic, nor the trends involving the pandemic's effects on economic activity and the Airport. See *“Risk Factors—Risks Relating to the Issuer—The recent COVID-19 pandemic, as well as any other public health crises that may arise in the future, is having and will likely continue to have a negative impact on passenger traffic levels, air traffic operations and our results of operations, financial position and cash flows”* and *“Risk Factors—Risks Relating to Panama—The worldwide economic effects of the outbreak of the Coronavirus could adversely affect Panama's economy.”*

The full extent to which the COVID-19 pandemic will impact our business, results of operations, financial position and liquidity is unknown. Given the unprecedented uncertainty of this situation, including the unknown duration and severity of the pandemic and the unknown overall impact on demand for air travel, we are unable to forecast the full impact of the COVID-19 pandemic on our business. We will continue to closely monitor the situation and take all measures necessary to preserve the Airport's business and take steps to further strengthen our financial position.

Competitive Strengths

Despite the adverse effects of the COVID-19 pandemic and the implementation of travel restrictions worldwide, our principal competitive strengths include have kept us competitive throughout 2020 and so far through 2021. These include:

- The Airport is a Government-owned, critical infrastructure asset that benefits from Government promotional activities and Government relief;
- We own and operate the Airport, without the duration or other constraints typically applicable to concession regimes;
- We are a market-leading airport;
- We benefit from Panama's strategic location in the LAC Region;
- We have strong, collaborative relationships with our carriers, including our top customer, Copa Airlines;

- We benefit from a strong Panamanian economy;
- The Airport enjoys diversified passenger, purpose and capacity distribution;
- Streamlined international Transit/Transfer Passenger clearance; and
- We have an experienced management team and a motivated workforce.

We are a market-leading airport

We are the leading Airport in Central America by passenger volume, serving approximately 1,290,922 passengers in the three-month period ended March 31 2021, 4,526,663 passengers in 2020, 16,582,601 passengers in 2019 and 16,242,679 passengers in 2018, as well as by operating revenues, with annual operating revenues of US\$22.8 million for the three-month period ended March 31, 2021, US\$88.5 million for 2020, US\$258.8 million for 2019 and US\$236.8 million for 2018. Additionally, in 2019 we were the third busiest airport in Latin America based on international passenger traffic. Furthermore, according to OAG, we had the best on-time percentage in 2019 amongst global medium-sized airports, defined as those with five to ten million departing seats per year, with 92.21% of flights departing within 15 minutes of their scheduled times, with Copa Airlines being the best among all airlines and first among Latin American airlines for 2019, at 92.01%. On March 2020, OAG suspended the release of the rankings due to the adverse effects to the industry caused by the pandemic of the COVID-19. Nonetheless, on the first two months of 2020, the Airport was ranked first in the performance category for Latin America and the Caribbean.

The quality of the Airport's services was recognized by Skytrax when it was selected as the "*Best Airport in Central America*" in each year from 2011 through 2020. In 2020, the Airport served approximately 76.2% of aviation passengers, and approximately 100% of air cargo, to and from Panama and generated US\$88.5 million from both passenger and cargo services, including revenues from both aeronautical and non-aeronautical segments. Over the last five years, we have invested approximately US\$837.2 million to expand and improve the Airport's operations, in addition to other expansions and upgrades we have made during the same period to modernize and maintain competitive our facilities. For example, we are currently developing Terminal 2 to increase our service quality, as well as upgrading the baggage handling system in the main terminal and implementing self-service technology ensuring a quick and independent check-in process for passengers. As of the date of this Offering Memorandum, the Airport has provisionally accepted Terminal 2 from the contractor, as construction is 99.7% complete. The Airport recently completed operational tests of Terminal 2 and this will be followed by gradual and phased-in operations, with full commencement of operations expected on or around September 2021.

We believe that the size of the Airport, the scale of its destination and airline network and its operating personnel give the Airport robust competitive advantages over its competitors. The Airport serves a diversified traffic mix and a large airline customer base, which provides an expansive market for a variety of services. In addition, we believe that our long-term expansion plan will provide sufficient capacity for our future operational and financial success.

We benefit from Panama's strategic location in the LAC Region

Panama is an important regional trading center and a natural geographic hub between North, Central and South America and the Caribbean. Panama's strategic location supported the development of the Panama Canal (the "Canal") and the Colón Free Trade Zone. Due to its central location, the Airport has significant geographic advantages over competing regional airports, and the Airport derives a significant amount of its airline interest and aeronautical revenues from its importance as a regional hub for the LAC Region. Panama enjoys a favorable weather environment, which leads to low levels of service disruptions. Accordingly, the Airport has been closed (during business hours) for an average of less than three hours per year over the last five years due to weather-related conditions. Furthermore, the Airport's location at sea level provides relative cost and operational advantages compared to airports located at higher elevations (such as Bogota and Mexico City), as the Airport enjoys better visibility conditions during inclement weather and planes may take off with higher weights, resulting in higher yields for airlines. Finally, because of the Airport's central geographic location in the Americas, airlines may service almost all of North and South America (cities as far north as Toronto and as far south as Buenos Aires) with

newer narrow-body aircraft, avoiding the need to rely as heavily on more expensive wide-body aircraft to cover greater distances. As a result, we believe the Airport is attractive to airlines seeking to better serve the entire LAC Region. See “*Business—Airline Service—Traffic Growth.*”

We have strong, collaborative relationships with our carriers, including our top customer, Copa Airlines

We have strong, collaborative relationships with all the major airlines operating in Panama and we regularly communicate with them regarding developments in our industry and other issues. These airlines have one voting member on our Board of Directors, who is elected by the Panama Airlines Association (“ALAP”).

The Airport has an especially strong historical relationship with Copa Airlines, a leading Latin American provider of passenger services. Copa Airlines has historically been one of the largest private employers in Panama and contributor to Panama’s aviation industry. The Airport is the network hub and the principal base of operations for Copa Airlines. During 2019, Copa Airlines and its affiliates operated approximately 88% of the total operations of the Airport, reaching 326 daily flights. Despite the COVID-19 pandemic, Copa Airlines continues to be our principal airline, currently offering approximately 130 daily flights from the Airport and providing service to 49 destinations in 25 countries in the Americas and the Caribbean. Copa Airlines also currently provides passengers with access to flights to more than 146 other destinations through codeshare arrangements with United Airlines and other airlines pursuant to which each airline places its name and flight designation code on the other’s flight. Additionally, in 2019, Copa Airlines and its affiliates accounted for 86.2% of all scheduled departing seats, and transported approximately 3.0 million Origin/Destination Passengers and approximately 11.3 million Transit/Transfer Passengers to and from the Airport. Despite the adverse effects of the COVID-19 pandemic, Copa Airlines and its affiliates remained competitive in 2020 and still accounted for 86.7% of all scheduled departing seats at the Airport and transported approximately 0.9 million Origin/Destination Passengers and approximately 3.0 million Transit/Transfer Passengers to and from the Airport. See “*Business—Airline Service—Copa Airlines; and — Other Airlines.*”

The concentration of such traffic volume in just one airline has facilitated a highly favorable and more efficient use of the Airport’s capacity. Copa Airlines has gained a competitive advantage over other major carriers serving the region by offering service not only to major destinations, but also to secondary regional destinations that are either not served by other major carriers or are served only by the national carrier of that country. Among Copa Airlines’ primary competitive strengths is the Airport’s strategic location as the airline’s “*Hub of the Americas.*” Because of the Airport’s central location, convenient connections to Copa Airlines’ principal markets, the Americas and the Caribbean, are possible, enabling it to consolidate traffic to serve destinations that do not generate enough demand to justify direct flights. Copa Airlines’ focus on maintaining low operating costs and efficient operating performance have contributed significantly to its profitability. When coupled with its modern fleet, this focus on low operating costs and efficient performance has allowed Copa Airlines to create a strong brand and a reputation for quality service that has contributed to strong passenger loyalty.

We have enjoyed a mutually beneficial relationship with Copa Airlines for many years. Copa Airlines’ successful business strategy, route expansion and growth in passenger volume have substantially contributed to our revenues, and our improvements to the Airport’s infrastructure have met a necessary condition for Copa Airlines’ growth.

We benefit from a strong Panamanian economy

One of the primary drivers of Origin/Destination Passenger volumes at the Airport has historically been the strong performance of the Panamanian economy. Even though the COVID-19 pandemic has significantly affected such performance, with an estimated GDP decrease of 17.9% in 2020, real GDP growth has in the past several years been robust, at 3.0%, 3.6% and 5.6% in 2019, 2018 and 2017 respectively. See “*Business—Presentation of the Market—Panamanian Economy.*” Also, the political environment in Panama has remained stable, with an attractive business environment and regulatory system. The U.S. dollar is the legal tender in Panama, which contributes to the attractiveness of Panama as a business center. Moreover, Panama maintains investment-grade sovereign ratings for its debt as stable, currently rated Baa2, BBB and BBB- by Moody’s, Standard & Poor’s and Fitch, respectively. The country also benefits from a historically fast-growing middle class and a relatively high per capita income, which contributes to higher levels of discretionary spending and greater use of air travel, but which was substantially affected in 2020 by the COVID-19 pandemic. Estimated GDP per capita for 2020 was US\$12,373.00, down from

US\$15,831.00 for 2019, remaining nonetheless the highest in Central America. Panama also benefits from a relatively large, educated population with sizable spending power.

The Panamanian economy has not only been resilient during the COVID-19 pandemic, but is also positioned to be one of the fastest growing economies in the region. Despite the contraction in GDP in 2020 due to the COVID-19 pandemic and the strict quarantine measures ordered by the Panamanian Government, the World Bank estimates that Panama's real GDP is expected to grow by 9.9% in 2021. Panama's GDP growth in 2021 estimate is superior to those of Costa Rica (2.7%), Chile (6.1%), Colombia (5.9%), Mexico (5.0%), Brazil (4.5%), and the Dominican Republic (5.5%). Panama's growth expectations are primarily due to the opening of the economy as COVID-19 mobility restrictions eventually ease, and as copper mining operations ramp up, infrastructure projects advance, and global trade rebounds. Additionally, the use of the U.S. dollar as its legal tender further increases the attractiveness of Panama as a business center, supported by the Panama Canal, the Panama Pacifico Project Zone, the Colon Free Zone (which includes international trade-related services for electronics, pharmaceuticals, liquor, textile, jewelry, toys, among others), bunkering services, seaports and real estate. We believe that the country's favorable economic conditions provide a strong foundation with attractive growth prospects and a positive outlook for the sector in which we operate.

The Airport is a critical infrastructure asset that benefits from Government promotional activities

Over the last several years, the Government of Panama (the "Government") has promoted the country as a global platform for transportation, logistics and business, with projects including the expansion of the Canal and the development of road and subway infrastructure. The Canal's expansion project, completed in June 2016, was designed to double its capacity by allowing increased traffic and larger ships. Similarly, the Government has also promoted the expansion of the Colón Free Trade Zone, a tax-favored import and export trading zone located near the Atlantic entrance to the Canal, as a means to leverage the presence of the Canal and enhance the competitiveness of the broader Panamanian economy. The Government has also promoted the development of Panama's tourism industry, which grew significantly until 2020, when it contracted due to the adverse effects of the COVID-19 pandemic, as well as the use of Panama as the regional corporate headquarters for a number of global corporations. The success of these policies is reflected by the presence of a variety of regional headquarters of international corporations in Panama, including, among others, Nestlé, HILTI, P&G, Caterpillar, Dell, Maersk, 3M and General Electric. In addition, in 2019, the Government's efforts have been key to Panama's selection as the host for World Youth Day 2019, a gathering that brought thousands of people from around the world to Panama City in January 2019. We believe Panama's continued and concurrent infrastructure and economic development is important to the Airport's growth as it contributes to increased travel, including via air transportation, both to and through Panama.

The Airport enjoys diversified passenger, purpose and capacity distribution

In 2020, Origin/Destination Passengers accounted for 29.56% of the Airport's passengers and Transit/Transfer Passengers for 70.44%. We collect a passenger exit fee ("PEF") from departing international passengers, which is our primary source of revenue. Transit/Transfer Passengers contribute significantly to the Airport's non-aeronautical revenue and reflect its importance as a regional hub. The Airport also benefits from significant amounts of passengers flying for a variety of purposes, including business travel, leisure travel and personal travel. Additionally, the Airport is located in the province of Panama, a center of commerce home to large corporations, a significant banking presence, a wide variety of tourism businesses and the most affluent residents in the country. As a result, the Airport is positioned to serve the region and a large population likely to travel internationally for both business and leisure.

The geographic distribution of the Airport's scheduled departing seats reflects its focus on providing balanced capacity throughout the LAC Region. In 2020, 41.51% of scheduled departing seats from the Airport went to South America, 32.13% went to North America, 10.91% went to the Caribbean, 10.17% went to Central America and 5.21% went to Europe and 0.06% went to Asia.

Furthermore, in 2017, the Government enacted legislation to foster investment and tourism into Panama. Similarly, in order to increase the number of leisure passengers using the Airport, the Panama Tourism Authority develops and promotes tourism in the country through various national advertising campaigns and partnerships to attract international events to Panama, resulting in Panama's selection as the host for World Youth Day 2019, a gathering that brought thousands of people from around the world to Panama City in January 2019. In May 2021,

the Cabinet Council approved the *Plan Maestro de Turismo Sostenible 2020-2025* to promote tourism in Panama for the next few years, allocating an additional approximately US\$10.0 million for tourism marketing and approximately US\$46 million for improvements to the roads and highways infrastructure of the country.

Streamlined international Transit/Transfer Passenger clearance

A major advantage of the Airport as a LAC Region hub is the convenience that Transit/Transfer Passengers enjoy, as their baggage is not required to clear customs and immigration during the transfer process. By contrast, at U.S. airports, including Miami International, historically a dominant LAC Region hub, and Luis Muñoz Marín International Airport in Puerto Rico, such clearance is required before embarking on a connecting international flight, and certain nationalities require a visa even in the case of transit passengers. Consequently, international-to-international transfer times at the Airport can be significantly shorter than at competing U.S. airports, along with less burdensome documentation requirements. The Airport's gates consist of a single security zone making it easy to transfer between flights. As a result of the great convenience offered to Transit/Transfer passengers, the Airport has maintained its LAC Region market share in recent years. The Airport remains ready and able to adopt new security controls as they become required by international certification standards or other countries.

We have an experienced, internationally minded, management team and motivated workforce

We benefit from an experienced and talented management team, many of whom previously held executive positions in various private industries in Panama and elsewhere. Our management uses a planning and development process for our human capital to support the current and future capabilities of the organization and ensure its sustainability over time. For example, we have developed comprehensive training plans to improve project management, customer service and assistance, airport operations, administration management, leadership and other skills that are required in key positions, as well as investing in personnel visits to market-leading hubs such as FedEx's Global Cargo hub in Memphis, Tennessee and some advanced baggage handling systems at airports around the world such as Toronto, Dubai, Amsterdam, Helsinki, Bangkok, Singapore, as part of a management tour of model airports worldwide. Furthermore, our workplace is career-oriented and emphasizes teamwork, outstanding customer service and meritocracy in order to attract and retain highly qualified personnel and maintain a motivated workforce. The quality of the Airport's employees was recognized by Skytrax when the Airport was selected as having the "Best Airport Staff in Central America" in each year from 2011 through 2020.

Our regulatory framework, board composition and decision-making process provides enhanced checks and balances and transparency

Multiple parties, including entities independent from the Airport, are involved in the decision-making process at the Airport. Any agreement in excess of US\$300,000 must be approved by our Board of Directors and the Cabinet Council must approve agreements in excess of US\$3,000,000. Additionally, four members of our Board of Directors are appointed by the Ministry of Economy and Finance ("MEF"), one member is elected by the ALAP, one member is elected by our employees and one voting member is elected by the Airport's concessionaires, allowing for greater independence and transparency in key decisions affecting the Airport. Furthermore, our annual budget is approved by the National Assembly and material disbursements are approved by the General Comptroller's Office (the "Contraloría"), an institution independent of the Government. A system of checks and balances ensures that the Airport's management and disposition of funds and assets has adequate oversight.

Significant Expansions

Over the last five years, we have invested approximately US\$837.2 million to expand and improve the Airport's operations, in addition to other expansions and upgrades we have made during the same period to modernize and maintain competitive our facilities. For example, we are currently developing Terminal 2 to increase our service quality, as well as upgrading the baggage handling system in the main terminal and implementing self-service technology ensuring a quick and independent check-in process for passengers. Moreover, we plan to build a new third runway running parallel to runway 03R- 21L, which will enable us to serve additional passenger inflows. The development plan shows that additional land is required to be acquired in connection with construction of the third runway.

Our expansion plans have been delayed as a result of the COVID-19 pandemic. However, we expect to resume such plans as soon as the adverse effects of the COVID-19 pandemic subside. The schedule of our expected expansions will be determined by demand levels at the Airport.

Strategies

We seek to improve our operational performance and increase our earnings by implementing the following strategies:

- Develop world-class services at the Airport;
- Expand passenger capacity through focused capital expansion;
- Improve operating efficiency;
- Diversify and increase non-aeronautical commercial revenues; and
- Optimize the profile of our debt to reduce debt service costs during the short and medium term and create a debt structure that replicates the long duration of Airport assets.

Develop world-class services at the Airport

We intend to maximize our share of the annual passenger traffic in Latin America (including Central America) through the following specific strategies:

- ***Continue to promote our recognition*** as the “*Best Airport in Central America*” and as having the “*Best Airport Staff in Central America*” in each year from 2011 through 2020 by Skytrax. The recognition from these awards improves our strategic position and our attractiveness as a hub.
- ***Follow strict health and safety protocols and biosecurity measures***, in close coordination with Panama’s health authorities, and continue operating an attractive and safe hub for passengers through the COVID-19 pandemic.
- ***Open new strategic intercontinental routes*** at the Airport through the promotion of the Airport in key cities in Latin America and developing additional connectivity with Europe, Asia and the Middle East (through locations such as United Kingdom, China, Poland and Dubai) in order to position our Panama hub as one of the main gateways in the Americas.
- ***Continue to develop Panama’s growing tourism industry*** with Panamanian tourism agencies, Copa Airlines and other airlines. We have capitalized on Copa Airlines’ membership in the Star Alliance, which has boosted its passenger growth and helped further promote the Airport as a regional hub. Furthermore, the Airport has increasingly benefited from Copa Airlines’ strategy of strengthening its ties with leading European airlines, such as KLM and Iberia, both of which have significantly increased service to and from the Airport in recent years. These and other airlines offer code-sharing flights with Copa Airlines, through which passengers originating in Europe and destined for LAC Region destinations fly to the Airport on a European carrier, and then transfer to a Copa Airlines flight to their final destination, all on one integrated ticket. The Airport has also increased its efforts to attract new airlines and to foster the opening of new routes by offering marketing support to airlines to promote growth.
- ***Execute our capital expansion master plan*** for the Airport, which includes completing the construction of Terminal 2 and other improvements and expansions. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Principal Components of Our Results of Operations—Capital Expansion Plans*”. Our capital expansion master plan will create increased capacity at the Airport to increase its revenues and improve its service quality. As of the date of this Offering Memorandum, the Airport has provisionally accepted Terminal 2 from the contractor, as construction is 99.7% complete. The Airport recently

completed operational tests of Terminal 2 and this will be followed by gradual and phased-in operations, with full commencement of operations expected on or around September 2021.

- ***Consolidate flights*** from/to the Airport's traditional markets (such as North America) and expand flights from/to other markets (such as Asia and Eastern Europe). We also aim to reduce seasonality and decrease intra-week volatility in some locations while consolidating existing markets.

Expand passenger capacity through focused capital expansion

Over the last five years, we have invested approximately US\$837.2 million to expand and improve the Airport's operations, in addition to other expansions and upgrades we have made during the same period to modernize and maintain competitive our facilities. For example, we are currently developing Terminal 2 to increase our service quality, as well as upgrading the baggage handling system in the main terminal and implementing self-service technology ensuring a quick and independent check-in process for passengers.

Our capital expansion plans include the following:

- the new Terminal 2 building recently completed operational tests and this will be followed by gradual and phased-in operations, with full commencement of operations expected on or around September 2021.
- the construction of a new independent runway system;
- the expansion of the cargo-handling infrastructure and a new logistics free trade zone, which is expected to be completed during the last quarter of 2021;
- the acquisition of additional land for the Airport's expansion; and
- the expansion of related facilities, such as the further construction of satellite buildings designed to accommodate projected increases in passenger volumes, increase operational efficiency and expand retail spaces.

Our expansion plans are flexible enough to be modified based on underlying demand patterns and expectations. As a result of the COVID-19 pandemic, in 2020 and during the first quarter of 2021 the development of these plans had to be adjusted to accommodate diminished demand. Nonetheless, as the negative effects of the COVID-19 pandemic subside, will resume the implementation of our expansion plans. This will be done gradually, as traffic demand recovers throughout 2021 and 2022. Our plans will enable us to expand our capacity for both passenger and cargo, including more efficient facilities for customs and immigration and baggage handling needs. These capital investments and improvements will help ensure that the Airport remains a leading Latin American provider of passenger and cargo services.

Improve operating efficiency

We continue to focus on increasing operating efficiencies at the Airport. We recently upgraded the baggage handling system of Terminal 1, built and are building additional contact gates and apron areas to provide additional remote commercial and cargo aircraft parking positions and are undertaking taxiway improvements in Terminal 1. We are also continuing to evaluate several additional projects to further improve efficiencies in our capital expansion master plan, including the construction of a new third runway. Terminal 2 has been specifically designed to be located between two independent runways to expand hub terminal passenger capacity by facilitating the movement of passengers between connecting gates, improve passenger security and efficient baggage handling, increase duty-free spending and increase the efficiency with which Origin/Destination passengers are processed through immigration and customs. We have implemented our Public Announcement System, Multi-Airport Operation System ("AOS") and passenger self-check-in system (Common Use Self Service Kiosk or "CUSS") to allow faster passage through the Airport and continue working closely with ACI and IATA to create a standardized collaborative decision-making process. We are also continuing to implement a new state-of-the-art operating system utilized by some of the world's largest airports, as well as an operating procedures manual, both of which are

expected to accommodate the Airport's expansion. The operating system and operating procedures manual will further integrate, automate and streamline various airport support functions, including (i) invoicing to better allow the Airport to capture airlines' resource usage and concessionaires' sales and (ii) dissemination of real-time information to enable efficient resource deployment throughout the Airport.

Furthermore, in keeping with our goal of operational efficiency, we outsource certain services to third parties because we consider it to be the most efficient way to quickly respond to increasing demand. Since 2018 we entered into such new service contracts for the maintenance and support of certain of our technological equipment, including security scanning machines. We also continue to upgrade and improve the maintenance of various key operational systems, including our IT systems, throughout the Airport. We will continue to evaluate different methods to enhance our operations and expect that this focus will increase our overall operational efficiency as well as reduce our long-term costs.

Currently, we are covered by Article 353 of Panamanian Law 176 of 2020, which results in the Airport being exempt from the public bidding requirement established under Panamanian Law 22 of 2006 for purchases under US\$1,000,000 for the acquisition of supplies, maintenance and parts necessary to maintain the public service. We believe that these measures, together with our continued review of our aeronautical rates and fees and the introduction of other non-aeronautical revenue streams and operating fees, will contribute to continue to improve efficiency by reducing our costs and will help to increase our revenues in the long-term, and, as a result, our competitiveness.

Diversify and increase non-aeronautical commercial revenues

For the three-month period ended March 31, 2021 and the years ended December 31, 2020 and 2019, 36.7%, 39.3% and 35.9%, respectively of our operating revenues, were generated by our non-aeronautical commercial activities, including revenues from concessions for retail stores, food and beverage and car parking. The CAA does not regulate non-aeronautical commercial revenues or otherwise establish what non-aeronautical fees and rates we can charge. We have worked with Pragma Consulting, a specialty British airport retail services consultancy, to optimize our retail spaces, improve the layouts and increase leasable space to increase our retail revenue. We intend to improve and diversify the retail product offerings in this area by working with several luxury retailers to introduce new complementary product offerings.

In addition to our retail offerings, we are analyzing other opportunities to diversify our non-aeronautical revenues, such as the development of the logistics free trade zone, which construction began during the last quarter of 2018 (see "*Business—Improvements and Expansion—Terminal Area Improvements—Logistics Free Zone*").

Optimize the profile of our debt to reduce debt service costs during the short and medium term and create a debt structure that replicates the long duration of Airport assets

We intend to use the net proceeds from the offering of the notes to, among other things, finance the purchase of the Existing Notes pursuant to the Tender Offer, repay outstanding bank debt and fund the COVID Recovery Account. See "*Use of Proceeds*". One of our principal goals with the offering of notes is to increase the average life of our debt spreading out year-on-year amortization throughout the tenor of the notes, with a view to materially reducing our yearly debt service over the next 10 to 15 years. In addition, achieving a longer debt average life will enable us to better match our financial liabilities to the long duration of our assets, particularly since we own and operate the Airport without the duration or other constraints typically applicable to concession regimes.

Also, the repayment of our outstanding bank debt will increase our ability to finance new projects, working capital and address other liquidity needs. Finally, the funds deposited in the COVID Recovery Account may (subject to certain conditions, see "*Description of the Notes—Collateral—Accounts and Priority of Payments—COVID Recovery Account*") be utilized for the payment of O&M Costs and of interest and principal amounts due under our debt, further strengthening our financial condition.

History and Organization

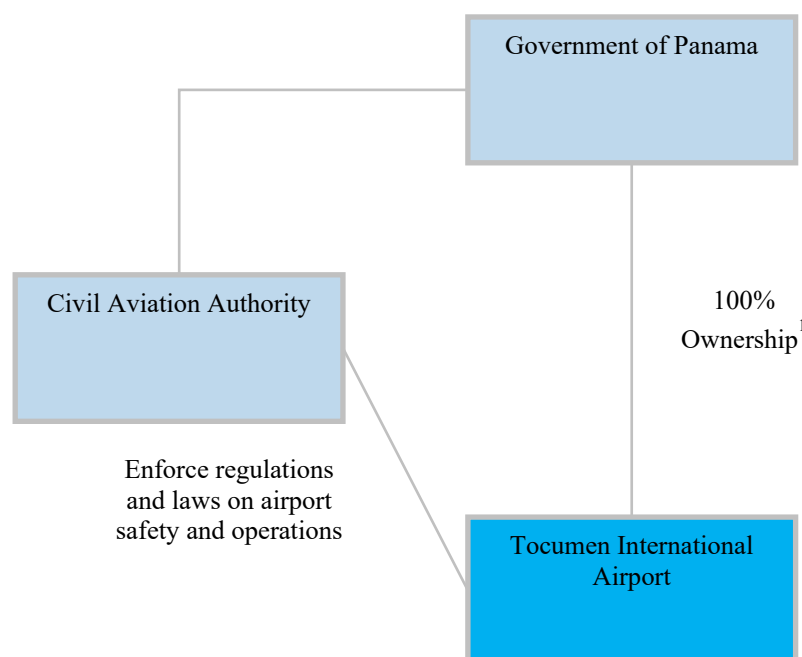
The Airport was inaugurated on June 1, 1947. The administrative building/passenger terminal was inaugurated seven years later. In 1971, due to Panama's developing role as a transit hub and the growing demand for

air operations in the country and region, Panama’s aeronautical authorities began the construction of new facilities. The current passenger terminal was inaugurated on August 15, 1978 and commenced operations on September 5 of the same year.

From its inauguration until May 31, 2003, the Airport was managed by the Civil Aeronautics Directorate of Panama (currently known as the Civil Aviation Authority or the “CAA”). Pursuant to Panamanian Law No. 23 of January 29, 2003 (as amended, “Law 23”), which regulates the administration of airports and airfields in Panama, the assets, liabilities and management of the Airport passed to us on June 1, 2003. The CAA’s responsibilities include regulating air transportation services, operational and airport security and fees and rates for aeronautical services in Panama pursuant to the procedures established by Law 23. See “*Regulatory Overview*.”

We are 100% owned by Panama and are governed by our board of seven voting directors (the “Board of Directors”) and three non-voting directors. Four of our voting directors are appointed by the executive branch of the Government, through the Ministry of Economy and Finance, and the other three directors are each elected by ALAP, our employees, and the Airport’s concessionaires, respectively. See “*Management and Employees—Board of Directors*” and “*—Management Team*.”

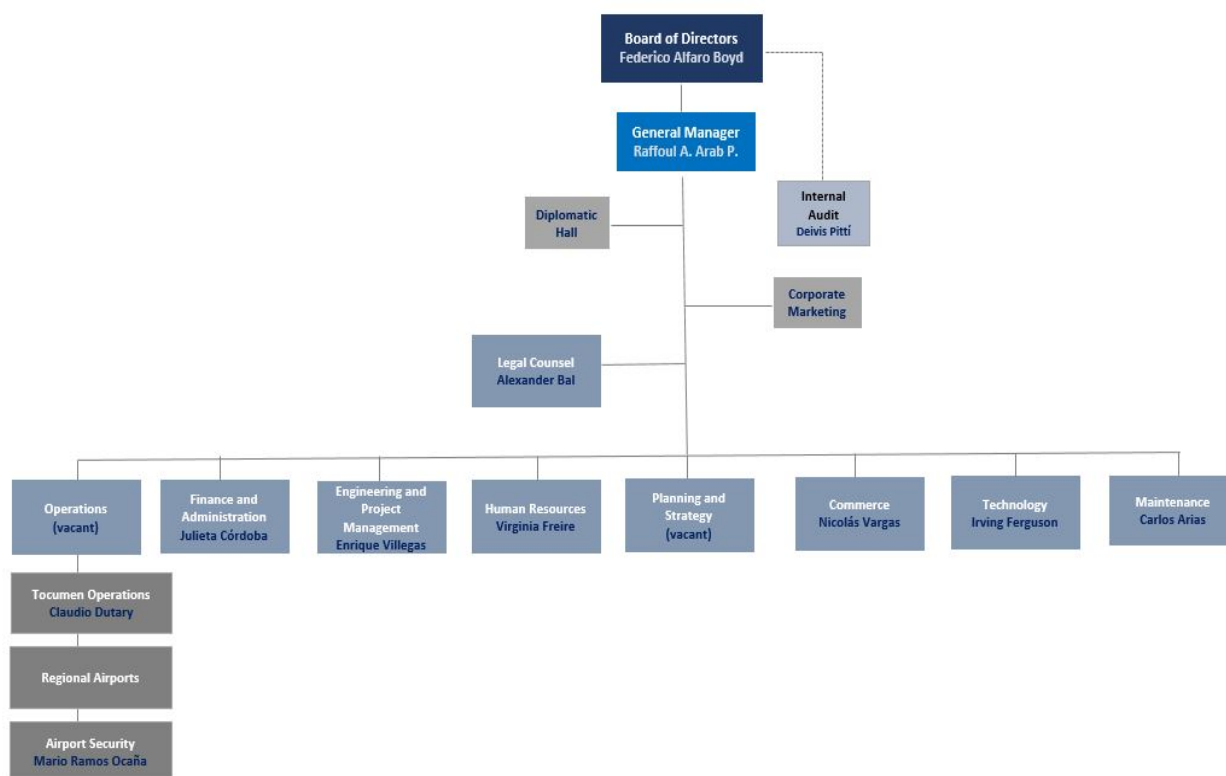
The following chart illustrates certain aspects of our ownership and regulatory structure.



¹ Corporation established under Law 23.

As of March 31, 2021, we had 1,514 employees spread across nine different operating vice-presidencies, which encompass a broad range of activities typical for a large commercial service airport. Approximately one-third of our employees perform Airport security functions. The number of our employees has generally increased over time to accommodate increased numbers of passengers using the Airport in connection with our various expansions.

The following chart provides an overview of our current management structure.



Concurrent Tender Offer and Consent Solicitation

On May 18, 2016, we issued 5.625% Senior Secured Notes due 2036 for a principal aggregate amount of US\$575.0 million to investors in Panama and elsewhere (the “2036 Notes”). Subsequently, on May 9, 2018, we issued 6.000% Senior Secured Notes due 2048 for an aggregate principal amount of US\$225.0 million (the “Original 2048 Notes”) and on November 14, 2018 we further issued an aggregate principal amount of US\$650.0 million aggregate principal of our 6.000% Senior Secured Notes due 2048 (jointly with the Original 2048 Notes, the “2048 Notes”, and the 2036 Notes jointly with the 2048 Notes, the “Existing Notes”).

Concurrently with the offering of the notes (the “New Offering”), we are offering to purchase for cash, any and all of the total principal outstanding of the 2036 Notes and the total principal outstanding of the 2048 Notes (the “Tender Offer”) and are also soliciting consents with respect to the Existing Notes to effect certain proposed amendments to each of the Notes and the Indenture (the “Consent Solicitation”), both pursuant to the terms of, and subject to the conditions set forth in an offer to purchase and consent solicitation statement dated as of July 22, 2021 and related documents. We expect to finance the Tender Offer and Consent Solicitation with a part of the proceeds from the issuance of the notes. We may waive any of these conditions at our sole discretion. No assurance can be given that the New Offering will be priced on the terms currently envisioned or at all. The New Offering is not conditioned upon the completion of the Tender Offer or the Consent Solicitation.

This Offering Memorandum does not constitute an offer to purchase the Existing Notes pursuant to the Tender Offer, nor a solicitation of consents with respect to the Existing Notes pursuant to the Consent Solicitation. An offer to purchase the Existing Notes and a solicitation of consents under the Consent Solicitation was made solely on the terms and subject to the conditions set forth in the separate Offer to Purchase that was directed to holders of the Existing Notes.

Recent Developments

Operational Data for Our 2021 Second Quarter.

As of June 30, 2021, approximately 82 scheduled daily departure flights provided at the Airport were bound for international destinations. Approximately 90.17% of these were operated by Copa Airlines and its affiliates, accounting for 90.10% of all scheduled outbound seats at the Airport. The total number of passengers using the Airport for the three months ended June 2021 was 1,808,761, 22.05% of which were Origin/Destination Passengers, while approximately 77.94% were Transit/Transfer Passengers.

The Airport suspended commercial flights from March 22, 2020 through October 12, 2020 due to the COVID-19 pandemic, only operating flights coordinated with the Government for humanitarian purposes, resulting in a substantial decrease in the total number of passengers using the Airport when compared to 2019. In October 2020, commercial flights resumed, starting a progressive increase in Airport activity. The total number of passengers using the Airport for the three months ended June 30, 2021 was 1,808,761, or an increase of 141.29% when compared to the same period in 2020. As of June 30, 2021, 65 destinations are served by flights arriving at and departing from the Airport.

The number of international Origin/Destination Passengers at the Airport increased from 4,519 for the three months ended June 30, 2020 to 398,856 for the three months ended June 30, 2021, or an increase of 8,726.2% when compared to the same period in 2020.

The number of Transit/Transfer Passengers at the Airport increased from 8,192 for the three months ended June 30, 2020 to 1,409,905 million for the three months ended June 30, 2021, or an increase of 17,110.8% when compared to the same period in 2020.

The Offering

The information that follows is a summary of the principal terms and conditions of and risk factors related to the Offering and is not intended to be complete. Potential investors interested in the notes should read this section together with all of the information presented in this Offering Memorandum before making their investment decisions and should also request clarification if they do not understand any term or condition, including the risk factors relating to this Offering. Capitalized terms used herein and not otherwise defined are defined as set forth under “Description of the Notes—Certain Definitions.” For a more detailed description of the terms of the notes, see “Description of the Notes.”

Issuer	Aeropuerto Internacional de Tocumen, S.A., a sociedad anónima organized under the laws of the Republic of Panama (the “ <u>Issuer</u> ”) pursuant to Public Deed No. 2,018 of April 11, 2003. The Issuer is domiciled in Panama and duly recorded since April 15, 2003 in the Mercantile Section of the Panamanian Public Registry Office, at Microjacket 432290, Document 456104. The Issuer owns, operates, maintains and develops the Aeropuerto Internacional de Tocumen (the “ <u>Airport</u> ”) and operates, maintains and develops other airports in Panama under a concession arrangement (the “ <u>Other Airports</u> ”).		
Securities Offered.....	US\$ aggregate principal amount of % Senior Secured Notes due (the “_____ notes”) which have been registered with the <i>Superintendencia del Mercado de Valores</i> of Panama (the Superintendency of Capital Markets, or the “ <u>SMV</u> ”) and listed on LATINEX.		
	US\$ aggregate principal amount of % Senior Secured Notes due (the “_____ notes”, and together with the _____ notes, the “_____ notes”) which have been registered with the SMV and listed on LATINEX. Application will be made to list the notes on the Singapore Exchange Securities Trading Limited.		
Issue Date	, 2021.		
Maturity of the _____ notes.....	, .		
Maturity of the _____ notes.....	, .		
Ranking	<p>The notes will constitute direct, unconditional senior secured obligations of the Issuer and will:</p> <ul style="list-style-type: none"> • rank <i>pari passu</i> in right of payment with all other existing and future senior debt of the Issuer including the <i>Existing Notes</i> (as defined herein); • rank senior in right of payment to any existing and future debt of the Issuer that is, by its terms, expressly subordinated in right of payment to the notes (for a description of the Issuer’s outstanding indebtedness, see “<i>Management’s Discussion and Analysis of Financial Condition and Results of Operations—Outstanding Indebtedness</i>”); 		

- be effectively senior to all of the Issuer’s existing and future senior unsecured debt, to the extent of the value of the Collateral that is subject to liens securing the notes; and
- be effectively subordinated to any existing and future debt of the Issuer that is secured by liens on assets that do not secure the notes, to the extent of the value of the assets securing such future debt (subject to any permitted liens).

Collateral On September 27, 2013, the Issuer, as settlor, Scotia Panama Trust Company, S.A. (formerly known as The Bank of Nova Scotia (Panama), S.A.), acting not in its individual capacity but as trustee (the “Collateral Trustee”) and Prival Bank S.A., in its capacity as paying, register and transfer agent for the Existing Notes (as defined herein) (no longer a party thereto), entered into a trust agreement (the “Original Trust Agreement”) pursuant to which a trust was created (the “Tocumen Trust”) and the Issuer transferred to the Tocumen Trust, and committed to transfer to the Tocumen Trust in the future, certain revenues to secure the 2013 Notes (as defined herein). On April 19, 2016, the Collateral Trustee and the other parties to the Original Trust Agreement amended and restated the Original Trust Agreement (the “Trust Agreement”), which will be amended by the amendment to be entered into on or prior to the Panamanian Auction Date (the “Amendment to the Trust Agreement”, together with the Trust Agreement, the “Trust Agreement”). The assets and revenues subject to the Tocumen Trust as described below (the “Collateral”) secure the 2036 Notes, the 2048 Notes and the notes and will also secure future Debt permitted to be incurred by the Issuer and intended to be secured by the Collateral with Pari Passu Priority (together with the 2036 Notes, the 2048 Notes and the notes, the “Collateral Secured Debt”) for the benefit of additional creditors.

On May 4, 2016, the indenture trustee of the 2036 Notes executed and delivered a joinder to the Intercreditor Agreement with respect to the 2036 Notes, which joinder was amended on May 13, 2016. On May 3, 2018, the indenture trustee of the 2048 Notes executed and delivered a joinder to the Intercreditor Agreement with respect to the 2048 Notes. Prior to the Panamanian Auction Date, the Indenture Trustee will enter into a joinder to the Intercreditor Agreement with respect to the notes, which joinder may be amended on or prior to the Issue Date, after which the obligations of the Issuer under the notes will be secured by a first priority lien on the Collateral. Subject to the terms of the Trust Agreement and the Intercreditor Agreement, the Collateral will also secure on a first priority, *pari passu* basis (i) the Existing Notes and (ii) other Collateral Secured Debt, *provided* that the Designated Voting Party (as defined herein) of the holders of such other Collateral Secured Debt shall have executed a joinder to the Intercreditor Agreement; *provided, further*, in all cases, that (x) the COVID Recovery Account shall secure on a first priority basis only Collateral Secured Debt (including the notes but excluding each series of Existing Notes) in respect of which such account is established and maintained; and (y) each Debt Service Reserve Account and each Payment Account shall secure on a first priority basis only the Collateral Secured Debt (including the notes but excluding each series of Existing Notes) in respect of which such accounts are established and maintained.

The Shared Collateral (the “Shared Collateral”) will consist of a first priority security interest in and to:

- the Issuer's Committed Revenues, that are transferred to the Trustee General Account upon the Issuer obtaining the *refrendo* of the *Contraloría* (the "Contraloría"); and
- the Trustee General Account and any funds deposited therein.

The “Committed Revenues” consist of ninety-five percent (95%) of each of the Aeronautical Revenues and the Non-Aeronautical Revenues. For the avoidance of doubt, none of the following will be included in the Collateral: (x) revenues or other assets of any Unrestricted Subsidiary; and (y) the Uncommitted Revenues (i.e., (i) revenues from the Other Airports, revenues from Airport City and revenues from sales and/or transfer of all or part of the Airport City Land; (ii) revenues of finance subsidiaries or other special purpose entities that have incurred Project Finance Debt (iii) the Exempt Governmental Taxes; and (iv) any other Aeronautical Revenues and Non-Aeronautical Revenues not comprising Committed Revenues). For the three months ended March 31, 2021, the Other Airports in the aggregate constituted 0.63% of the Issuer’s revenues, and are immaterial to our business. The Issuer currently has no Unrestricted Subsidiaries.

From time to time the Issuer may, but is not required to, include additional assets in the Collateral.

[illegible]

[illegible]

If any redemption is for less than the entire amount of the notes of a series of notes, then the reduction in the Principal Balance of the notes will be applied to reduce the remaining scheduled Semi-Annual Amortization Amount on a *pro rata* basis for such series of notes and the Issuer will provide a notice to the Indenture Trustee containing such reduced Semi-Annual Amortization Amounts.

Operating Accounts The Issuer has established and maintains in its own name the following accounts held or to be held at *Banco Nacional de Panamá* or any other reasonably acceptable Panamanian state bank (the “Issuer’s Operating Accounts”):

- (i) an account (the “Revenue Collection Account”) into which all of the Committed Revenues shall be deposited;
- (ii) an account (the “O&M Account”) into which the Airport shall deposit amounts from time to time for the purpose of funding O&M Costs or amounts from time to time required for the payment of income, real estate and other taxes payable by the Airport (collectively, “Tax Payments”);
- (iii) an account (the “Major Maintenance and CapEx Reserve Account”) into which the net proceeds (or corresponding portion) of any borrowing intended to be used to fund Expansion CapEx projects shall be deposited (including for the purchase of land for the construction of a third runway) and into which the Airport may from time to time deposit funds related to Sustaining CapEx or Expansion CapEx projects;

“Sustaining CapEx” means, for any period, expenditures made by or projected to be made by the Issuer to be paid or payable during such period to maintain, acquire or construct fixed assets, plant and equipment in accordance with applicable accounting principles, which expenditures are for the purpose of maintenance, renewals, replacements and repairs of all or part of such assets in a manner consistent with the Annual Operating Budget and are not for the purpose of expanding or enhancing the capacity of such assets or the performance thereof or otherwise for improvements or new operations;

“Expansion CapEx” means, for any period, expenditures made by or projected to be made by the Issuer to be paid or payable during such period for the purpose of expanding or enhancing the capacity of the Airport or the performance thereof or otherwise for improvements or new operations; and

- (iv) an account (the “Airport General Account”) into which excess funds from the Revenue Collection Account and the Trustee General Account (as defined herein), as well as any Permitted Subordinated Debt and Equity Contributions, shall be deposited from time to time.

The Issuer may also establish and maintain in its own name such other accounts as the Issuer shall from time to time require and establish and maintain for the operations of the Airport, the Other Airports, Airport City and any Unrestricted Subsidiaries.

Transaction Accounts /

Collateral Trustee.....

The Collateral Trustee has established and maintains, or shall establish and maintain, in its own name the following accounts, held at an Approved Account Bank in Panama (the “Transaction Accounts”):

- (i) the Trustee General Account;
- (ii) one or more separate debt service reserve account(s) (each, a “Debt Service Reserve Account”) for each series of notes, each series of Existing Notes and each other incurrence of Collateral Secured Debt;
- (iii) one or more separate payment account(s) (each, a “Payment Account”) for interest and principal repayments under the notes, each series of Existing Notes and each other incurrence of Collateral Secured Debt as such payments become due and payable; and
- (iv) a separate recovery account (the “COVID Recovery Account”) for each series of notes and each other future incurrence of Collateral Secured Debt.

Each Payment Account and each Debt Service Reserve Account shall be collateral only for the specific series of Collateral Secured Debt it is established in respect of. For the avoidance of doubt, the COVID Recovery Account will not benefit the Existing Notes.

Intercreditor Agreement

On April 19, 2016, the Issuer, the Intercreditor Agent, the Collateral Trustee and the Paying Agent for the 2013 Notes entered into the

Intercreditor Agreement, which will be amended by the amendment to be entered into on or prior to the Issue Date. On May 4, 2016, the indenture trustee of the 2036 Notes executed and delivered a joinder to the Intercreditor Agreement with respect to the 2036 Notes, which joinder was amended on May 13, 2016. On May 3, 2018, the indenture trustee of the 2048 Notes executed and delivered a joinder to the Intercreditor Agreement with respect to the 2048 Notes. Prior to the Panamanian Auction Date, the Indenture Trustee will enter into a joinder to the Intercreditor Agreement with respect to the notes, which joinder may be amended on or prior to the Issue Date, after which the obligations of the Issuer under the notes will be secured by a first priority lien on the Collateral. The Intercreditor Agreement is governed by the laws of the State of New York.

The holders of each series of notes will be represented under the Intercreditor Agreement by the Indenture Trustee as their Designated Voting Party. Pursuant to the terms of the Intercreditor Agreement, each of the Intercreditor Agent, the Collateral Trustee and each Designated Voting Party (for itself and each party on whose behalf it enters into the Intercreditor Agreement) will agree, among other things, that the Shared Collateral is for the joint benefit of the holders of Collateral Secured Debt and the rights of payment from the Shared Collateral to holders of Collateral Secured Debt shall be as set forth therein.

The Intercreditor Agent may be directed under the Intercreditor Agreement by Designated Voting Parties representing holders of Pari Passu Obligations that at such time hold (or represent) more than 50% of the aggregate principal amount of the then outstanding Collateral Secured Debt, or all of the Designated Voting Parties with respect to certain specified modifications (the “Controlling Pari Passu Parties”).

Upon any Event of Default, holders of notes may elect to pursue remedies in accordance with the terms of the Intercreditor Agreement. If the holders of notes do not constitute the Controlling Pari Passu Parties and the Controlling Pari Passu Parties elect not to exercise remedies upon an Event of Default, holders of notes shall be subject to a 120-day standstill period before they are entitled to take any Enforcement Action on the Shared Collateral in connection with such Event of Default. See “*Description of the Notes—Collateral—Intercreditor Agreement.*”

Use of Proceeds

We intend to use the net proceeds after expenses from the sale of the notes (such expenses including, (a) the fees and commissions payable to the Initial Purchasers; (b) the fees and expenses of the Indenture Trustee, the Intercreditor Agent and the Collateral Agent; and (c) and other expenses related to the offering of the notes, including without limitation, various rating agency, legal, accounting and other experts fees and expenses relating to the SMV, LATINEX and LatinClear) for the following purposes:

- (i) *first*, to finance the purchase of the Existing Notes pursuant to the Tender Offer and to pay the expenses of such Tender Offer;
- (ii) *second*, to fund the Payment Account for the notes;

- (iii) *third*, to fund the Debt Service Reserve Account for the notes;
- (iv) *fourth*, to repay outstanding bank debt; and
- (v) *fifth*, the remainder will be transferred to the COVID Recovery Account.

We will allocate amounts currently on deposit in the Payment Accounts and Debt Service Reserve Accounts for the Existing Notes (taking into consideration the purchase of Existing Notes pursuant to the Tender Offer) to fund the Payment Accounts and the Debt Service Reserve Accounts for the notes, and will use our existing cash balances to fill any shortfall in such accounts and to ensure that at least U.S.\$100 million are transferred to the COVID Recovery Account.

If we offer additional notes as authorized by the SMV Resolution, we may use the net proceeds thereof for the purposes set forth in this Offering Memorandum (or as otherwise specified in the corresponding offering memorandum for the issuance of such additional notes).

Flow of Revenues

As set forth in the Trust Agreement, the Issuer will sign a transfer order or check for the purpose of transferring the Committed Revenues on deposit in the Revenue Collection Account to the Trustee General Account not later than the 21st day of the following month (such date, a “Programmed Transfer Order Date”), and more often at its discretion, and use its reasonable best efforts to secure the *Contraloría’s refrendo* applicable thereto, and as soon as reasonably possible thereafter, transfer the Committed Revenues (the date such Committed Revenues are actually received in the Trustee General Account being an “Effective Monthly Transfer Date”) in accordance with the following paragraph.

Except as otherwise provided below, on each Effective Monthly Transfer Date, the Issuer will deliver to the Collateral Trustee, with a copy to the Intercreditor Agent, a certificate (the “Withdrawal Certificate”) setting forth instructions for the transfer of specific funds to be made by the Collateral Trustee from the Trustee General Account to the other Accounts in the order of priority set forth below. Except as otherwise provided below, not later than the first Business Day after each Effective Monthly Transfer Date or on such day in which the Trustee General Account reflects the available funds in its balance (the date of such transfer, “Disposition Date”), the Collateral Trustee shall transfer funds on deposit in the Trustee General Account in the following order of priority and in accordance with instructions set forth in the Withdrawal Certificate:

- (i) *first*, to pay, where applicable, upon request, and on a *pro rata* basis,
 - (i) the commissions, fees (including fees of counsel), additional taxes, expenses and indemnifications for the Agents and any tax that must be charged to said payments, which the Issuer must pay for any reason to the Collateral Trustee or to the Intercreditor Agent or any Designated Voting Party, including any professional fees the Collateral Trustee must pay for administration, advising or any other reason to fulfill its functions and obligations under the Trust Agreement;

- (ii) *second*, after the application of funds provided in clause (i) above, into the O&M Account, until the balance in such account equals an amount that, together with amounts then on deposit in the O&M Account, is equal to the sum of (i) the next three months of O&M Costs as budgeted in the Annual Operating Budget *and* (ii) the relevant portion of Tax Payments payable by the Issuer to the Government on the next scheduled tax payment date. The “relevant portion” for such Tax Payments will be equal to (A) the total amount of Tax Payments due on the next scheduled tax payment date, *less* the amounts then on deposit in the O&M Account (excluding any amounts on deposit therein for the payment of O&M Costs), *divided* by (B) the number of Programmed Transfer Order Dates prior to the next scheduled tax payment date, including such Programmed Transfer Order Date, *less* one; *provided* that such denominator shall be equal to one on the last Programmed Transfer Order Date prior to each scheduled tax payment date. The Issuer may (i) direct the Collateral Trustee in the Withdrawal Certificate to deposit additional funds in the O&M Account such that the amount to be deposited therein is equal to an amount that, together with the amounts then on deposit in the O&M Account (excluding any amounts on deposit therein to make Tax Payments), is up to 120% of the next three months of O&M Costs as budgeted in the Annual Operating Budget, *plus* any amounts solely for the purpose of addressing any Specified Force Majeure Event; and (ii) increase the amount to be deposited into the O&M Account for Tax Payments on any Disposition Date; *provided* that all amounts required to be deposited into each Payment Account and each Debt Service Reserve Account on such Disposition Date shall have been so deposited into each such account;
- (iii) *third*, after the application of funds provided in clauses (i) and (ii) above, on a *pro rata* basis, into each Payment Account in an amount equal to the relevant portion of the interest and principal payments under each applicable Collateral Secured Debt due on the next scheduled payment date. The “relevant portion” for each Collateral Secured Debt shall be equal to (A) the total amount of interest and principal payments under such Collateral Secured Debt due on the next scheduled payment date, *less* the amounts then on deposit in the relevant Payment Account (*provided* that, upon any acceleration but, prior to the delivery of any Remedies Direction by the Intercreditor Agent to the Collateral Trustee upon the direction of the Controlling Pari Passu Parties or the applicable Designated Voting Party for any such Collateral Secured Debt following the conclusion of the Standstill Period, the total amount of interest and principal payments shall equal the scheduled interest and scheduled principal payment and not such accelerated amount) *divided* by (B) the number of Programmed Transfer Order Dates prior to the next scheduled payment date, including such Programmed Transfer Order Date, *less* one; *provided* that such denominator shall be equal to one on the last Programmed Transfer Order Date prior to each scheduled payment date. The Issuer may increase the amount to be deposited in any Payment Account on any Disposition Date; *provided* that all amounts required to be deposited into each other Payment Account and each Debt Service Reserve Account on such

Disposition Date shall have been so deposited into each such account;

- (iv) *fourth*, after the application of funds provided in clauses (i) through (iii) above, on a *pro rata* basis, into each Debt Service Reserve Account, until the balance in each such account equals the applicable Debt Service Reserve Requirement;
- (v) *fifth*, after the application of funds provided in clauses (i) through (iv) above, into the Major Maintenance and CapEx Reserve Account, until the balance in such account equals the aggregate amount expected to be paid by the Issuer in respect of Sustaining CapEx during the six months immediately subsequent to such Effective Monthly Transfer Date; and
- (vi) *sixth*, so long as no Event of Default or Default shall have occurred and be continuing, any amounts not transferred in accordance with clauses (i) through (v) above shall be transferred to the Airport General Account; *provided, however*, that if there are insufficient funds in the Trustee General Account to make the transfers specified in clauses (i) through (v) above, the Issuer shall complete such transfers in accordance with the priority of payments set forth above from amounts held in the Airport General Account;

provided that, if no Event of Default or any other Enforcement Event shall have occurred and be continuing on such Effective Monthly Transfer Date, the Issuer shall be permitted to: (x) transfer to the Trustee General Account for distribution in accordance with this flow of revenues on such Effective Monthly Transfer Date only such amounts as specified in clauses (iii) and (iv) above, and the Withdrawal Certificate may set forth instructions for the transfer of funds on deposit in the Trustee General Account solely with respect to such transfers specified in clauses (iii) and (iv) above and (y) transfer directly to the Issuer's Operating Accounts such amounts in accordance with the priority of payments set forth above.

Notwithstanding the foregoing, no later than one Business Day prior to any Business Day on which (a) O&M Costs or Tax Payments are due and payable and the monies on deposit in or credited to the O&M Account are not anticipated to be adequate to pay such O&M Costs or Tax Payments, as applicable, (b) the relevant portion of interest and principal payments under each applicable Collateral Secured Debt are due and payable and the monies on deposit in or credited to the applicable Payment Account plus the applicable Debt Service Reserve Account are not adequate to pay such relevant portion of the interest and principal payments under each applicable Collateral Secured Debt, (c) the monies on deposit in or credited to any Debt Service Reserve Account are less than the applicable Debt Service Reserve Requirement, or (d) the monies on deposit in or credited to the Major Maintenance and CapEx Reserve Account are less than the amount expected to be paid by the Issuer in respect of Sustaining CapEx during the six months immediately subsequent to such date, the Issuer may (and the Collateral Trustee shall, if instructed in writing by the Issuer) withdraw funds from any Account and transfer to the O&M Account, the applicable Payment Account, the applicable Debt Service Reserve Account and the Major Maintenance and CapEx Reserve Account, as applicable, an amount sufficient to cause the balance in such Account (when taken together with all other amounts

deposited therein or credited thereto at such time) to equal the amount of such O&M Costs and Tax Payments then due and payable, the relevant portion of the interest and principal payments under each applicable Collateral Secured Debt then due and payable, the then applicable Debt Service Reserve Requirement for such Collateral Secured Debt, and the amount expected to be paid by the Issuer in respect of Sustaining CapEx during the next six months, as applicable, *provided* that (i) any such withdrawal is made in accordance with the priority of payments set forth in the preceding paragraph and, for the avoidance of doubt, to the extent any and all higher priority Accounts (as enumerated in the preceding paragraph) reflect minimum available funds in their balance in the amounts described in clauses (a) through (f) above, and (ii) amounts in each Debt Service Reserve Account may only be so transferred to the extent they exceed the aggregate of the then applicable Debt Service Reserve Requirement in such Debt Service Reserve Account and the amount then required to be on deposit in the corresponding Payment Account.

Further, notwithstanding the foregoing, ((x) Exempt Governmental Taxes shall be transferred directly to the Government in the ordinary course of operations and (y) all other Uncommitted Revenues shall be transferred to the Airport General Account or to any other account as determined by the Issuer in its sole discretion.

Debt Service Coverage Ratio For purposes of the Restricted Payments covenant and the Revenue Increases covenant below, the Debt Service Coverage Rate, with respect to any Calculation Period, means the ratio of:

- (a) CFADS; to
- (b) the interest and principal payments due with respect to the notes, the Existing Notes and other Permitted Debt (excluding Permitted Subordinated Debt held by Affiliates) during such period, less principal payments in respect of any debt with “bullet maturities.”

For purposes of calculating clause (b) of this definition, any revolving credit of the Issuer shall be considered fully drawn, except for any undrawn revolving credit entered into pursuant to clause (a) under “*Description of the Notes—Negative Covenants.*”

“CFADS” means with respect to any Calculation Period: (i) the amounts deposited in the Revenue Collection Account; *provided* that only the Allowed Key Deposit Amount shall be included with respect to revenues from turnkey rights deposits, *minus* (ii) the sum of, without duplication,

- (1) O&M Costs;
- (2) Tax Payments for such period except to the extent such Tax Payments have been paid out of reserves held in the O&M Account; and
- (3) Sustaining CapEx expenses and Expansion CapEx expenses for such period, if any (except to the extent such Sustaining CapEx expenses and/or Expansion CapEx expenses, as applicable, have been (A) pre-funded prior to the payment of such Sustaining

CapEx and/or Expansion CapEx expenses, (B) paid out of reserves held in the Major Maintenance and CapEx Reserve Account or (C) incurred to address any event of *force majeure*;

provided that neither the amount of Sustaining CapEx expenses and Expansion CapEx expenses nor the amount of Tax Payments subtracted pursuant to clauses (2) and (3), respectively, shall be less than zero (0).

See “*Description of the Notes—Certain Definitions in the Indenture.*”

- Restricted Payments Subject to certain specified exceptions, the Issuer will not (and will not permit any of its Restricted Subsidiaries to) declare or make any Restricted Payment other than to the Issuer or from a Restricted Subsidiary of the Issuer to either a Wholly-Owned Subsidiary of the Issuer that is a Restricted Subsidiary or such payor’s direct parent unless each of the following conditions has been satisfied:
- (i) the Restricted Payment occurs within 45 days following the end of any of the Issuer’s first three fiscal quarters or within 90 days following the end of the Issuer’s fiscal year;
 - (ii) no Event of Default or Default has occurred and is continuing;
 - (iii) on and as of the most recent payment date with respect to such Restricted Payment: (x) the Debt Service Coverage Ratio for the most recently ended Calculation Period prior to but not including such payment date is greater than 1.25:1.00; and (y) the Issuer certifies that it reasonably expects the minimum projected Debt Service Coverage Ratio for the Calculation Period for the next payment date to be not less than 1.25:1.00, and in each case with appropriate supporting documentation;
 - (iv) prior to the payment of such Restricted Payment, the Issuer shall have delivered to the Indenture Trustee and the Collateral Trustee written notice from an authorized officer certifying that: (x) as of the applicable payment date, and after giving effect to such Restricted Payment, no Event of Default or Default will have occurred and be continuing; and (y) such Restricted Payment complies in all respects with the applicable requirements set forth in the Transaction Documents; and (z) such Restricted Payment complies with all Applicable Law; and
 - (v) the Issuer shall not make Restricted Payments from amounts on deposit in the Major Maintenance and CapEx Reserve Account; *provided* that any amounts in the Major Maintenance and CapEx Reserve Account may be transferred to the Payment Accounts to the extent required to make payments or prepayments of Debt; *and*
 - (vi) if at the time such Restricted Payment is proposed to be paid there shall be outstanding any Debt Incurred pursuant to clause (a)(xv) under “— *Negative Covenants*,” the principal amount of such Debt shall not be greater than 35% of CFADS for the two Calculation Periods most recently ended.

Permitted Debt.....	<p>The Issuer will not (and will not permit any of its Restricted Subsidiaries to) incur, create, assume, permit, guaranty, endorse or be liable, directly or indirectly (including receiving any disbursements or other Incurrences of Debt under revolving loans or other arrangements permitting therefor), with respect to any Debt, including as a result of any acquisition of another person and/or any Property of another person, except that the Issuer and the Restricted Subsidiaries may Incur the following:</p> <ul style="list-style-type: none"> (i) any time and from time to time, additional Debt, which may be secured by, and entitled to the benefit of the Collateral and the other Transaction Documents with respect to the Collateral, and which shall rank equally and ratably on a <i>pari passu</i> basis with the notes provided the following conditions are met: (A) no Default or Event of Default shall have occurred and be continuing at the time of, and after giving effect to, the Incurrence of such Debt and (B) the Issuer has obtained confirmation from at least one Rating Agency that the notes shall remain Investment Grade or, if the notes are then rated below Investment Grade, that the then effective rating will not decrease, after giving effect to the additional Permitted Debt; and (ii) other specified Permitted Debt as described under <u>paragraph (a)</u> in “<i>Description of the Notes—Negative Covenants</i>.”
Permitted Subordinated Debt.....	<p>The Issuer may incur unsecured Debt Incurred from either Affiliates or non-Affiliates (x) that is created under or evidenced by an instrument containing provisions evidencing the subordination of such Debt to the notes and the other obligations under the Transaction Documents, which shall specify that there shall be no cross-acceleration or voting rights granted to such subordinated Debt holders, (y) all payments in respect of which shall only be permitted subject to satisfaction of the conditions under <u>paragraph (b)</u> under “<i>Description of the Notes—Negative Covenants</i>” and (z) the Issuer has obtained confirmation from at least one Rating Agency that the notes shall remain Investment Grade, after giving effect to such additional subordinated Debt.</p>
Equity Contributions	<p>The Issuer may use the proceeds from Equity Offerings to fund Investments; <i>provided</i> that each Transaction Account has been fully funded in accordance with the procedures described under “<i>Description of the Notes—Collateral—Trust Agreement—Flow of Revenues</i>” for the next Monthly Transfer Date. The proceeds of any Equity Offering shall be funded directly into the Airport General Account.</p>
Optional Redemption.....	<p>Each series of notes may be redeemed, in whole or in part, at any time, by payment of (a) 100% of the principal amount of the notes being redeemed, (b) any accrued and unpaid interest on such principal amount to, but not including, the date of redemption, (c) Additional Amounts, if any, and (d) the Make-Whole Premium, if any. No Make-Whole Premium shall be payable for a redemption during the last months prior to maturity of the notes and during the last months prior to maturity of the notes.</p>
Mandatory Redemption.....	<p>The Issuer will be required to redeem each series of notes at 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest on the principal amount of such notes to, but not including, such redemption date and Additional Amounts, if any, and, to the extent required, any other Collateral Secured Debt, within 270 days of any of the following events: (a) as a result of (i) any Casualty Event in respect</p>

of which any net cash proceeds are received by the Issuer or (ii) any Condemnation, in which case the Issuer shall apply 100% of the net cash proceeds from insurance, indemnification, condemnation or otherwise (*provided* such net cash proceeds exceed US\$75,000,000 in the aggregate), if not otherwise applied or committed within the period set forth in paragraph (d) under “*Description of the Notes—Negative Covenants*” to replace or restore any affected property or assets or repay the notes or other Collateral Secured Debt; (b) in the event of any loss of or material adverse modification of the right to operate the Airport by the Issuer in respect of which net cash proceeds are received by the Issuer, to the extent of such net cash proceeds; (c) to the extent of available funds, upon the notes or such Collateral Secured Debt being declared immediately due and payable as a result of an Event of Default, following notice duly given to the Issuer; and (d) with the net cash proceeds of any sale or disposition of Airport assets in excess of US\$75,000,000 in any fiscal year, if not otherwise applied or committed within the period set forth in paragraph (d) under “*Description of the Notes—Negative Covenants*” to invest in new assets or repay Debt.

Tax Redemption	Subject to certain exceptions, each series of notes may be redeemed in whole (but not in part) at the option of the Issuer at any time at a price equal to 100% of the outstanding principal amount of the notes, plus accrued and unpaid interest, if any, due thereon to and including the Redemption Date, plus Additional Amounts, if any, if (i) on the next succeeding payment date the Issuer is obligated to pay any Additional Amounts as a result of any change in, or amendment to, the laws or regulations of Panama or any other relevant taxing jurisdiction, or any political subdivision or governmental authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment is first announced and takes effect after the issue date of the notes; and (ii) such obligation cannot be avoided by the Issuer’s taking reasonable measures available to the Issuer.
Change of Control	If a Change of Control occurs, the Issuer will be required to make an offer to purchase or redeem the notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest and Additional Amounts. A Change of Control shall include the direct or indirect sale, lease, transfer or conveyance, in one or a series of related transactions, of a majority of the assets of, or beneficial interest in, the Issuer by an entity that is not controlled by the Government, or the adoption of any plan relating to the liquidation or dissolution of the Issuer.
Covenants	<p>The Transaction Documents will contain affirmative and negative covenants of the Issuer (subject to qualifications and exceptions to be agreed and customary for financings of this type), including, among other things:</p> <ul style="list-style-type: none"> (i) maintenance and preservation of assets; (ii) operation of the Airport in compliance with all applicable laws; (iii) compliance with all Material Project Contracts in full force and effect and performance of obligations thereunder; (iv) reporting (including, without limitation, (a) consolidated financial statements and (b) delivery on an annual basis of an

updated Annual Operating Budget and, under certain circumstances, additional updates thereto);

- (v) maintenance of insurance, including application of large recoveries to asset re-construction or debt repayment;
- (vi) maintenance of registry and listing of the notes with the SMV and LATINEX;
- (vii) timely delivery of all reports and notices required by the SMV and LATINEX;
- (viii) payment of taxes and annual registration and listing fees with the SMV and LATINEX;
- (ix) inspection rights customary for corporate offerings;
- (x) ranking of obligations;
- (xi) preservation of, and further assurances regarding, the Collateral;
- (xii) delivery of information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act of 1933, as amended;
- (xiii) limitations on indebtedness;
- (xiv) limitations on liens;
- (xv) limitations on loans and guarantees;
- (xvi) limitations on mergers, consolidations or other transfers of ownership;
- (xvii) limitation on restricted payments and investments;
- (xviii) limitations on asset sales;
- (xix) limitations on designation of Unrestricted Subsidiaries;
- (xx) limitations on changes in business, including limitations on ability of the Issuer's management with respect to managing or administering unrelated businesses;
- (xxi) limitations on affiliate transactions;
- (xxii) limitations on capital improvement projects for the Other Airports and Airport City (except that the Issuer may invest up to US\$15,000,000 per year in Sustaining CapEx and Expansion CapEx projects for the Other Airports and Airport City, with excess investments being treated as Restricted Payments); and
- (xxiv) use of proceeds.

Revenue Increases The Issuer will covenant and agree, in the event that

- (i) the minimum projected Debt Service Coverage Ratio for any Calculation Period during the next four Calculation Periods (which, for the avoidance of doubt, shall be based on the Issuer's reasonable expectation and shall not be required to be validated by

the opinion of an Independent Consultant) falls below 1.25:1.00, the Issuer will promptly take reasonable measures to increase the projected Debt Service Coverage Ratio above 1.25:1.00, which measures shall include, among other things: (x) the submission through its General Manager of a proposed increase of the passenger exit fee rate for consideration by its Board of Directors, (y) to the extent such proposed increase is approved by its Board of Directors, the further submission of such proposed increase to the CAA for consideration by the CAA's Board of Directors and (z) any other actions necessary or advisable in connection with the process described in clauses (x) and (y);

- (ii) the Debt Service Coverage Ratio for the Calculation Period ended on the most recent payment date falls below 1.25:1.00, the Issuer will promptly undertake a review of the facts and circumstances resulting in such decrease in order to determine the advisability of taking reasonable measures to increase the Debt Service Coverage Ratio above 1.25:1.00, including but not limited to all actions necessary or advisable to increase the Aeronautical Revenues, including the actions specified in subsection (i),

provided that, in each case, no such actions shall be required (A) if taking such action would have a Material Adverse Effect on the Issuer's operating revenues, as confirmed by an Independent Consultant with customary experience in the airport industry, (B) if the facts, events or circumstances resulting in the relevant decrease in projected Debt Service Coverage Ratio is capable of being cured, corrected or otherwise remedied within ninety (90) days, the Issuer is proceeding with diligence and in good faith to such cure, correction or remedy and such actions have not had, and would not reasonably be expected to have, a Material Adverse Effect or (z) if the facts, events or circumstances resulting in the relevant decrease in projected Debt Service Coverage Ratio was caused by an event of *force majeure*, the impact of which on the Issuer's revenues is temporary and such revenues are reasonably expected to fully recover once such event of *force majeure* has subsided.

Events of Default.....

The Indenture will provide that certain events, acts, occurrences or conditions will constitute an event of default (an "Event of Default") with respect to the notes, including, among other things,

- (a) the Issuer's failure to make any payment, monetary transfer or deposit required to be made by it under the Transaction Documents and such failure shall have continued unremedied for at least five Business Days; *it being understood* that the failure of the Indenture Trustee or the Collateral Trustee to apply funds delivered to it by (or on behalf of) the Issuer (or available from the Transaction Accounts) to make payments on behalf of the Issuer will not constitute such a failure by the Issuer;
- (b) subject to specified cure periods, the Issuer fails to observe or perform any of its covenants specified in the Transaction Documents and such failure shall continue unremedied for at least 30 days after written notice thereof to the Issuer from the Indenture Trustee or to the Issuer and the Indenture Trustee from noteholders of at least 25% in aggregate principal amount of the notes then outstanding;

- (c) at any time, the Collateral Trustee shall fail to have a perfected first priority Lien on all or any part of the Notes Collateral purported to be granted thereto pursuant to the Trust Agreement and the Assignment Agreement, except to the extent that such failure is remediated within 30 days after an authorized officer of the Issuer obtains actual knowledge of such failure;
- (d) subject to certain exceptions, any governmental authorization, license, consent, registration or approval required in or by the Applicable Laws of Panama or any other applicable jurisdiction: (i) to enable the Issuer lawfully to enter into and perform its obligations under the Transaction Documents, (ii) to enable the Issuer to own, operate and maintain the Airport and its business and/or generate revenues and/or (iii) to enable the Indenture Trustee and/or the Collateral Trustee to exercise the rights expressed to be granted to it in the Transaction Documents, shall cease to be in full force and effect in any respect, the effect of any of which, alone or in the aggregate, shall have already had or could reasonably be expected to have a Material Adverse Effect;
- (f) all or any substantial part of the Airport is destroyed, abandoned or becomes permanently inoperative, or suffers an actual or constructive loss or damage, which actual or constructive loss or damage is not restored and for which insurance proceeds are not applied to the repair and restoration within the time frame required, or the Issuer ceases to operate the Airport as an international airport for any reason;
- (g) certain events of bankruptcy, insolvency, reorganization or liquidation;
- (h) (i) the Issuer and/or any of its Restricted Subsidiaries shall default in the payment of any Debt, which Debt is outstanding in the principal amount of at least US\$50,000,000 in the aggregate, and such default shall have continued for more than the applicable period of grace, or (ii) certain acceleration events in respect of any such Debt;
- (i) A final judgment or judgments for the payment of money are rendered against the Issuer or any of its Restricted Subsidiaries in an aggregate amount of \$40,000,000 or more, and either (A) such decree, order, arbitration award, final judgment or tax claim is not stayed, bonded, fully escrowed for or discharged within 60 days after entry thereof or (B) there shall be any period of at least 60 consecutive days during which a stay of enforcement of such judgment or order shall not be in effect;
- (j) except with respect to obligations and/or Transaction Documents that have terminated by their own terms, either: (i) any of the Transaction Documents shall fail for any reason to be in full force and effect, or (ii) the Issuer shall allege that any of its obligations under the Transaction Documents shall fail for any reason to be in full force and effect; and
- (k) certain Condemnation Events.

Upon the occurrence and during the continuation of an Event of Default, the holders of the notes will obtain certain remedies (including the right to accelerate the repayment obligation under the notes).

Alternative Operator	The Issuer will not contract, sub-contract, assign, sell or otherwise transfer all or any part of the operations of the Airport (except for the Airport's cargo operations, car parking services, retail operations, food and beverage services and duty-free operations) to any other Person, and shall at all times remain the sole operator of the Airport, except that the Issuer may hire a third-party manager to operate the Airport (an " <u>Alternative Operator</u> "), so long as (i) the Issuer will remain subject to the continuing oversight control of the <i>Contraloría</i> , (ii) the Alternative Operator shall have managed at least two airports with total passenger traffic in excess of ten million passengers annually for each of such two airports under management in each of the immediately preceding two calendar years, (iii) (x) if the notes are then rated Investment Grade, the notes shall continue to be rated Investment Grade confirmed by one of the Rating Agencies then rating the notes or (y) if the notes are not then rated Investment Grade, then the then-current rating shall be reaffirmed by at least one of the Rating Agencies then rating the notes and (iv) the base compensation payable to the Alternative Operator on a current basis shall not exceed the average of O&M Costs for the last two years, indexed for inflation (<i>provided</i> that such average may be adjusted based on increases in size of the Airport if such adjustments are confirmed as reasonable by the opinion of an Independent Engineer), and any excess or bonus compensation for the Alternative Operator shall be paid only after payments of principal and interest on the notes.
Additional Amounts	Subject to certain limited exceptions, all payments in respect of the notes and all other payments under the Transaction Documents will be made without deduction or withholding for any current or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by (or on behalf of) any taxing authority in Panama or in any other jurisdiction in which the Issuer is organized or resident for tax purposes or from or through which payments are made, unless such Taxes are required by any such taxing authority to be deducted or withheld. If any such Taxes are required by applicable law to be deducted or withheld, then the Issuer, subject to certain customary exceptions, will pay to the Collateral Trustee (for the benefit of the applicable recipient(s) of such payment) such additional amounts (" <u>Additional Amounts</u> ") as may be necessary so that the recipient(s) thereof will receive the full amount otherwise payable in respect of such payments had no such Taxes (including any Taxes payable in respect of such Additional Amounts) been required to be so deducted or withheld.
Denominations.....	The notes will be issued in minimum denomination of US\$200,000 and integral multiples of US\$1,000.
Governing Law	The Indenture and the notes will be expressly stated to be governed by and construed in accordance with the laws of the State of New York. The Transaction Documents relating to the Collateral will be governed by and construed in accordance with the laws of the State of New York or the laws of Panama, as applicable.

Ratings.....	On or prior to the date of issue of the notes, the notes will have been rated by Standard & Poor's Rating Services and by Moody's.
Listing.....	<i>Bolsa Latinoamericana de Valores, S.A.</i> ("LATINEX") and Singapore Exchange Securities Trading Limited.
Indenture Trustee.....	Citibank, N.A.
Collateral Trustee	The Bank of Nova Scotia (Panama), S.A.
Intercreditor Agent	Citibank, N.A.
Clearing System	DTC
Panama Broker-Dealer	BG Investment, Co., Inc. and BG Valores, S.A.
Repurchase or Redemption Prior to Settlement	Both series of notes will be offered for sale by the Issuer and BofA Securities, Inc., as billing & delivery bank, on behalf of the Initial Purchasers shall submit a bid for both series of notes on LATINEX. The settlement will take place business days after the trade date. However, consummation of the sale and purchase of both series of the notes on the settlement date as contemplated in the purchase agreement will be conditioned upon (i) BofA Securities, Inc., as billing & delivery bank, on behalf of the Initial Purchasers having the highest (and in case of equality, earliest) bid, and (ii) the Initial Purchasers' satisfaction on the settlement date that the corresponding conditions have been met or waived on or prior to the settlement date. In addition, the purchase agreement permits the Initial Purchasers to terminate their obligation to purchase both series of the notes upon certain Termination Events. If the Initial Purchasers were to determine on or prior to the settlement date that any of such conditions has not been satisfactorily met or waived or a Termination Event has occurred, the Initial Purchasers, through BofA Securities, Inc., as billing & delivery bank, have the right to require the Issuer to repurchase, and in that event, the Issuer shall repurchase, both series of the notes sold through the LATINEX pursuant to the LATINEX rules on the settlement date (or an earlier date as designated by the Issuer and the Initial Purchasers), at a price, immediately upon settlement, through set-off equal to each purchase price to be paid by the Initial Purchasers with respect to the corresponding series of notes, without exchange of funds. In the event the notes are required to be so repurchased, the obligation of the Initial Purchasers, to pay for the notes, and the obligation of the Issuer to pay the repurchase price for the notes will be set off against each other. No interest shall be payable. See " <i>Plan of Distribution</i> ."
Risk Factors	Investment in the notes involves risks that are described in the " <i>Risk Factors</i> " section beginning on page 38 of this Offering Memorandum. Some of the main risk factors include the following: <ul style="list-style-type: none"> • Our revenues are highly dependent on levels of air traffic at the Airport, which depend on factors beyond our control, and our commercial relationships with other airlines may not produce the results or returns we expect.

- We are exposed to the effects that international events can have on international air travel.
- Outbreaks of disease and health epidemics could also have a negative impact on international air travel.
- The recent COVID-19 pandemic, as well as any other public health crises that may arise in the future, is having and will likely continue to have a negative impact on passenger traffic levels, air traffic operations and our results of operations, financial position and cash flows.
- Any deficiencies in Airport biosecurity could have a material adverse effect on our business.
- Competition from other destinations or from other airports could adversely affect our business.
- We are substantially dependent on one airline, Copa Airlines, and any disruption of this relationship or negative developments in Copa Airlines' business may adversely affect our business.
- We are wholly-owned by the Government and provide a public service; our ability to generate revenue and our flexibility in managing our business is limited by the legal and regulatory framework in which we operate and may create conflicts of interest relating to our business.
- Hardware and software failures, delays in the operation of our computer systems or the failure to implement system enhancements may have an adverse effect on our business.
- The Airport requires significant maintenance expenditures to ensure its safety and efficiency, and our operations may require us to incur greater growth capital expenditures than we currently expect.
- Failure to comply with anti-corruption and anti-money laundering laws, as well as sanctions laws or other international trade laws could adversely impact our business.
- We have only two commercial runways, one of which may need to be replaced in the near-to-medium term future.

Summary Financial and Other Information

The following tables set forth our summary financial and other information. The summary financial information in the tables is derived from our Financial Statements. The following summary financial information should be read in conjunction with the financial statements, related notes and other financial information included herein, and the information under the captions "Presentation of Certain Financial and Other Information," "Selected Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	For the Three-Month Period Ended March 31,		For the Year Ended December 31,		
	2021	2020	2020	2019	2018
	(US\$)		(US\$)		
Operating revenues					
Airport operation services	14,468,559	36,992,899	53,758,355	165,998,778	155,524,989
Rent	8,084,248	19,426,961	30,912,607	87,709,909	76,637,394
Other revenues ⁽¹⁾	290,034	669,192	3,831,064	5,181,587	4,669,045
Operating revenues	22,842,841	57,089,052	88,502,026	258,890,274	236,831,428
Other income ⁽²⁾	-	-	85,077,264	-	-
Depreciation	(4,548,554)	(4,463,480)	(17,997,902)	(18,213,758)	(16,597,769)
Personnel costs	(6,540,904)	(9,245,919)	(28,260,308)	(39,787,741)	(38,544,327)
Repair and maintenance	(916,337)	(1,276,903)	(9,627,125)	(8,358,534)	(5,184,383)
Electricity, water and telephone .	(924,904)	(1,495,021)	(6,092,929)	(8,320,645)	(6,610,651)
Special Fund for the Development of National Aeronautics Administration	(3,750,000)	(3,750,000)	(4,500,000)	(15,000,000)	(15,000,000)
ICAO fees and other related expenses	(640,301)	(606,933)	(8,897,102)	(7,389,613)	(8,454,378)
Payment for Panama Pacific concession	(625,000)	(625,000)	(2,500,000)	(2,500,000)	(2,500,000)
Other expenses	(2,778,315)	(2,482,433)	(18,291,452)	(17,873,387)	(32,289,196)
Financial costs, net	(7,627,584)	(6,979,114)	(62,048,204)	(29,012,196)	(43,717,691)
Profit (loss) before tax	(5,509,058)	26,164,249	15,364,268	112,434,400	67,933,033
Income tax					
Current.....	(310,728)	(7,849,275)	(1,348,160)	(34,301,750)	(18,648,023)
Deferred.....	92,072	(51,737)	296,812	(114,001)	2,089,190
Total income tax	(218,656)	(7,901,012)	(1,051,348)	(34,415,751)	(16,558,833)
Net profit (loss)	(5,727,714)	18,263,237	14,312,920	78,018,649	51,374,200

(1) Includes revenues from surcharges, fines, parking and revenues other than rent and airport operation services.

(2) Includes the application of a property tax credit in favor of the Airport and the reversal of a property tax provision.

	As of March 31,	As of December 31,		
	2021	2020	2019	2018
	(US\$)		(US\$)	
Non-current assets				
Property, equipment and leasehold improvements, net of depreciation	682,113,828	686,657,073	686,018,520	636,252,323
Construction in progress.....	1,297,523,261	1,280,099,440	1,254,385,557	1,170,791,831
Deferred tax assets.....	13,409,231	13,317,159	13,020,347	13,134,348
Advance payments to contractors	140,844	140,844	233,527	641,509

	As of March 31,	As of December 31,		
	2021	2020	2019	2018
	(US\$)		(US\$)	
Advance payments for purchases abroad	24,839,659	28,450,089	39,613,680	66,376,960
Inventories, net	2,206,245	2,411,339	2,415,063	2,688,147
Severance fund	4,227,372	4,174,548	3,995,851	3,847,218
Guarantee deposits	-	-	-	29,689
Total non-current assets.....	2,024,460,440	2,015,250,492	1,999,682,545	1,893,762,025
Current assets				
Cash and bank deposits	99,383,652	90,721,896	157,255,819	236,089,452
Accounts receivable:				
Customers	23,345,518	19,281,408	18,207,618	19,132,627
Related parties	143,846	129,771	213,967	82,634
Others	11,362	11,719	72,328	21,865
Subtotal.....	23,500,726	19,422,898	18,493,913	19,237,126
Less: provision for impairment of doubtful accounts.....	(11,835,362)	(10,972,902)	(7,065,238)	(4,988,991)
Total accounts receivable.....	11,665,364	8,449,996	11,428,675	14,248,135
Prepaid expenses	698,831	314,379	411,461	629,678
Prepaid taxes.....	31,071,851	31,382,578	-	4,058,288
Total current assets	142,819,698	130,868,849	169,095,955	255,025,553
Total assets	2,167,280,138	2,146,119,341	2,168,778,500	2,148,787,578

	As of March 31,	As of December 31,		
	2021	2020	2019	2018
	(US\$)		(US\$)	
Equity				
Common shares; 1,000,000 authorized with par value of B/.20.00 each; all issued and outstanding.....	20,000,000	20,000,000	20,000,000	20,000,000
Additional paid-in capital ..	307,661,033	307,661,033	307,661,033	307,661,033
Retained earnings	224,601,488	230,329,202	216,016,282	162,997,633
Accounts receivable shareholder	(15,170,000)	(15,170,000)	(15,170,000)	(12,670,000)
Complementary tax	(14,867,563)	(14,867,563)	(14,148,106)	(12,960,106)
Total equity	522,224,958	527,952,672	514,359,209	465,028,560
Non-current liabilities				
Deferred revenue	61,804,789	64,117,345	72,991,684	86,890,692
Bonds payable	1,397,872,664	1,397,511,596	1,404,745,440	1,411,281,443
Accounts payable to concessionaires.....	142,564	142,564	131,486	158,414
Concessionaires' guarantee deposits.....	7,138,850	7,087,792	7,112,818	6,202,977
Provision for benefits to retirees	4,205,943	4,286,468	4,833,185	4,304,928
Seniority premiums	3,528,380	3,525,875	3,665,316	3,361,076
Total non-current liabilities.....	1,474,693,190	1,476,671,640	1,493,479,929	1,512,199,530
Current liabilities				
Bonds payable	8,641,289	8,641,289	7,853,690	-
Loans payable.....	25,000,000	25,000,000	-	-
Interest payable.....	32,462,721	11,438,217	9,988,235	10,044,271

	As of March 31,		As of December 31,	
	2021	2020	2019	2018
	(US\$)		(US\$)	
Withholdings to contractors	12,299,950	12,197,355	17,543,060	32,522,263
Accounts payable to related parties	20,301,687	16,367,431	15,318,887	15,114,919
Accounts payable and other accrued expenses payable	48,293,511	44,339,945	34,916,332	49,930,906
Accounts payable to concessionaires	15,100	15,100	26,928	30,838
Income tax payable	-	-	11,472,430	-
Other taxes payable	-	-	39,375,088	37,587,216
Deferred revenue	23,347,732	23,495,692	24,444,712	26,329,075
Total current liabilities....	170,361,990	141,495,029	160,939,362	171,559,488
Total liabilities	1,645,055,180	1,618,166,669	1,654,419,291	1,683,759,018
Total equity and liabilities	2,167,280,138	2,146,119,341	2,168,778,500	2,148,787,578

The table below provides a reconciliation of our Adjusted EBITDA to our net profit (loss) for the three-month period ended March 31, 2021 and 2020 and the years 2020, 2019 and 2018.

Adjusted EBITDA Reconciliation

	For the Three-Month Period		For the Year Ended December 31,		
	2021	2020	2020	2019	2018
	(US\$)			(US\$)	
Net profit (loss) ...	(5,727,714)	18,263,237	14,312,920	78,018,649	51,374,200
Adjustment for other income ⁽¹⁾	-	-	(85,077,264)	-	-
<i>plus</i> financial costs, net	7,627,584	6,979,114	62,048,204	29,012,196	43,717,691
<i>plus</i> depreciation ..	4,548,554	4,463,480	17,997,902	18,213,758	16,597,769
<i>plus</i> income tax	218,656	7,901,012	1,051,348	34,415,751	16,558,833
Adjusted EBITDA ⁽²⁾	6,667,080	37,606,843	10,333,110	159,660,354	128,248,493

(1) Adjustment to exclude "Other income" resulting from the application of a property tax credit in favor of the Airport and the reversal of a property tax provision.

(2) We define Adjusted EBITDA as net profits, as adjusted to exclude "other income", before financial costs, net, income taxes and depreciation.

The tables below provide a reconciliation of our Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income to our Revenues and Rent Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income to Rent for the six-month periods ended March 31, 2021 and 2020 and the years 2020, 2019 and 2018.

Reconciliation of Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income to Revenues

	For the Three-Month Period Ended March 31,		For the Year Ended December 31,		
	2021	2020	2020	2019	2018
	(US\$)		(US\$)		
Revenues	22,842,841	57,089,052	88,502,026	258,890,274	236,831,428
<i>minus</i> amortization of turnkey rights and guaranteed minimum income	2,460,516	6,038,106	10,062,104	31,305,781	23,063,239
Revenues Excluding Amortization of Turnkey Rights and ..Guaranteed Minimum Income	<u>20,382,325</u>	<u>51,050,946</u>	<u>78,439,922</u>	<u>227,584,493</u>	<u>213,768,189</u>

Reconciliation of Rent Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income to Revenues

	For the Three-Months Ended March 31,		For the Year Ended December 31,		
	2021	2020	2020	2019	2018
	(US\$)		(US\$)		
Rent	8,084,248	19,426,961	30,912,607	87,709,909	76,637,394
<i>minus</i> amortization of turnkey rights and guaranteed minimum income	2,460,516	6,038,106	10,062,104	31,305,781	23,063,239
Rent Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income	<u>5,623,732</u>	<u>13,388,855</u>	<u>20,850,503</u>	<u>56,404,128</u>	<u>53,574,155</u>

RISK FACTORS

An investment in the notes involves a high degree of risk. You should carefully consider the risks and uncertainties described below and the other information in this Offering Memorandum before making an investment in the notes. Our business, financial condition and/or results of operations could be materially adversely affected by any of these risks and uncertainties. There are also a number of factors, including those described below, that may adversely affect our ability to make payments on the notes. Additional risks not presently known to us or that we currently deem immaterial may also materially adversely affect our business operations. In general, investing in the securities of issuers in emerging market countries such as Panama involves risks not typically associated with investing in the securities of U.S. companies.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this Offering Memorandum. See “Forward-Looking Statements.”

Risks Related to the Issuer

Our revenues are highly dependent on levels of air traffic at the Airport, which depend on factors beyond our control, and our commercial relationships with other airlines may not produce the results or returns we expect.

Our revenues are closely linked to passenger and cargo traffic volumes and air traffic movements at the Airport. These factors directly determine our revenues from aeronautical services and indirectly determine our revenues from non-aeronautical services. Passenger and cargo traffic volumes and air traffic movements depend in part on many factors beyond our control, including:

- economic conditions in Panama, the Americas and Europe;
- aircraft accidents and other safety concerns globally;
- increases in airfares;
- the economic and political situation in Panama and elsewhere in the world;
- epidemics, pandemics or other similar events, such as the COVID-19 pandemic;
- the attractiveness of the Airport relative to other competing airports in Central America;
- the economic condition and results of the growth plans of Copa Airlines, the main carrier serving the Airport;
- fluctuations in petroleum prices (which can have a negative impact on traffic as a result of fuel surcharges or other measures adopted by airlines in response to increased fuel costs);
- foreign currency fluctuations; and
- changes in regulatory policies applicable to the aviation industry, etc.

Any decreases in passenger and cargo traffic volumes and air traffic to or from the Airport as a result of such factors could adversely affect our business.

In addition, the financial position and results of operations of some airlines that operate with the Airport have been adversely affected as a result of the COVID-19 pandemic and airlines may continue to suffer financial difficulties or may suffer financial difficulties in the future. This has caused some airlines to file for Chapter 11 (U.S. Bankruptcy Code) reorganization or similar bankruptcy proceedings and may cause more airlines to do so. For example, as from the onset of the COVID-19 pandemic, LATAM Airlines and Grupo Aeroméxico have filed voluntary proceedings to reorganize under Chapter 11 (U.S. Bankruptcy Code). All of this may have an adverse

effect on their operations or result in the discontinuance of their operations. This could cause an adverse effect on passenger traffic at the Airport. In addition, if any airlines operating at the Airport that seek to restructure are unable to do so successfully or if our contractual arrangements with these airlines are not maintained as a result of any bankruptcy or reorganization proceedings, our business and results of operations could be materially adversely affected.

Our income is affected by aeronautical fees and rates and revisions thereto. The Board of Directors has the right to change aeronautical fees and rates pursuant to applicable law, subject to the CAA's approval, but no assurances can be given as to the timing or magnitude of any such changes.

Pursuant to Law 23, the Board of Directors has the right to increase or decrease aeronautical fees and rates, including the PEF and the Development Fee (as defined herein), subject to the approval of the CAA. As a result, we do not have direct control over the setting of these rates. We have the right to set all non-aeronautical fees at the Airport. See “Regulatory Overview.” Additionally, we will covenant under the Indenture, in the event that certain financial measures fall below certain thresholds, to take reasonable measures to increase revenue, including by submitting through the Chief Executive Officer to the Board of Directors proposals to increase aeronautical revenues; however, any such measures are subject to the approval of the CAA. The CAA is a Governmental agency, and while we are a corporation wholly-owned by the Government, we may not have the same incentives to increase or maintain the fees that a private sector entity would have. Furthermore, the rationale for increasing fees and rates charged by the Airport might be affected or limited by the attractiveness, affordability or accessibility of other airports that may compete with our operations. If we are unable to compete effectively on such terms, this could have an adverse effect on our business.

Any deficiencies in Airport security could have a material adverse effect on our business.

We are responsible for adopting security measures necessary to assist the Government in protecting the public and maintaining the security of passengers. Moreover, as part of our IASA rating, we are required to maintain certain additional security measures. Any change in security regulations or requirements could reduce passenger capacity at the Airport due to increased passenger screening and slower security checkpoints. Such a decrease in passenger capacity would materially adversely affect our financial condition and our business. Additionally, given the current global security climate, we may be required by any bilateral partners or national governments to institute additional security measures that may impose costs and operational burdens on us.

We are exposed to the effects that international events can have on international air travel.

Historically, a substantial majority of our revenues have been derived from aeronautical services, and our principal source of aeronautical services revenues is passenger charges for the use of the Airport by Transit/Transfer Passengers. In addition, the levels of our non-aeronautical revenues are dependent on the level of passenger traffic in the Airport. Events such as terrorist attacks, wars and general instability in other regions of the world (including the Middle East) and public health crises have negatively affected the frequency and patterns of air travel worldwide. Because our revenues are largely dependent on the level of passenger traffic in the Airport, any general increase of hostilities relating to reprisals against terrorist organizations, further conflict in the Middle East, or other events of general international concern (and any related economic impacts of such events) could result in decreased passenger traffic, cancellation of flights and increased costs to the air travel industry and, as a result, could result in a material adverse effect on our business.

Outbreaks of disease and health epidemics could also have a negative impact on international air travel

Outbreaks of disease and health epidemics could have a negative impact on international air travel. Public health crises such as the outbreak of Severe Acute Respiratory Syndrome (known as SARS) between 2002 and 2003, the outbreak of the A/H1N1 virus of 2009 and the Ebola pandemic in 2014–2015 have disrupted the frequency and pattern of air travel worldwide in recent years. Also, travel to Caribbean and Latin American countries were affected as a result of the Zika virus. Because our revenue is largely dependent on the level of passenger traffic, any outbreaks of health epidemics, such as the H1N1 virus and the Zika virus, could result in decreased passenger traffic and increased costs to the air travel industry and, as a result, could have a material adverse effect on our business revenues and results of operations.

The recent COVID-19 pandemic, as well as any other public health crises that may arise in the future, is having and will likely continue to have a negative impact on passenger traffic levels, air traffic operations and our results of operations, financial position and cash flows.

In late December 2019 a notice of pneumonia of unknown cause originating from Wuhan, Hubei province of China was reported to the World Health Organization. A novel COVID-19 virus (nCoV) was identified, with cases soon confirmed in multiple provinces in China, as well as in several other countries. The Chinese government placed Wuhan and multiple other cities in Hubei province under quarantine, with approximately 60 million people affected. On March 11, 2020, the World Health Organization declared the coronavirus outbreak a pandemic. The ongoing COVID-19 pandemic has resulted in several cities around the world being placed under quarantine and increased travel restrictions from and to several countries, which has forced airlines to cancel flights and extended shutdowns of certain businesses in various regions.

The COVID-19 pandemic continues to impact worldwide economic activity and pose the risk that we or our employees, contractors, suppliers, customers and other business partners may be prevented from conducting certain business activities for an indefinite period of time, including due to shutdowns that may be requested or mandated by governmental authorities or otherwise elected by companies as a preventive measure. In addition, mandated government authority measures or other measures elected by companies as preventive measures may lead to our consumers being unable to complete purchases or other activities. Furthermore, its impact on the global and local economies may also adversely impact consumer discretionary spending. As of the date of this Offering Memorandum, the COVID-19 pandemic has disrupted operations of most of the airlines around the world as well as many airports, decreased passenger traffic and increased costs to the air travel industry.

Given the uncertainty around the extent and timing of the potential future spread or mitigation and around the imposition or relaxation of protective measures, we cannot reasonably estimate the impact to our future results of operations, cash flows or financial condition. However, the COVID-19 pandemic is having and will likely continue to have, for so long as the health crisis and the virus impact continue, a negative impact on passenger traffic levels, air traffic operations and our results of operations, financial position and cash flows.

Any deficiencies in Airport biosecurity could have a material adverse effect on our business.

We are responsible for adopting biosecurity measures necessary to protect the health and safety of our employees and passengers and currently maintain certain health and security protocols as required by the Panamanian Ministry of Health. Failure to comply with any health and security protocols may cause the temporary closure of the Airport or the restriction of its operations. This could materially adversely affect our financial condition and our business. Moreover, any changes in biosecurity regulations or requirements could be difficult to implement or could reduce passenger capacity at the Airport due to increased passenger screening and slower security checkpoints. Such a decrease in passenger capacity would materially adversely affect our financial condition and our business.

Competition from other destinations or from other airports could adversely affect our business.

The principal factor affecting our results of operations and business is the number of passengers using the Airport. The number of passengers may vary as a result of factors beyond our control, including the level of business and economic activity in Panama, including the tourism industry. The Airport's passenger traffic volume may also be adversely affected if other airports increase their services to more destinations in Latin America, or if recent airline mergers result in other airlines offering greater north-south services through their principal hubs. Other airports in the region may expand their hub operations or build facilities more attractive than the Airport, and as a result the number of transit passengers may decrease or the rate of growth of such passengers may slow down. In particular, El Dorado airport in Bogotá and Miami International Airport are significant competitors. In addition, the Airport's passenger traffic volume may be adversely affected by the attractiveness, affordability and accessibility of competing tourist destinations located outside of Panama. For a further description of the risks relating to Panama, see "*Risks Related to Panama*." Such traffic is also likely to be affected by perceptions of travelers as to the safety and political and social stability of Panama. There can be no assurance that business activity, hub operations and tourism levels, and therefore the number of passengers using the Airport in the future, will meet or exceed current levels. Any variation therefrom could also have an adverse effect on our business.

We are substantially dependent on one airline, Copa Airlines, and any disruption of this relationship or negative developments in Copa Airlines' business may adversely affect our business.

In 2020, Copa Airlines and its affiliates accounted for 86% of all scheduled departing seats at the Airport, and Copa Airlines is currently the main passenger seat capacity provider for scheduled flights at the Airport. Copa Airlines is one of the largest private employers in Panama. Copa Airlines is based in Panama and uses the Airport as its network hub. The prospects for future passenger traffic development at the Airport may in part depend on Copa Airlines' growth strategy and operational structure, which in turn depend in part on its access to capital to fund certain projects, skilled personnel, equipment and facilities. There is no long-term contract in place between us and Copa Airlines or any other airline to use the Airport as its network hub or guarantee future usage amounts.

Any disruption of the relationship between us and Copa Airlines (for example, if Copa Airlines were to transfer a large portion of its operations to another airport or airports in Latin America, decrease its fleet size materially or become financially distressed or insolvent), could result in a significant near-term and potentially long-term impact on the Airport's revenues until such time as other market participants replace capacity previously serviced by Copa Airlines. Thus, while we believe the Airport would remain an attractive location for any airline to serve the LAC Region, a disruption of Copa Airlines' use of the Airport's facilities could have a material adverse effect on our business and our ability to repay the notes.

Business interruptions could harm our business.

Although we carry terrorism, property and business interruption insurance, operations at the Airport may be disrupted for reasons beyond our control, including accidents, terrorism or security incidents, political instability, strikes, public health issues (including epidemics or pandemics, such as the COVID-19 pandemic), telecommunications or other infrastructure failures, fire, earthquake, floods or other natural disasters and may lead to reduced passenger traffic levels at the Airport, which could have a material adverse effect on our business.

Long-term disruptions in infrastructure caused by events, such as natural disasters, the outbreak of war, the escalation of hostilities, acts of terrorism and epidemics or pandemics such as the COVID-19 pandemic, could adversely affect our business. Our insurance coverage may not be adequate to compensate us for all losses that may occur.

We are wholly-owned by the Government and provide a public service; our ability to generate revenue and our flexibility in managing our business is limited by the legal and regulatory framework in which we operate and may create conflicts of interest relating to our business.

We are a corporation wholly-owned and controlled by the Government of the Republic of Panama. Due to such ownership and the role that the Airport plays in Panama's economic development, we may not have the same incentives to increase or maintain the fees and charges that a private-sector entity would have. Further, our legal framework provides that aeronautical fees should be based on the costs of the services provided. It is the Board of Director's policy that such costs include maintaining a robust financial profile for the Airport and meeting our financial covenants and obligations, including our obligations under the notes. Nonetheless, these different incentives may have a material adverse effect on our business.

Aeronautical fees charged to airlines and passengers at the Airport are our most significant source of revenue, and are, like most airports in other countries, subject to regulations. For the three months ended March 31, 2021 and the years ended December 31, 2020 and 2019, 63.3%, 60.7% and 64.1%, respectively, of our operating revenues were earned from aeronautical services that are subject to price regulation by the CAA. Additionally, the CAA is required to approve any change in the PEF, the Development Fee and any other aeronautical fees. See "*Our income is affected by aeronautical fees and rates and revisions thereto. The Board of Directors has the right to change aeronautical fees and rates pursuant to applicable law, subject to the CAA's approval, but no assurances can be given as to the timing or magnitude of any such changes.*" These price regulations may limit our flexibility in operating our aeronautical activities, which could have a material adverse effect on our business.

In addition, there can be no assurance that this price regulation system will not be amended in a manner that would cause additional sources of our revenue to be regulated. In the event that either the Airport's fees do not

increase in proportion to its passenger traffic or its costs, or the price regulation system otherwise impacts our financial condition, our business could be materially adversely affected.

Furthermore, as our principal shareholder, the Government has the power to determine the outcome of all matters that require shareholder votes, such as, subject to contractual and legal restrictions, the distribution of dividends. In addition, the Government also owns the Other Airports, which we consider complementary to the Airport's operations. The Government has the power to determine our business strategy, as well as the business strategy of the Other Airports. The interests of the Government with respect to the Airport may in some cases differ from the interests of the Government with respect to the Other Airports and differ from the interests of the holders of the notes. In circumstances involving a conflict of interest between the Government and the holders of the notes, the Government may exercise its rights in a manner that would benefit the Government, the Other Airports or other parties to the detriment of the holders of the notes.

We may not generate sufficient revenues if Airport management fails to implement its business strategy.

Our ability to maintain and increase our revenue and profitability will depend in part on the implementation of our business strategy for the Airport, which focuses on continuing to increase passenger volumes and develop world-class services at the Airport, expanding passenger capacity through focused capital expansion, improving operating efficiency and diversifying and increasing non-aeronautical commercial revenues.

Our ability to maintain and increase our revenues is, among other factors, significantly dependent upon increasing passenger and cargo traffic at the Airport. Passenger and cargo traffic volume in the Airport depends upon factors beyond our control, such as the attractiveness of Panama as a business and tourist center and Copa Airlines' success in implementing its commercial strategy. Moreover, passenger traffic has been significantly affected throughout 2020 and 2021 by the COVID-19 pandemic.

We cannot assure you that we will be successful in implementing our strategy of increasing passenger and cargo traffic volume or increasing our revenues from aeronautical activities or non-aeronautical commercial activities, including expected revenues from the completion of Terminal 2 or cargo and logistics free trade zones.

We are expanding the Airport, including the construction of the new Terminal 2 and the acquisition of land to build a new third runway, and the expansion and related contracts expose us to construction, operational, financial and counterparty risks.

Our decision to expand the Airport through the construction of Terminal 2 and the potential expansion of airfield capacity through the construction of a third air carrier runway for the airport, along with associated facilities (the "Runway Project"), exposes us to the risks that are typically associated with any such projects, including risks related to construction and financing.

On February 8, 2013, we entered into a design-build-equipment contract with Odebrecht for the construction of Terminal 2 (the "Odebrecht Contract"), which has undergone several amendments. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Commitments—Odebrecht Contract." As of the date of this Offering Memorandum, the Airport has provisionally accepted Terminal 2 from the contractor, as construction is 99.7% complete. The Airport recently completed operational tests of Terminal 2 and this will be followed by gradual and phased-in operations, with full commencement of operations expected on or around September 2021.

We may suffer significant construction delays or construction cost increases on any of our expansion projects, including on the Odebrecht Contract, as a result of a variety of factors, including:

- failure to receive critical components and equipment that meet the Airport's design specifications and that can be delivered on schedule;
- failure to receive quality and timely performance from third-party service providers;
- failure to obtain capital to develop the Airport expansions;

- any shortage of skilled labor, including due to labor disputes or strikes;
- changes in the costs of raw materials;
- failure to provide electric power to the new terminal which could affect our contracting parties' ability to deliver on the projects;
- failures by any counterparties to perform in accordance with their contractual requirements;
- inclement weather conditions;
- adverse environmental and geological conditions; and
- *force majeure* or other events outside of our control.

Any of these factors could give rise to construction delays and construction costs in excess of our estimates and may negatively impact the ordinary operations of the Airport. This could prevent us from completing construction of Terminal 2, thereby affecting our expected passenger and cargo traffic growth at the Airport or otherwise impair our business. For example, labor disputes in April 2018 resulted in a nationwide strike of the National Union Workers of the Construction Industry and Similar Industries ("SUNTRACS"). The strike lasted approximately four weeks and impacted the ability of our contractors and other counterparties to deliver contracted work on a timely basis, consequently delaying the expected commencement of commercial operations in Terminal 2. We are unable to predict labor unrest or estimate the duration of or any other impacts that any such work slowdowns, stoppages, strikes or other labor disputes may have on the construction of Terminal 2, other expansion and maintenance work or our ability to carry out the Airport's expansion plans.

Additionally, if any entity upon which we depend for the expansion of the Airport fails to perform or breaches its obligations to us under its respective contract, our expansion plans could be forced to be delayed or modified. If we terminate such agreements or if we are unable to find a suitable replacement for any counterparty, our ability to complete the expansion of the Airport would be impaired, and our business could be materially adversely affected.

Any expansion would also be subject to the Airport satisfying the conditions in the Indenture governing the notes concerning our ability to carry out an expansion and incur additional indebtedness in connection therewith. In addition, there are no assurances that any financing needed to fund future expansions would be available to us at the relevant time.

We cannot guarantee that we will fulfill our investment commitments without delay or within the estimated budget for such projects nor that we will be able to obtain the financing necessary to complete such projects. This could limit our ability to expand capacity at the Airport, increase our operating or capital expenses and adversely affect our business. Such delays or budgetary excess could limit our ability to meet our business strategy goals and could have a material adverse effect on our financial condition and our ability to make repayment under the notes.

Terrorist attacks have had a severe impact on the international air travel industry, have adversely affected our business and may do so in the future.

As with all airport operators, our business is subject to the threat of terrorist attack. The terrorist attacks on the United States on September 11, 2001 had a severe adverse impact on the air travel industry, particularly on U.S. carriers and on those operating international services to and from the United States. Airline traffic in the United States fell precipitously after the attacks. The Airport's terminal departure passenger volumes (international and domestic) declined 10.2% in 2002 as compared to 2001, and its traffic volumes did not fully recover to pre-attack levels until 2003. In the event of a terrorist attack on the Airport, airport operations would be disrupted or suspended during the time necessary to conduct rescue operations, investigate the incident and repair or rebuild damaged or destroyed facilities. The Airport's attractiveness as a transit hub, even after resuming operations, would likely also be negatively impacted. In addition, although our insurance policies include coverage for liability and damages arising from terrorism activities, we cannot assure you that they would cover all losses and liabilities resulting from

a terrorist attack. Any future terrorist attack, whether or not involving aircraft, could materially adversely affect our business.

Additionally, we may be required to comply with security directives of the U.S. Transportation Security Administration, in addition to the directives of Panamanian aviation authorities, because a significant amount of our international flights involve travel to the United States. Security measures taken to comply with future security directives or in response to a terrorist attack or threat could reduce passenger capacity at the Airport due to increased passenger screening and slower security checkpoints, and may require increased capital and operating expenditures, which could have an adverse effect on our business.

Hardware and software failures, delays in the operation of our computer systems or the failure to implement system enhancements may have an adverse effect on our business.

Our operations depend on the efficient and uninterrupted operation of our computer systems. A failure of our network or data gathering procedures could impede the processing of data, delivery of databases and services and the day-to-day management of our business and could result in the corruption or loss of data. Despite any precautions we may take or redundant systems we may have, damage from fire, floods, hurricanes, power loss, telecommunications failures, break-ins, computer viruses, hacking or any other cybersecurity events at our various computer facilities could result in disruptions in the Airport's power supply or computer systems. In addition, any failure by our computer environment to provide the data communications capacity we need could result in service interruptions at the Airport. In the event of a delay in the delivery of data, we could be required to transfer our data collection operations to alternative providers. Significant delays in any planned delivery of system enhancements and improvements, or inadequate performance of the systems once they are completed, could damage our reputation and harm our business.

Third parties with which we do business rely on software systems for the reporting of accurate information, any errors or software malfunctions could materially and adversely affect us.

We are exposed to many types of operational risk, including the risk of clerical recordkeeping errors and transactional errors by employees and third parties, including the airlines. Our business is dependent on our employees and the airlines correctly coding passengers as Origin/Destination Passengers or as Transit/Transfer Passengers. We could be materially and adversely affected if human error on the part of one of our employees or software malfunctions in the airlines' reporting systems result in coding errors, such as in the categorization of passengers, which impact the PEF amounts collected from the airlines or decrease airport operation services revenues. For example, in the first quarter of 2018 we had reduced revenues due to a passenger coding error that caused certain airlines' systems to incorrectly code Origin/Destination Passengers as Transit/Transfer Passengers. Although we discovered the error and all revenues were eventually collected and reflected in the financial statements, our exposure to such sources of operational risk, including breakdowns or failures of third parties' own systems, record-keeping or employees could adversely impact our results of operations, which could have a material adverse effect on our business.

The Government could grant new concessions and authorize the construction of new airports that compete with the Airport.

The Government and the provincial governments could grant other companies concessions to operate existing government-managed airports, or authorize the construction of new airports, which could compete directly with the Airport. For example, Albrook "Marcos A. Gelabert" International Airport and Panama Pacifico International Airport currently offer a limited number of international operations to certain countries in the LAC Region. To our knowledge, the Government does not have any plan to do so currently. If we are unable to compete effectively with any such new airports, our business could be materially and adversely affected.

Our annual budget is subject to approval by the Cabinet Council and the National Assembly.

We prepare our own annual operating and capital investment budget, which is not part of the budget of Panama. Our annual budget has to be submitted for approval to the Cabinet Council and the National Assembly each year. The National Assembly may approve or reject our budget, but it may not make any amendments to it. In the event that the National Assembly does not approve our budget, the current fiscal year's budget will enter into effect

for the next fiscal year; however, all items in our proposed budget relating to the payment of our debt, labor and contractual obligations, including those for the financing of investments, will be automatically incorporated into the new budget. Rejection of our budget by the National Assembly may limit our ability to develop new projects and expansions, which could have a material adverse effect on our business. For further details, see “*Regulatory Overview*.”

The Government may privatize or reorganize us.

We are wholly-owned by the Republic of Panama. In addition to the potential for an authorization of private investment in our business, the Government could also transfer our operations to another Government-controlled entity or could sell our stock or our assets. Certain strategic changes for the Airport, including any partial privatization of the Airport, would require amending Law 23 as well as certain changes to our bylaws. While there has been no formal governmental action to permit private investment in us to date, we cannot predict whether any such action will be taken in the future. The introduction of private sector capital into our ownership structure would result in our partial privatization and could lead to adverse or unintended consequences for our operations and thereby adversely affect our business and potentially our ability to make payments under the notes.

Increases in or the volatility of international petroleum prices could reduce demand for air travel.

Fuel represents a significant cost for airlines. Such prices may be subject to increase at any time and price volatility resulting from imbalances between oil demand and production, voluntary or otherwise, a general escalation in international hostilities by oil-producing countries or any future terrorist attacks. Any increases in airlines’ costs or volatility could result in higher airline ticket prices and may decrease demand for air travel generally, thereby having an adverse effect on our business. High fuel prices are likely to have a material adverse impact on the operations of carriers, particularly those with older, less fuel-efficient airline fleets. Such impact could, in turn, have a negative effect on our business.

Labor issues could have an adverse impact on our business.

Substantially all of our employees are unionized and covered by a collective bargaining agreement, which was renewed in July 2017 and expired on April 2021. We are currently negotiating a new collective bargaining agreement. According to the Panamanian Labor Code, Airport employees are subject to a particular regime governing strikes, which establishes an arbitration procedure that can be enforced by the relevant Panamanian Labor Authorities and that has the effect of immediately suspending a strike. We believe we maintain good relations with our labor force, but any increases in negotiated labor costs or expenses, or significant labor demands, could have an adverse impact on our business.

The operations of the Airport may be affected by the actions of third parties, including subcontractors, concessionaires and other counterparties, which are beyond our control.

Portions of the Airport’s operations are dependent on the services of third parties or governmental entities for the rendering of services to passengers and airlines, such as meteorology, air traffic control, public security, electricity and immigration and customs services. In addition, we are dependent on third-party providers of certain complementary services, such as cleaning, car parking, fuel services and catering. Many of the services provided by these parties are beyond our control. Even in the event we are entitled to a claim for damages based on negligent or other improper provision of services, any disruption in, or adverse consequence resulting from, the failure of such entities to perform their services, including a work stoppage or other similar events, may have a material adverse effect on the operations of the Airport and on our business.

For example, we subcontract certain services necessary to conduct our operations, such as the into-plane fueling to airlines. In the event that our subcontractors fail to perform their obligations under their agreements, we could incur additional costs related to providing replacement subcontractors and could be exposed to liability for operations that we may have to provide directly, which could adversely affect our business.

The Airport’s fuel storage capacity of 4,620,000 gallons is sufficient for seven days of Airport operations at 2019 passenger traffic levels. In the event there is any disruption in the transportation of fuel to the Airport, we may be forced to suspend flights if and when our fuel storage is depleted, and until the fuel tanks can be refueled. A

significant interruption or disruption in fuel service at the Airport could have a material adverse impact on our business.

The Airport requires significant maintenance expenditures to ensure its safety and efficiency, and our operations may require us to incur greater growth capital expenditures than we currently expect.

Our facilities, including our passenger terminals and runways, require ongoing maintenance, and those requirements will increase as our facilities age. If we are unable to maintain our facilities in a timely and cost effective manner, our facilities may not perform efficiently, and we may experience periods in which our facilities are unavailable, in which case we could be subject to additional costs or lost revenues.

In particular, runway 03L/21R has limited runway length, and the pavement and subgrade of such runway is in poor condition. From 2018 onwards, we have limited the use of runway 03L/21R and it is currently only used during peak arrival times. We will need to undertake work to extend the lifespan of such runway and maintain the safety and efficiency of operations. Additionally, runway 03R/21L does not currently have a runway end safety area intended to reduce the risk of damage to an airplane undershooting or overrunning the runway, and we will need to undertake certain capital expenditures to upgrade the runway end safety areas of our runways.

Furthermore, we undertake scheduled growth capital expenditure projects from time to time. However, if one or more of the events outlined below were to occur, we may be required to incur growth capital expenditures in excess of the amounts we expect:

- higher than expected aircraft or passenger numbers through the Airport;
- changes in profile such that more passengers or aircraft arrive during a peak period;
- additional security, safety, operating or environmental requirements are imposed on us;
- inaccurate budgeting for new projects or insufficient contingencies with respect to new developments we may undertake;
- specific airline requirements that require changes or upgrades to existing infrastructure, for example, upgrades that may be necessary to enable our runways to accommodate larger aircraft;
- the asset life of key infrastructure, such as our terminals and runways, is less than we expect;
- the increased usage of certain facilities due to unavailability of facilities that are being upgraded;
- loss of a major airport building, for example, from fire or natural hazard; and
- complex projects involving new technologies experiencing unforeseen implementation failure.

We may incur additional costs if we experience any or all of the events outlined above, and our business could be materially adversely affected.

Some of our concession agreements for the lease of retail spaces in the Airport will expire in the near future. As these concessions expire, we may not be able to re-lease retail space on favorable terms, or at all.

We do not have any patents. However, our business strategy requires us to lease retail space to generate revenues through concession agreements. For the three-month period ended March 31, 2021 and the years ended December 31, 2020 and 2019, 36.7%, 39.3% and 35.9%, respectively, of our operating revenues were generated by our non-aeronautical commercial activities, including revenues from concessions for retail stores, food and beverage and car parking in the Airport. Currently, we have approximately 6,198.5 square meters available to be assigned to concessionaires. An additional approximately 17,131.11 square meters correspond to concession agreements in the existing Airport facilities that will expire in the next 10 years. We cannot be assured that in the future we will be able to find, in a timely manner or at all, a lessee for any of this retail space, or if we do find lessees, obtain lease

rates and terms comparable to those we have now. Additionally, there can be no assurance that the creditworthiness of any future lessee will be equal to or better than the previous lessee for the retail space.

We have entered into certain transactions with related parties that may create conflicts of interest.

All transactions between us and autonomous or semi-autonomous Governmental entities are considered transactions between related parties. For a description of the material transactions that we have engaged in with related parties, see “*Related Party Transactions*” and see note 10 to the audited financial statements. We believe that all of our transactions with related parties have been conducted in a manner consistent with our normal business practices on market terms and are in accordance with applicable legal standards. There can be no assurance that the terms and scope of any related party transactions are as favorable to us as those that may have been obtained from unaffiliated third parties. Additionally, no assurance can be given that the potential conflicts of interest inherent in these transactions would not disadvantage us, particularly in circumstances in which our interests differ from the interests of our affiliates or creditors, and have a materially adverse effect on our business.

Our business operations could be materially adversely affected by restrictions on the sale of tax and duty-free and consumer goods in airports.

We generate non-aeronautical revenues through tax and duty-free sales, including sales of alcohol, tobacco, perfume and cosmetics. Any decision by the Panamanian government to restrict sales of these products, or limit or prohibit the availability of tax and duty-free sales generally, could materially adversely affect the level of related sales transacted by various duty-free concessionaires. Similarly, any decision by other countries to which we have ongoing flights that limits or prohibits the entry of duty-free goods by residents could materially adversely affect the level of related sales transacted by various duty-free concessionaires. Such a result could have an adverse effect on our non-aeronautical revenues by adversely affecting our receipt of variable rents that are equal to a percentage of duty-free concessionaire’s gross sales. In addition, the imposition of security requirements prohibiting certain items from being carried on aircraft also has the potential to negatively impact the level of sales transacted by duty-free concessionaires. The existence of regulations such as these necessarily limits the sale and size of certain products that may be purchased within the Airport. Regulations restricting categories of items that may be carried onto flights may materially impact the sales of our duty-free concessionaires and consequently our non-aeronautical revenues. As a result, further restrictions on categories of items that may be carried on flights may have a materially adverse effect on our business.

A downgrading of Panama’s IASA rating could impact our revenues by prohibiting airlines from increasing service to the United States from the Airport.

The U.S. Federal Aviation Administration periodically audits the aviation regulatory authorities of other countries. As a result of its review, each airport within the country is given an IASA rating. Since April 2004, IASA has rated Tocumen as a Category 1 jurisdiction, which means that it is compliant with ICAO Standards. We cannot assure you that the Government, or the CAA, will continue to meet international safety standards, and we have no direct control over their compliance with IASA guidelines. If Panama’s IASA rating were to be downgraded in the future, it could negatively impact the service provided by the airlines, including Copa Airlines, to the United States, and thereby adversely affect our business.

Failure to comply with anti-corruption and anti-money laundering laws, as well as sanctions laws or other international trade laws could adversely impact our business.

Financial crime is continually evolving and has become the subject of enhanced regulatory scrutiny and supervision by regulators globally. Anti-money laundering (“AML”), anti-terrorist financing, anti-proliferation of weapons of mass destruction financing, anti-corruption, sanctions and “know your customer” laws and regulations are increasingly complex and detailed and have become the subject of enhanced regulatory supervision, requiring improved systems, sophisticated monitoring and skilled compliance personnel. The Airport, its concessionaires and its customers may be subject to international trade restrictions and regulations, including anti-corruption laws, anti-money laundering laws and trade and economic sanctions regulations, including those administered by OFAC.

We believe that we are in compliance in all material respects with applicable AML, anti-terrorist financing, anti-proliferation of weapons of mass destruction financing, anti-corruption and sanctions laws and regulations and

have adopted policies and procedures, including internal controls “know your customer” procedures and employee trainings, aimed at identifying and preventing money laundering, terrorist financing and similar financial crimes. These require implementation and embedding within our business of effective controls and monitoring, which in turn requires ongoing changes to systems and operational activities. This requires proactive and adaptable responses from us so that we are able to deter threats and criminality effectively. Even known threats can never be fully eliminated, and there may be instances where we could be used by other parties to engage in money laundering and other illegal or improper activities. During the last five years, the Airport or concessionaires have been the subject of investigations or sanctions (see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Principal Business Activities of the Airport—Non-Aeronautical Revenues—Consortio Grupo Wisa.*”), including:

- In 2016, one of the Airport’s then-largest duty-free retail concessionaires and one of Latin America’s largest duty-free chains, Grupo Wisa, along with various of its owners and other affiliates, were designated by OFAC as Specially Designated Narcotics Traffickers pursuant to the Kingpin Act, accused of laundering drug proceeds on behalf of multiple drug traffickers and their organizations. Grupo Wisa’s concessions have not been extended as they matured, and as of December 31, 2020 the remaining Grupo Wisa concessions represented approximately 4.7% of the Airport’s retail space (down from 13.6% as of December 31, 2017) and had expiration dates ranging from 2018 through 2024. Furthermore, our revenues from the Grupo Wisa during 2020 represented approximately 1% of our operating revenues, down from 10.7% as of December 31, 2017. See “Business—Principal Business Activities of the Airport—Non-aeronautical Revenues”.
- In 2016, private citizens denounced the Airport’s then Chief Executive Officer to the Attorney General (*Procurador General de la Nación*) and the Administrative Attorney (*Procuraduría de la Administración*) for alleged procurement law violations, which case was dismissed in 2017 after investigation by the Attorney General.
- Press reports in 2017 questioned the relationship between our then Chief Executive Officer and alleged political campaign financing irregularities that occurred prior to his appointment at the Airport. In December 2017, Panama’s Administrative Attorney issued a letter to our Board of Directors requesting that it evaluate whether all applicable governance and ethical legal and corporate requirements had been complied with during his tenure as a member of our Board of Directors from August 2014 to April 2017 and thereafter while Chief Executive Officer, and whether any remedial actions were necessary. Upon investigation, our Board of Directors concluded that our former Chief Executive Officer followed all applicable requirements and has directed our management to obtain an opinion from an independent counsel and to prepare a response to the Administrative Attorney’s letter.

Also, please see “—*Odebrecht, the contractor for the construction of Terminal 2, continues to be under investigation in Brazil and other countries for corruption, and officers and employees of Odebrecht have been apprehended or arrested in connection therewith. In 2017, Odebrecht reached an agreement with Panama’s Attorney General admitting to bribery of public officials to procure government contracts, agreeing to pay a US\$220 million fine to the Panamanian Government and cooperate with the corruption investigations in Panama. The settlement allows Odebrecht to finish various current civil works throughout the country, including Terminal 2 and the second line of the Metro railway. Panama’s Administrative Attorney continues to investigate former public officials and private persons in connection with Odebrecht activities, including in connection with the contract with the Airport, which may potentially lead to, among other things, counterparty credit risk, criminal investigations or other litigation, nullification of the Odebrecht Contract or delays in completion of the construction of Terminal 2*” for a description of the contractual relationship between the Airport and Odebrecht, the contractor for the construction of Terminal 2.

If we are unable to fully comply with applicable AML, anti-terrorist financing, anti-proliferation of weapons of mass destruction financing, anti-corruption and sanctions norms, or “know your customer” or other standards, procedures or expectations related thereto, we may be subject to legal proceedings and regulatory sanctions, which may include significant fines. Retail stores may either close permanently or be severely affected by such noncompliance, which may have an adverse impact on our revenues to the extent we are unable to remedy such noncompliance and are unable to permanently replace their business. Furthermore, U.S. persons may restrict their dealings with the Airport, which could adversely affect the Airport’s revenues. As such, any failure to comply with applicable laws, regulations, procedural standards or expectations could cause considerable reputational damage to our business and our ability to repay the notes.

We face risks in our dealings with counterparties.

We engage with a number of significant counterparties in our operation of the Airport. A substantial portion of our revenues are received directly from airlines in the form of the PEF and other aeronautical fees that we charge. Some of our non-aeronautical revenue comes from the granting of certain duty-free concessions. Additionally, we have engaged third parties in the construction and expansion of the Airport, including Odebrecht. In particular, we are dependent on some of these relationships to achieve our strategic and business objectives. For example, if Odebrecht or any other entity upon which we depend for the expansion of the Airport fails to perform or breaches its obligations to us under its respective contract, our expansion plans could be forced to be delayed or modified. If we terminate such agreements or if we are unable to find a suitable replacement for any counterparty, our ability to complete the expansion of the Airport would be impaired, and our business could be materially adversely affected.

Given the material nature of these relationships, we may be affected by events impacting the relevant counterparty but unrelated to the Airport. We have little to no control over the internal management and operations and controls and procedures (including in relation to health, safety and environmental risks, as well as ethical conduct and technical and operational matters) of our significant counterparties. As a result, given the importance to our operations of our counterparties, we face the risk that the actions or omissions of our significant counterparties expose us to reputational and legal risk, and credit or other risks dependent on the operations and financial conditions of our counterparties, and any adverse events affecting such counterparties could have a similarly adverse effect on us.

At times we may be subject to various litigation and other proceedings.

In the normal course of our business, we may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to personal injuries, property damage, the environment, delivery of retail spaces and other contract disputes, including with our counterparties and concessionaires. Litigation in general can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. Responding to claims or lawsuits brought against us, or legal actions that we may initiate, can often be expensive and time-consuming. Unfavorable outcomes from these claims and/or lawsuits could adversely affect our business, results of operations or financial condition, and we could incur substantial monetary liability and/or be required to change our business practices. The outcome of outstanding, pending or future claims or proceedings cannot be predicted with certainty and may be determined adversely to us and, as a result, could have a material adverse effect on our business, financial position, results of operations and cash flows.

We are dependent on our management.

Our success depends to a significant extent on the ability of our senior management team and key personnel to operate and manage our business effectively and to execute our business plans. Our employment agreements with key personnel do not contain any non-competition provisions applicable upon termination. In addition, the Board of Directors retains the right to replace the Chief Executive Officer for cause, while our shareholder (the Government) may remove the Chief Executive Officer at any time. As the appointment of our senior management functions as a political designation, our most senior managers change periodically. If we lose any executive officer, senior manager or other key employee and are not able to obtain an adequate replacement, or if we are unable to attract and retain new qualified personnel, our business could be materially adversely affected.

We are exposed to risks inherent in the operation of airports.

We are obligated to protect the public at the Airport and to minimize the risk of accidents. As with any company that deals with members of the public, we must implement certain measures for the protection of the public, such as fire safety in public spaces, design and maintenance of car parking facilities and access routes to meet road safety rules. We are also obligated to take certain measures related to aviation activities in accordance with applicable laws and regulations, such as the maintenance, management and supervision of the terminal building, the provisioning of rescue and fire-fighting services for aircraft, the measurement of runway friction coefficients, and the management of safety threats from birds and other wildlife on airport sites. These obligations

could increase our exposure to third-party liability for personal injury or property damage resulting from our operations.

We are subject to environmental, health and safety laws and regulations.

We are subject to a broad range of environmental, health and safety laws and regulations in Panama that expose us to the risk of substantial costs and liabilities. These laws and regulations relate to, among other things, limits on emissions, water and air quality standards, limits on noise, forest preservation requirements, minimization of risks to the environment, standards on the cleanup, use and handling of hazardous materials and waste disposal practices. Any violation of such laws and regulations can result in material fines and penalties. Compliance with new laws and regulations, or a stricter interpretation of existing laws or regulations, could increase our cost structure, resulting in the need for additional investments, and adversely affect our business. See “*Business—Environmental Issues.*”

Our insurance policies may not provide sufficient coverage against all liabilities.

While we seek to insure against all reasonable risks, we can offer no assurance that our insurance policies will cover all of our liabilities in the event of an accident, terrorist attack, acts of war or other incident. The market for airport insurance and construction insurance is limited, and a change in the coverage offered by insurance companies could reduce our ability to obtain and maintain adequate, cost-effective coverage. If the amount of such liability insurance coverage is not adequate, we may be forced to bear substantial losses in the event of an accident. Also, a certain number of our assets cannot, by their nature, be covered by property insurance, including aircraft movement areas and certain civil engineering works and infrastructure. Our insurance premiums may increase due to an accident, terrorist attack, acts of war or other incident. Substantial claims resulting in an accident in excess of our related insurance coverage or increased premiums could adversely affect our business.

Unexpected equipment failure, repairs and maintenance, including to our electricity supply equipment, may adversely affect Airport operations.

It is our responsibility to ensure that the Airport performs periodic maintenance, including, amongst other things, maintenance of taxiways and runways and passenger terminals. Due to operational hazards, unexpected equipment failures may occur, and repairs and maintenance may also be required. Many of the related hazards and/or risks are outside of our control and could adversely affect terminal operations and have a material adverse effect on our business. See “—*The Airport requires significant maintenance expenditures to ensure its safety and efficiency, and our operations may require us to incur greater growth capital expenditures than we currently expect.*”

Odebrecht, the contractor for the construction of Terminal 2, continues to be under investigation in Brazil and other countries for corruption, and officers and employees of Odebrecht have been apprehended or arrested in connection therewith. In 2017, Odebrecht reached an agreement with Panama’s Attorney General admitting to bribery of public officials to procure government contracts, agreeing to pay a US\$220 million fine to the Panamanian Government and cooperate with the corruption investigations in Panama. The settlement allows Odebrecht to finish various current civil works throughout the country, including Terminal 2 and the second line of the Metro railway. Panama’s Administrative Attorney continues to investigate former public officials and private persons in connection with Odebrecht activities, including in connection with the contract with the Airport, which may potentially lead to, among other things, counterparty credit risk, criminal investigations or other litigation, nullification of the Odebrecht Contract or delays in completion of the construction of Terminal 2.

On June 19, 2015, the CEO of Odebrecht was arrested by Brazilian authorities as part of a corruption investigation into the awarding to Odebrecht of construction and supply contracts by Brazil’s state-owned oil company, Petrobras. Standard & Poor’s and other rating agencies may downgrade Odebrecht’s credit ratings, which could have a negative impact on the credit ratings applicable to the notes. See “—*Risks Relating to the Collateral—Our credit ratings or the credit ratings on the notes may be lowered or withdrawn for any reason, including a lowering of the sovereign credit rating of Panama and/or as a result of potential counterparty risk.*”

According to media reports, Odebrecht has received approximately US\$9 billion in contracts (including the Odebrecht Contract) from the Panamanian government over the course of three presidential administrations. As a

result, over the course of 2016, Panama's Administrative Attorney initiated audits in relation to Odebrecht's activities in Panama. In the event these audits or related investigations find any criminal wrongdoing in Panama, the Odebrecht Contract could be declared to be null and void by a Panamanian court. Furthermore, as a consequence of the corruption scandal affecting Odebrecht in Panama, Odebrecht faces difficulties financing its ongoing projects, including the building of Terminal 2. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Commitments—Odebrecht Contract.*"

During 2017, Odebrecht reached an agreement with Panama's Attorney General in which it admitted to bribery of public officials to procure government contracts, and agreed to pay a US\$220 million fine to the Panamanian Government and cooperate with the corruption investigations in Panama. The settlement agreement allows Odebrecht to finish various current civil works throughout the country, including Terminal 2 and the second line of the Metro railway. On April 2021, Panama's Attorney General's Office announced that judicial proceedings relating to Odebrecht's contractual arrangement with the Panamanian Government and several state-owned entities, including the Airport, were ongoing. Among others, a former CEO and member of the Board of Directors of the Airport, a former Chairman of the Board of Directors of the Airport and other individuals, were under investigation. As of the date of this offering memorandum, Panama's Attorney General's Office had entered into more than eight plea bargaining agreements with defendants in these cases and there had been several convictions. Moreover, more than US\$36 million in assets and cash had been seized from these defendants.

If, as a result of any ongoing investigations and their related effects, the Odebrecht Contract is declared null and void, or progress on the construction of Terminal 2 is negatively affected thereby or for any other reason, commencement of operations of Terminal 2 could be delayed. In the event of any such delays, the Airport's technical capacity would remain at lower than expected levels, and the Airport may be unable to efficiently service any increased passenger traffic until such time as Terminal 2 is fully operational. While such a determination by a court would not be retroactive, it could cause reputational harm and divert our management's attention which could result in a material adverse effect on our operations.

In the event we replace the contractor for the construction of Terminal 2 under the Odebrecht Contract we may suffer significant costs and/or delays.

Under the terms of the Odebrecht Contract and applicable law, we may replace Odebrecht as counterparty only under certain circumstances. As such, we may be unable to replace Odebrecht as the contractor for the construction of Terminal 2. Under the terms of the Odebrecht Contract, Odebrecht initially posted a performance bond in the amount of approximately US\$170 million, which was later increased to approximately US\$229.4 million in connection with the subsequent amendments. We may exercise the performance bond in the event of early termination. Additionally, we are entitled to the plans and designs submitted and approved in connection with the Odebrecht Contract. Construction of Terminal 2 is substantially complete, with Odebrecht completing minor works prior to a formal conclusion of the project, which is expected to occur in September 2021. In the event of any such replacement, we would likely incur associated costs with the replacement of Odebrecht, including with respect to delays in completion, and reduction in technical and operational efficiency, all of which could have an adverse effect on our business and financial condition, and our ability to make payments in respect of the notes.

We have only two commercial runways, one of which may need to be replaced in the near-to-medium term future.

The Airport only has two runways, one of which, runway 03L/21R, is approximately 50 years old and will likely need to be refurbished or rebuilt in the next few years. We are currently contemplating additions or renovations to our runway system; however, we cannot assure you that the operation of the Airport will not be disrupted due to necessary maintenance going forward. Additionally, our runways may require unscheduled repair due to natural disasters, aircraft accidents and other factors beyond our control, or upgrading due to ICAO or other regulatory requirements. The closure of any runway for a significant period of time could have a material adverse effect on our business.

Natural forces and related disasters may damage our property and interrupt our business.

Although the Airport has been built to withstand natural forces, and we have adopted procedures to follow in the event of natural disasters, a natural disaster could severely impact our physical assets and cause an interruption in our ability to operate the Airport. Any such suspension or reduction of operations would have an

adverse effect on passenger and cargo traffic and air traffic movements at the Airport and, accordingly, would reduce our commercial revenues. Although we maintain an “all risk” insurance policy covering physical damage and business interruption, there can be no assurance that the scope of damages suffered by the Airport in the event of a natural disaster would not exceed the policy limits of our insurance. In addition, the effects of a natural disaster on Panama’s economy and the economies of neighboring countries could be severe and prolonged, leading to a decline in the attractiveness of Panama as a tourist destination. The occurrence of a natural disaster, particularly one that causes damages in excess of our insurance policy limits, could have a material adverse effect on our business.

We are exposed to certain risks in connection with the granting of permits to use certain spaces in the Airport.

We are exposed to risks related to the spaces sub-concessioned to third parties, such as non-payment by non-aeronautical service sub-concessionaires or a weakening of demand for permits to use the spaces allocated to non-aeronautical service sub-concessionaires. Any of these risks could adversely affect our business, results of operations and financial condition.

Seasonality may cause fluctuations in operating results.

The Airport experiences a certain level of seasonality during the year based on travel patterns. In particular, the months of November and December, and the summer months, customarily experience greater flows of passenger traffic. Operating results can therefore vary significantly from period to period depending on such levels of passenger traffic. This seasonality may result in quarter-to-quarter volatility in our operating results.

We are subject to general market risk.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Qualitative and Quantitative Disclosures about Market Risk.”

If the issuance of the notes is not completed or we experience a decrease in operating revenues, we may need additional capital, and we cannot be sure that additional financing will be available for us.

Historically, we have met our ordinary course cash requirements for working capital, debt service and capital expenditures with funds provided by operations. We believe that the same general combination of funds, plus the proceeds from debt offerings, is likely to be sufficient to meet our working capital, debt service and capital expenditure requirements for the foreseeable future. Although we currently anticipate that the proceeds from the issuance of the notes, together with our available funds and cash flows, will be sufficient to meet our cash needs for the foreseeable future, if the proceeds from the issuance of the notes are not received or we experience a decrease in operating revenues or available funds of cash flows, we will need to seek additional financing which we cannot be certain will be available to us on favorable terms, or at all.

We have, and may incur, additional debt ranking equally to the notes. Such debt may also be secured on a pari passu basis by the Collateral which may dilute the Collateral securing the notes.

The holders of the Existing Notes, and the holders of any of our additional debt that ranks on a *pari passu* basis with the notes, will be entitled to share ratably with the holders of the notes in any proceeds distributed in connection with our insolvency, liquidation, reorganization, dissolution or other winding up, subject to satisfaction of certain debt limitations. This may have the effect of reducing the amount of proceeds paid to you in the case of any such event. See “Description of the Notes—Negative Covenants.”

In addition, the Indenture governing the notes will allow us to issue additional debt securities if we are otherwise in compliance with certain covenants, which will be secured by the Collateral, and we are permitted to designate any of our other additional debt ranking equally to the notes that is permitted to be incurred as Collateral Secured Debt by issuing a Collateral Secured Debt Certificate to the Intercreditor Agent. As a result, any such additional debt will be secured by the Collateral that secures the notes, which could dilute the value of the Collateral securing our obligations under the notes.

It is possible that we may not be able to generate sufficient cash flow to repay all our debt.

Our capacity to make payments of our debt, including the notes, will depend on our capacity to generate revenue and profits from our future operations. This is, to a certain extent, subject to economic, financial, competitive, climatic, legislative, regulatory and other factors that are not under our control. Our business may not generate sufficient cash flow from our operations and funding or may not, in other ways, be able to dispose of them in an amount sufficient to cover other liquidity needs. We may need to refinance or restructure a part or the total amount of our debt, including the notes, before or after they are due. It is possible that we may not be able to refinance even a part of its debt or, if able to do so, may not be able to do it under reasonable terms from a business perspective. If we are unable to repay our debt, it is possible that we may have to resort to reduce or delay acquisitions and capital expenditures, sell assets, seek additional capital or reduce or postpone investment in capital stock. However, it may not be possible to take those measures if necessary, and, if taken, they may not be on terms that are commercially reasonable.

Risks Related to Panama

Our performance is heavily dependent on economic conditions in Panama, which may affect our business and our ability to meet our obligations under the notes.

Our financial condition and results of operations, and our ability to meet our obligations under the notes, are substantially dependent on economic conditions prevailing from time to time in Panama. The Panamanian economy is small and, although reasonably diversified, depends to a significant extent on the service sector, including businesses linked to the Canal's operations, a large free-trade zone and an international banking center. Panama's real GDP growth was 3.0%, 3.6% and 5.6% in 2019, 2018 and 2017 respectively. In 2020, as a result of the adverse effects of the COVID-19 pandemic, it is estimated that Panama's GDP decreased by 17.9%.

If the growth of the Panamanian economy continues to slow or decline due to the adverse effects of the COVID-19 pandemic or slows or declines for other reasons, such developments may adversely affect the expected air traffic flows in the Airport. Due to the small size and limited focus of the Panamanian economy, adverse developments in Panama, even developments affecting a single activity, could have a more pronounced effect than would be the case if the developments occurred within the context of a larger, more diversified economy.

Additionally, a significant portion of Airport passenger travel is derived from discretionary and leisure travel, which are especially sensitive to economic downturns. An adverse economic environment, global or regional, could result in a reduction in passenger traffic, and leisure travel in particular, as well as a reduction in cargo business, which in turn would materially and negatively affect our business. Any adverse effect on the Panamanian economy could adversely affect usage of the Airport, thereby impairing our business and our ability to meet our payment obligations under the notes.

Any investment in the notes is subject to emerging market risks that may affect our business and our ability to make payments under the notes.

Furthermore, investing in an emerging market country such as Panama carries significant economic risks. These risks include many different factors that may affect Panama's economic results, including the following:

- interest rates in the United States and other financial markets outside Panama;
- political or governmental developments in Panama;
- changes in economic or tax policies;
- changes in exchange rates, or currency appreciation or depreciation, in countries served by airlines using the Airport;
- the imposition of trade barriers;
- general economic and business conditions in Panama and the global economy;

- the ability of the Canal to remain a competitive route for inter-oceanic transportation;
- the ability of Panama to effect key economic reforms;
- inflation;
- economic growth in Panama and Latin America;
- risks arising from revenue concentration among major industry sectors, such as transport;
- the impact of hostilities or political unrest in other countries that may affect international trade, commodity prices and the global economy; and
- the occurrence of natural disasters, regional or global pandemics, such as the COVID-19 pandemic, or similar events;
- the decisions of international financial institutions regarding the terms of financial arrangements vis à vis Panama.

The occurrence of any of these events may have an adverse effect on our business and our ability to make payments under the notes.

Panama's economy, and usage of the Airport and therefore, our business, remains vulnerable to external shocks, including the recent global economic crisis and those that could be caused by future significant economic difficulties of major regional trading partners or by more general "contagion" effects, which could have a material adverse effect on Panama's economic growth.

Emerging-market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments. A significant decline in the economic growth of, or relationships with, any of Panama's major trading partners, or a global slowdown in economic growth, could adversely affect Panama's economic growth.

In addition, because international investors' reactions to the events occurring in one emerging market country sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavored by international investors, Panama could be adversely affected by negative economic or financial developments in other emerging market countries. Panama is also vulnerable to external developments due to its reliance on foreign creditors.

In 2020, estimated GDP in Panama decreased by an estimated 17.9%, mainly due to the negative economic effects caused by the COVID-19 pandemic. While real GDP growth in Panama is currently expected to be 12.05% in 2021 and 5.0% in 2022, there can be no assurance that any crises such as those described above or other events will not negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Panama. In addition, there can be no assurance that these events will not adversely affect Panama's economy. Any adverse effect on the Panamanian economy could adversely affect usage of the Airport, thereby impairing our business, our ability to meet our payment obligations under the notes and the market value of the notes.

The worldwide economic effects of the outbreak of the Coronavirus could adversely affect Panama's economy

The outbreak of COVID-19 is currently having an indeterminable adverse impact on the world economy. COVID-19 was reportedly first detected in Wuhan, Hubei Province, China, and first reported to the World Health Organization ("WHO") country office in China on December 31, 2019. On January 30, 2020, the WHO declared COVID-19 a public health emergency of international concern and on March 11, 2020, declared the outbreak a pandemic. COVID-19 has begun to have numerous worldwide effects on general commercial activity. In Panama, following the discovery of the first case of COVID-19 in the country, the Panamanian Government implemented various protective measures, including declaring a National State of Emergency, decreeing a national curfew,

suspending international passenger flights and extending tax amnesty. At this time, given the uncertainty of the lasting effect of COVID-19, the financial impact on Panama's economy cannot be determined. In 2020, GDP in Panama decreased by 17.9% as compared to 2019. In the medium to long term, if the spread of COVID-19 is prolonged, it could further adversely affect the economies and financial markets of Panama and of many other countries, resulting in an increased economic downturn that could, among other effects, further reduce international trade flows, including shipments through the Canal and air traffic through the Airport. The occurrence of these events could continue to have an adverse effect on Panama's economy. Any adverse effect on the Panamanian economy could adversely affect usage of the Airport, thereby impairing our business, our ability to meet our payment obligations under the notes and the market value of the notes.

Our ability to make required payments on the notes may be adversely affected by the nature of the Panamanian monetary system.

Since shortly after its independence from Colombia in 1904, Panama has used the U.S. Dollar as legal tender and sole paper currency, using the Balboa, Panama's national currency, only as coinage and as a unit of account with an exchange rate set at parity with the U.S. Dollar. Inflation in Panama, as measured by the average CPI with base year 2013, was estimated to be negative 0.4% in 2019, and to be 0.8% and 0.9% in 2018 and 2017, respectively. Although the absence of a printed national currency and the general absence of domestic budgetary financing through the banking system (other than from 1987 to 1989) reduce the risk of accelerated inflation, they do impose constraints on fiscal and monetary policy, particularly for responding to external shocks, that other countries that can finance their deficits by increasing or contracting monetary supply do not confront. Given the dependence on the U.S. Dollar, there can be no assurance that appreciation or depreciation of the U.S. Dollar against other currencies or the existence of sustained higher levels of inflation in the U.S. economy (and the resultant effect on the value of the U.S. Dollar) or increases or decreases in interest rates generally in the United States will not adversely affect the Panamanian economy or, indirectly, enterprises such as the Airport. In addition, there are currently no exchange controls or other restrictions imposed by Panamanian law on payments in U.S. Dollars by us, and capital moves freely in and out of the country, without local currency risk. However, in the event that foreign exchange or payment restrictions that prevent remittances from Panama with respect to the notes are imposed by the Government, the recourse of noteholders would be limited to our assets.

The perception of Panama by certain international financial regulatory bodies as a jurisdiction with increased susceptibility to shortcomings in financial compliance may result in increased international regulatory requirements or adverse publicity, which may adversely affect the Panamanian financial sector and the Panamanian economy and, consequently, the Companies' financial condition and results of operation.

Supranational organizations rate jurisdictions for tax transparency, governance, real economic activity, corporate tax rate, prevention of money laundering, financing of terrorism, among others. Depending on prevailing international regulatory concerns, certain countries that are considered to less than adequately cooperate with such supranational organizations may be put on a "grey" or "black" list. From time to time in the recent past, Panama has been included or threatened with inclusion on these aforementioned lists. For example, from June 2014 until February 2016, Panama was included in the "grey" list of the FATF. Further, in June 2019, Panama was once again included on the FATF "grey" list.

We cannot assure you that Panama will be able to exit the FATF "grey" list at all or, if it is able to do so, if its exit will occur in a comparable period of time. In addition, in February 2021, the Economic and Financial Affairs Council of the European Union adopted a revised European Union "black" list of non-cooperative jurisdiction for tax purposes, including Panama. Moreover, in May 2020, Panama was included in the European Union's high-risk third country (AML) list.

The government of Panama has implemented several initiatives to strengthen its regulatory framework, nevertheless, and depending on international regulatory concerns, continued efforts by Panama to adopt additional regulatory reform may not be readily accepted by international financial regulatory bodies. In the event Panama is included in any such "grey" list or "black" list, even if such inclusion is later rescinded, the resulting reputational and regulatory consequences may adversely affect the Panamanian economy and, consequently, our financial condition and results of operation. Moreover, measures imposed by supranational organizations against "grey-" or "black-" listed jurisdictions may also include the enactment of substantive laws and regulations with which us and

other participants in the Panamanian economy may be obligated to comply with. These additional laws and regulations, as well as any international standards adopted therewith, could increase regulatory costs or otherwise have a material adverse effect on our business, financial condition and results of operation.

Any additional taxes resulting from changes to tax regulations or the interpretation thereof in Panama could adversely affect our business.

Changes in legislation, regulation and jurisprudence can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting eligible expenses and deductions, and eliminating incentives and non-taxed income. Additional tax regulations could be implemented that require us to make additional tax payments, negatively affecting our results of operations and cash flow. In addition, national or local taxing authorities may not interpret tax regulations in the same way that we do. Differing interpretations could result in future tax litigation and associated costs.

Risks Related to the Issuance

The notes are subject to certain events of default and potential acceleration.

The notes are subject to certain events of default under the Indenture. If such events of default occur, noteholders in certain circumstances may accelerate the notes. See “Description of the Notes—Events of Default.”

Our substantial debt could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or in the aviation industry and prevent us from meeting our debt obligations, including our obligations under the Existing Notes and the notes.

As of March 31, 2021, after giving effect to the sale of the notes and to the application of the anticipated net proceeds from this offering, our total financial liabilities would have been US\$. Our debt could adversely impact our business, results of operations and financial condition, including by:

- requiring a substantial portion of our cash flow from operations to be dedicated to the payment of principal and interest on our debt, therefore reducing our ability to use our cash flow to fund our operations or make capital expenditures;
 - increasing our vulnerability to general economic and industry conditions;
 - making it more difficult for us to make payments on and satisfy our debt obligations, including payments under the notes;
 - restricting us from taking advantage of future business opportunities, including making strategic acquisitions;
 - requiring us to sell assets and properties at an inopportune time;
 - limiting our ability to obtain additional financing;
 - limiting our ability to adjust to changing market conditions; and
 - increasing the likelihood that an actual or impending inability by us to pay our debts as they become due and payable could also result in our insolvency.

Furthermore, as of March 31, 2021 and 2020, the ratio of our total liabilities to paid-in capital (defined as common shares plus additional paid-in capital) equaled 5.02 and 5.12. Part of the total liabilities, as of March 31, 2021, include the outstanding 2036 Notes and the 2048 Notes, each of which are currently outstanding and were duly authorized by the SMV resolutions No. 250-16 as of April 26, 2016 and No. 185-18 as of April 27, 2018. Our obligations to pay the interest and principal on the Existing Notes could affect our ability to pay interest and principal on the notes being offered. The table below includes a description of the Existing Notes.

<i>Type of Issuance</i>	<i>Security</i>	<i>Date of Issuance</i>	<i>Interest Rate</i>	<i>Expiration date</i>	<i>Amount of the series outstanding</i>
Senior Secured Notes (SMV No. 250-16)	Bonds	May 18, 2016	5.625%	2036	\$575.0 million
Senior Secured Notes (SMV No. 185-18)	Bonds	May 9, 2018 and November 14, 2018	6.000%	2048	\$875.0 million

Financial Ratios

Financial Leverage. After giving effect to the issuance of the notes, the financial leverage of the Issuer (total financial liabilities divided by the paid-in capital (defined as common shares plus additional paid-in capital)) as of March 31, 2021 would be _____, and the ratio of the total liabilities over the paid capital would be _____.

ROA. The return on assets of the Issuer, defined as net profit divided by average total assets (which is defined as the average of the total assets at the end of each of the two most recently ended fiscal years), was 0.66% in 2020 and 3.61% in 2019. The results of the Issuer are impacted by the financial costs of the liabilities with related parties. A negative change in the results, if continued, could negatively affect the repayment of the notes.

Our operations at the Airport are restricted by the terms of the Existing Notes, and will be restricted by the terms of the Indenture and the notes, all of which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase the credit risk to noteholders.

The terms of each series of Existing Notes include, and the Indenture for the notes will include, a number of restrictive covenants that restrict our ability to engage in certain transactions and undertake certain operations at the Airport. These covenants restrict, among other things, our ability to:

- incur or guarantee additional debt;
- pay dividends or distributions;
- begin and continue construction activities;
- sell or transfer assets;
- create liens on assets;
- make investments;
- enter into transactions with affiliates;
- invest in capital improvement projects;
- merge or consolidate with another company; and
- engage in any different business activity.

These covenants could limit our ability to plan for or react to market conditions or to meet operational or capital needs of the Airport. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some operations to maintain compliance.

However, the substantial majority of these covenants and other obligations only limit our activities with respect to the Airport. As defined in the Indenture, the term “Restricted Subsidiaries” does not include the activities

of the Other Airports or Airport City. As a result, the activities of the Other Airports and Airport City are generally not limited by the covenants and other obligations in the Indenture.

The terms of the notes may be amended pursuant to the terms of the Indenture as described herein.

Any amendment to the terms of the notes and the Transaction Documents shall comply with the provisions of the Indenture as described in “*Description of the Notes—Amendments of the Transaction Documents*,” as well as with Accord 4-2003 of April 11, 2003 (by which the SMV adopts the proceeding for the filing of registration requests of amendments to the terms and conditions of securities registered with the SMV), both as amended, restated or replaced, or any other applicable regulation.

The notes will contain provisions that allow us to amend the payment terms without the consent of all holders.

The notes will contain provisions regarding voting on amendments, modifications and waivers which are commonly referred to as “collective action clauses.” Under these provisions, certain key terms of the notes may be amended without the unanimous consent of the noteholders, including, among others, the amount of, timing of or priority of payments to noteholders, premium payable upon redemption of the notes and the transfer of Collateral to the Tocumen Trust. See “*Description of the Notes—Amendments of the Transaction Documents—Amendments with Consent of the Majority Noteholders*.” In particular, the relevant provisions also permit, in relation to reserved matters, multiple series of debt securities under the Indenture to be aggregated for voting purposes, and amendments, modifications or waivers which affect two or more series may allow the amendment, modification or waiver of such key terms with either, at the option of the Issuer, the consent of 75% of the aggregate principal amount of the outstanding debt securities of all the series under the Indenture affected by such proposed amendment, modification or waiver, without requiring a particular percentage of the holders in any individual affected series of debt securities to vote in favour of any proposed modification or action or with the consent of both (i) more than 66 2/3% of the aggregate principal amount of the outstanding debt securities of all the series under the Indenture affected by such proposed amendment, modification or waiver and (ii) more than 50% of the aggregate principal amount of each affected series. As a result, a defined majority of the holders of such debt securities (when taken in the aggregate) would be able to bind all holders of debt securities in all the relevant aggregated series, including the notes.

Any notes owed by financial institutions owned by the Government of Panama (our parent entity) would be considered in any vote under the Indenture

For any vote under the Indenture, the notes held by financial institutions (pension funds, insurance companies and sovereign wealth funds, which shall include, without limitation, Banco Nacional de Panama, *Caja de Seguro Social* and *Fondo de Ahorro de Panama*) owned by the Government of Panama (our parent entity) would be included and any determination of the “Majority Noteholders” would not disregard such notes. Government owned financial institutions have historically invested in our bonds and we cannot assure you that the interests of these financial institutions would align with the interests of private sector creditors.

The notes will benefit from the Trust Agreement, which provides for security over certain transaction accounts established by the Collateral Trustee, and the revenues held therein. Other indebtedness is also secured on a pari passu basis pursuant to the Trust Agreement, and other indebtedness may in the future be secured on a pari passu basis pursuant to the Trust Agreement.

The notes will be secured by the collateral pursuant to the Trust Agreement, pursuant to which the Existing Notes are secured and pursuant to which future indebtedness of the Issuer may be secured, on a pari passu basis. As a result, a portion of the collateral securing the notes is also pledged for the benefit of other indebtedness of the Issuer, and may in the future be diluted by additional indebtedness permitted to be secured by the collateral.

The notes are not obligations of, or guaranteed by, the Government, and there may not be sufficient Collateral to pay all or any amounts due on the notes in the event of a foreclosure, liquidation, bankruptcy or similar proceeding. In addition, if the net proceeds of the Collateral were not sufficient to repay all amounts due on the notes and the Indenture, the noteholders (to the extent not repaid from the proceeds of the Collateral) would have only an unsecured claim against our remaining assets.

The notes are not direct obligations of, or guaranteed by, the full faith and credit of the Government or any instrumentality of the Government. In addition, none of our officers or directors or the officers or directors of the Trustee, any of their respective affiliates or any other person or entity (other than us) will be obligated to make payments on the notes.

The notes will be secured by a first-priority lien on the Collateral, which will include a security interest in certain transaction accounts and the revenues contained therein. See “*Description of the Notes—Collateral.*” However, the revenues committed to run through the waterfall which designates the revenues transferred to the Transaction Accounts pledged as Collateral do not include all of the Airport’s revenues, in particular, cargo revenues, revenues from sale of fuel and related services to airlines and certain extraordinary revenues derived from commercial activities at the Airport, such as those related to real estate, leasehold and easement rights, the Exempt Governmental Taxes and governmental permits and approvals to own and operate the Airport, as well as other immaterial revenues.

In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, we cannot assure you that the proceeds from any sale or liquidation of the Collateral will be sufficient to pay our obligations under the notes, in full or at all.

In addition, if the net proceeds of the Collateral are not sufficient to repay all amounts due on the notes and the Indenture, the noteholders (to the extent not repaid from the proceeds of the Collateral) would have only an unsecured claim against our remaining assets.

There is no existing market for the notes, and we cannot assure you that an active market for the notes will develop.

The notes are a new issue of securities without an established trading market. A trading market for the notes may not develop, and there can be no assurance as to the liquidity of any market that may develop for the notes. Future trading prices will depend on numerous factors, including, among other things, prevailing interest rates and the market for similar securities. We have been informed by the Initial Purchasers that they intend to make a market in the notes after the completion of this offering. However, the Initial Purchasers are not required to make a market in the notes, and may cease market making at any time without notice. If a market for the notes does not develop, investors may be unable to sell their notes for an extended period of time, if at all. Consequently, investors may not be able to liquidate their investment readily or at all, and lenders may not readily accept the notes as collateral for loans. Even if a market for the notes does develop, the notes could trade at a discount from their initial offering price.

If a trading market were to develop, future trading prices of the notes may be highly volatile and will depend on many factors, including:

- the number of holders of the notes and amounts outstanding under the notes;
- our operating performance and financial condition;
- the market for similar securities;
- the interest of securities dealers in making a market in the notes;
- prevailing interest rates;
- time remaining until the maturity of the notes;
- current ratings assigned to the notes; and
- economic, financial, political, regulatory or judicial events that affect us or the financial markets generally.

Trading or resale of the notes may be negatively affected by other factors described in this Offering Memorandum arising from this transaction or the market for securities associated with operating assets or project financings.

There are restrictions on your ability to transfer the notes.

The notes have not been and are not expected to be registered under the Securities Act or any applicable state's or other jurisdiction's securities laws (except for those of Panama) or with the SEC or regulatory authorities in any jurisdiction other than Panama. Because the notes have not been registered under the Securities Act or any U.S. state securities laws, they may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemptions include offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act and in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined in Rule 144A under the Securities Act. For a discussion of certain restrictions on resale and transfer, see "*Plan of Distribution*" and "*Transfer Restrictions*." Consequently, a noteholder and an owner of beneficial interests in those notes may be required to bear the economic risk of their investment in the notes for the entire term of the notes.

Our obligations under the notes will be subordinated to certain statutory liabilities.

Under Panamanian insolvency laws, the obligations under the notes are subordinated to certain statutory preferences. In the event of our insolvency or moratorium, such statutory preferences may be applicable, and certain claims, including claims for salaries, wages, secured obligations, social security, taxes and court fees and expenses, will have preference over any other claims, including claims by any investor in respect of the notes.

Risks Relating to the Collateral

The laws of Panama may limit the enforcement of rights to the Collateral.

The creation and perfection of the Trustee's security interest and enforcement of the Trustee's rights in respect of the Collateral are, in most cases, governed by the laws of Panama. The laws relating to the creation and perfection of security interests in Panama differ from those in the United States, and their enforcement may be subject to restrictions and limitations, including the effect of fraudulent conveyance and similar laws. The enforcement of contract rights against us would depend on successful enforcement action in an arbitration or in a court in Panama against us, as an entity owned by the Government, the outcome of which is subject to the laws of Panama. These restrictions and limitations may have the effect of preventing, limiting and/or delaying the enforcement of rights over the Collateral, and may materially impair the claims of noteholders. Any such delay in having an enforceable claim against us could also diminish the value of the interest of noteholders in the Collateral due to, among other things, the existence of other potential creditors and claimants. Such a diminished interest could materially affect noteholders' ability to recover their proportionate share of the value of the Collateral in the event of a foreclosure or other bankruptcy event, and could have an adverse effect on our business.

The Trust Agreement is governed by the laws of Panama, and any dispute over the terms of the Trust Agreement must be submitted to arbitration in Panama, applying International Chamber of Commerce Rules of Arbitration, in Spanish.

The Trust Agreement provides that any dispute arising from it regarding its validity, interpretation or execution, not otherwise resolved through negotiation, will be submitted to arbitration according to the Arbitration Rules of the International Chamber of Commerce, in Spanish, in Panama City. Any judgment or finding under these arbitration proceedings may therefore differ materially from what would otherwise result from a proceeding held in the United States. Therefore, we cannot assure you that, in the event of default, you will be able to recover a similar share of value to what would be expected if the Trust Agreement were governed by laws of and subject to jurisdiction of courts in the United States.

The ability of noteholders to seek remedies with respect to the Shared Collateral may be materially limited by the Intercreditor Agreement.

The notes will be secured by a first-priority lien on the Shared Collateral, and will rank *pari passu* in right of payment with the Existing Notes and any other future Collateral Secured Debt. The rights of the holders with respect to the Shared Collateral securing the notes may, however, be materially limited pursuant to the terms of the Intercreditor Agreement, which provides that the enforcement of any or all of the Shared Collateral, and the exercise of any other remedies that may be available to the noteholders thereunder or under applicable law would require the consent of the majority of the holders of Collateral Secured Debt. At the time of issuance, the noteholders would not represent a majority in principal amount of Collateral Secured Debt. Absent direction by a majority of the holders of Collateral Secured Debt, noteholders may be subject to a 120-day standstill period prior to enforcement on the Shared Collateral. Therefore, we cannot assure holders of the notes, in the event of default that they would be able to determine whether, and when, to enforce on the Shared Collateral, which could lead to costs or delay which could have a materially adverse effect on your ability to obtain payments on the amounts due under the notes.

The notes will not be secured by the Payment Accounts and Debt Service Reserve Accounts established in respect of the Existing Notes or other Collateral Secured Debt.

The notes will be secured only by the Shared Collateral and the Payment Account and Debt Service Reserve Accounts established and maintained in respect of the notes. Each series of Existing Notes and other Collateral Secured Debt are, or will be, as applicable, secured by separate Payment Accounts and Debt Service Reserve Accounts established and maintained in respect of such Collateral Secured Debt, and as such, noteholders will have no claim to them. If payment under the Payment Accounts and Debt Service Reserve Accounts for the other Collateral Secured Debt is unavailable, we cannot assure you that the remaining collateral will be sufficient to satisfy our obligations under the notes.

The Collateral securing the notes may be diluted under certain circumstances.

The Collateral may secure additional indebtedness that we may incur in the future that will rank *pari passu* in the right of payment with the Existing Notes and the notes subject to restrictions on our ability to incur debt and liens under the Indenture governing the notes. Your rights to the Collateral would be diluted by any increase in the indebtedness secured by such Collateral. In addition, if any other indebtedness is designated as Collateral Secured Debt and secured by the Collateral on a first priority basis, Committed Revenues will be applied to fund the separate payment account and debt service reserve account established in respect of such new Collateral Secured Debt, in which the notes will have no security interest. Additionally, such new Collateral Secured Debt will share in the Shared Collateral upon any enforcement. For more information on the collateral, see “*Description of the Notes—Collateral.*”

Not all of the Committed Revenues will be transferred periodically by us to the Tocumen Trust to be held as Collateral. Additionally, we will be required to obtain a *refrendo* from the Contraloría prior to making any transfers to the Transaction Accounts.

Under the terms of the Indenture, only the Transaction Accounts and the revenues contained therein will serve as Collateral. Certain governmental taxes which could be subject to increase or other change will constitute Uncommitted Revenues and not Committed Revenues and thus will be transferred directly to the Government upon receipt. The priority of payments permits us to make transfers from the Trustee General Account to the O&M Account and the Tax Payment Account, over which holders of notes will have no security interest, prior to funding the Debt Service Reserve Accounts and the Payment Accounts. Additionally, in the absence of a default or event of default under the Indenture or any of the documents governing any debt secured by the Collateral, we will be permitted to transfer to the Trustee General Account only such Committed Revenues as are necessary to fund the Debt Service Reserve Accounts and the Payment Accounts on each Programmed Transfer Order Date. As such, holders of notes will have no security interest in any of the other Committed Revenues that are not so transferred to the Trustee General Account. Any significant delays in the process that concludes with the *refrendo* could have a material adverse effect on our ability to comply with the terms of the Transaction Documents.

Additionally, prior to transfer of the Committed Revenues from the Committed Revenue Account to the Trustee General Account on or prior to each Monthly Transfer Date, we will need to obtain a *refrendo* from the Contraloría, which typically takes several weeks.

We are wholly-owned by the Government and are subject to the oversight of the Contraloría, which must approve certain transfers of funds that are required pursuant to the terms of the Transaction Documents.

According to Law No. 32 of 1984, the *Contraloría* is an independent institution of the Government (not overseen by the executive branch or by the National Assembly) created by the Constitution of Panama, with a mission to oversee and regulate the management and disposition of the funds and assets of public entities and, among others, Government-controlled corporations, including us, as well as to examine these entities' accounts. Therefore, certain transfers of funds required pursuant to the terms of the Transaction Documents, such as transfers among the Operating Accounts and Transaction Accounts (each as defined in "*Description of the Notes*"), require the prior examination and approval of the Contraloría, which occurs through a process that concludes with, what is known as *refrendo*. We cannot assure you that the required *refrendo* for such transfers of funds will occur as of the required dates or at any time thereafter. Delays in the occurrence of such *refrendo* and, therefore, in such transfers of funds may lead to periodic underfunding of such accounts, which could have a material adverse effect on our compliance with the terms of the Transaction Documents.

Noteholders' rights in the Collateral may be adversely affected by the failure to perfect security interests in such Collateral and other issues generally associated with the realization of security interests in such Collateral.

Generally, a security interest in tangible and intangible assets can only be properly perfected, a valid lien created on such assets can only be granted and the priority of such lien can only be retained if certain actions are undertaken by the applicable secured party. The liens in the Collateral may not be validly created or perfected with respect to the notes if we do not take the actions necessary to validly create or perfect any of those liens upon or prior to the issuance of the notes. Our inability or failure to take all actions necessary to create and properly perfect security interests or validly create liens on the Collateral may result in the loss of the priority of the security interest for your benefit to which you would have been entitled had such perfection or valid creation of such liens been effectuated by us.

Panama is a sovereign state, and we are a wholly-owned subsidiary of the Government, consequently, it may be difficult to enforce judgments against us.

Panama is a sovereign state, and we are a wholly-owned subsidiary of the Government. Consequently, it may be difficult to enforce arbitration awards or judgments of courts in the United States or elsewhere against us. Although Panama is a party to the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards of 1958, no treaty currently exists between the United States and Panama providing for the reciprocal enforcement of foreign judgments.

Under the U.S. Foreign Sovereign Immunities Act of 1976, it may not be possible to enforce in the United States a judgment against us. In addition, under the laws of Panama, attachment or other form of execution before or after judgment on our property and revenues may be difficult. See "*Service of Process and Enforceability of Civil Liabilities.*"

We consider that it is likely that Panamanian courts will grant us the privileges that our procedural law grants to Panama through Articles 1047, 1048, 1650 (14) and 1939 of the Judicial Code of Panama. These benefits would be applicable in the event actions are taken through Panamanian courts.

Article 1047 of the Judicial Code of Panama sets forth that if the judgment through which an autonomous entity of the Republic of Panama is ordered to pay a sum of money, the judge shall send an authenticated copy of the decision to the Executive Branch of the Government through the Ministry of Economy and Finance, or to AITSA's legal representative, to enforce the judgment to the extent it is within its authority. If compliance with the judgment is beyond its authority, the governmental entity to which the judgment was communicated will, within thirty days from receiving said communication, notify the Cabinet Council (*Consejo de Gabinete*), the relevant municipal council (*Consejo Municipal*) or the relevant entity, so that the relevant council or corporation, as the case may be, orders the taking of any necessary action to comply with the judgment. If after one year from the date in which the communication is sent, the judgment has not been enforced, the corresponding court shall request, through the

President of the Supreme Court of Panama, to the President of the Republic of Panama, the Mayor of the respective district, or the President of the entity in question, to take the necessary action to comply with the judgment.

Article 1048 of the Judicial Code of Panama provides that if despite all these efforts three years have passed since the resolution ordering the enforcement, and the obligation to pay has not been satisfied, the creditor may request the court to instruct Banco Nacional de Panamá to make available for payment, from our bank accounts in said bank, the sums of money equal to the enforcement amount, within one month.

Article 1650 (14) of the Judicial Code of Panama sets forth that the assets that belong to Panama, municipalities, autonomous or semi-autonomous state entities cannot be subject to attachment.

Article 1939 of the Judicial Code of Panama sets forth, among other things, that no cautionary measure can be taken against Panama and municipalities, with the exception of those relative to evidence.

Furthermore, pursuant to Law 23 of 2003, as amended, our Board of Directors may waive any prerogatives, guarantees and immunities granted by the procedural laws to Panama and its entities, including us, in respect of any assets assigned, transferred, or granted of guarantee in any manner to secure our obligations and in respect of any judicial enforcement thereof. On July 6, 2021, our Board of Directors waived these procedural privileges, nevertheless, since such privileges are a matter of public policy, Panamanian courts may uphold such privileges regardless of such waiver.

The procedural privileges granted to Panama appear to be applicable to us by virtue of the provisions set forth in Law 23 of 2003, as amended. Such law expressly states that our Board of Directors can renounce, in respect of the goods and assets assigned, transferred or granted in any modality of guarantee of our obligations and in respect of our execution, to any of any prerogatives, guarantees and immunities the procedural laws granted to the State and its entities.

Panamanian courts may consider that since we are beneficially owned by Panama, we may not be subject to the insolvency laws of Panama. In any event, if your rights under the Notes become subject to the insolvency or administrative laws of Panama, we cannot assure you that you will be able to effectively enforce your rights in such insolvency or similar proceedings. In addition, if applicable, insolvency, or other similar proceedings, and other laws of Panama may be materially different from, or in conflict with, each other, including in the areas of rights of creditors, priority of government entities and related party creditors, and the ability to obtain post-bankruptcy filing loans or to pay interest. The application of these laws, or any conflict among them, could call into question what and how Panamanian laws should apply. The laws of Panama may not be as favorable to your interests as the laws of jurisdictions with which you are familiar.

The ability of investors to enforce civil liabilities under U.S. securities laws may be limited.

All of our directors and officers are residents of Panama or elsewhere outside the United States. All or a substantial portion of the assets of these persons are located in Panama or outside the United States. As a consequence, it may not be possible for investors in our securities to effect service of process within the United States upon such persons or to enforce judgments of U.S. courts against them predicated upon the civil liability provisions of the U.S. federal securities laws, or otherwise obtained, in U.S. courts. Because all or a substantial portion of our assets are located outside the United States, any judgment obtained in the United States against us may not be fully collectible in the United States. There is uncertainty as to the enforceability against such persons in Panama, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws.

Our credit ratings or the credit ratings applicable to the notes may be lowered or withdrawn for any reason, including a lowering of the sovereign credit rating of Panama and/or as a result of potential counterparty risk.

We expect the notes to be rated, for the purpose of an international rating, BBB by Standard & Poor's Rating Services and Baa2 by Moody's Investor Services, Inc. The ratings address the likelihood of timely payment of the scheduled principal and interest on each payment date. The ratings do not address the likelihood of payment of any accrued and unpaid interest, Additional Amounts, make-whole premiums or any other amounts payable in

respect of the notes or the timeliness of any accelerated principal payments coming due as the result of the occurrence of an event of default. We expect the notes to be rated on or prior to the issue date.

In addition, the credit ratings applicable to the notes may change after the issuance date. Ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. There is no assurance that ratings will remain in effect for any given period of time or that ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of rating agencies, circumstances so warrant. In particular, the ratings applicable to the notes may be negatively impacted as a result of potential counterparty risk, including in connection with a downgrading of the credit ratings of any of our key counterparties, including Odebrecht. Any lowering, suspension or withdrawal of ratings may have an adverse effect of the market price and marketability of the notes. Real or anticipated changes in our credit ratings or the credit ratings of the notes will generally affect the market value of the notes. Thus, even though we may be making principal and interest payments when due, the price of our notes in any secondary market may be considerably less than the price you paid for your notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency and for any reason, including a lowering of the sovereign credit rating of Panama.

We may not have the ability to raise the funds necessary to finance any change of control offer required by the Indenture.

Under the Indenture, if a Change of Control (as defined in the Indenture) occurs, we must offer to purchase the notes for a price equal to 101% of the principal amount of the notes, plus any accrued and unpaid interest to the date of purchase. In the event of a Change of Control, we may need to refinance large amounts of our debt, including the notes, so we may not have sufficient funds available to make any required repurchases of the notes upon a Change of Control. If we fail to repurchase the notes in those circumstances, we will be in default under the Indenture, which default may, in turn, trigger cross-default provisions in other debt instruments. Any future debt that we incur may also contain restrictions on repurchasing the notes upon a Change of Control.

We may not have the ability to raise the funds necessary to finance a mandatory redemption for certain Casualty Events, Condemnation Events, loss of our ability to operate the Airport or other mandatory redemption events.

Under the Indenture, certain events including certain Casualty Events or Condemnation Events, in each case as defined in the “Description of the Notes,” and, in certain circumstances, the loss of our ability to operate the Airport will trigger a mandatory redemption event. In the event of a mandatory redemption event, we may need to refinance large amounts of our debt, including the notes as we may not have sufficient funds available to make any required repurchases of the notes. If we fail to repurchase the notes under these circumstances, we will be in default under the Indenture, which default may, in turn, trigger cross-default provisions in other debt instruments.

We may choose to redeem the notes, and you may be unable to reinvest the proceeds at the same or a higher rate of return.

Prior to the corresponding par call date of each series notes, we may, at our option, redeem the notes, as applicable, in whole or in part, at any time, at a redemption price as set forth in the Description of the Notes. No Make-Whole Premium shall be payable for a redemption after such corresponding par call date.

We may choose to redeem the notes at times when prevailing interest rates may be relatively low. Accordingly, you may not be able to reinvest the redemption proceeds in a comparable security with an effective interest rate as high as that of each series of notes, as applicable.

Changes in tax laws could lead to a redemption of the notes by us.

In the event that payments of interest in respect of the notes made by us to foreign holders are subject to withholding tax imposed by a Relevant Taxing Jurisdiction, we will pay additional amounts so that the amount received by the holder after such withholding tax will equal the amount that would have been received if no such taxes had been applicable. Under the Indenture, the notes are redeemable at our option, in whole (but not in part) at any time at a price equal to 100% of the outstanding principal amount of the notes, plus accrued and unpaid interest, if any, due thereon to and including the applicable redemption date, plus additional amounts, if any, if (i) on the next

succeeding payment date we are obligated to pay any Additional Amounts (as defined in the Indenture) as a result of any change in, or amendment to, the laws or regulations of a Relevant Taxing Jurisdiction (as defined in the Indenture), or any political subdivision or governmental authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment occurred after the date of issuance of the notes and (ii) such obligation cannot be avoided by us taking reasonable measures available to us. In any event, we cannot assure you that a proposal to apply any withholding tax will not be presented to, or enacted by, the Panamanian legislature and that any such enactment will not have a material adverse effect on our ability to make payments under the notes. See “*Description of the Notes—Redemption of the Notes—Optional Redemption for Changes in Taxes.*” In case we redeem the notes, you may not be able to reinvest the redemption proceeds in a comparable security with an effective interest rate as high as that of the notes.

Different disclosure principles in Panama and the United States may provide you with different or less information about us than you expect.

Securities disclosure requirements in Panama differ from those applicable in the United States. Publicly available information about Panamanian issuers of securities is less readily available and less detailed in certain respects than the information that is regularly published by or about listed companies in the United States and in other major world markets. Accordingly, the information about us available to you may not be the same as the information available to security holders of a U.S. company. There may be less publicly available information about us than is regularly published about companies in the United States and certain other jurisdictions. We are not subject to the periodic reporting requirements of the Exchange Act and, therefore, are not required to comply with the information disclosure requirements that it imposes. As a result, we may not disclose information consistent with the requirements of the Exchange Act, which may have a limiting effect on investors’ access to information concerning our results of operations and financial condition.

USE OF PROCEEDS

We will receive approximately US\$ _____ in net proceeds after expenses from the sale of the notes (such expenses including, (a) the fees and commissions payable to the Initial Purchasers; (b) the fees and expenses of the Indenture Trustee, the Intercreditor Agent and the Collateral Agent; and (c) and other expenses related to the offering of the notes, including without limitation, various rating agency, legal, accounting and other experts fees and expenses relating to the SMV, LATINEX and LatinClear).

We intend to use the remaining proceeds from the offering for the following purposes: (i) *first*, to finance the purchase of the Existing Notes pursuant to the Tender Offer and to pay the expenses of such Tender Offer; (ii) *second*, to fund the Payment Account for the notes; (iii) *third*, to fund the Debt Service Reserve Account for the notes; (iv) *fourth*, to repay outstanding bank debt; and (v) *fifth*, the remainder will be transferred to the COVID Recovery Account.

We will allocate amounts currently on deposit in the Payment Accounts and Debt Service Reserve Accounts for the Existing Notes (taking into consideration the purchase of Existing Notes pursuant to the Tender Offer) to fund the Payment Accounts and the Debt Service Reserve Accounts for the notes, and will use our existing cash balances to fill any shortfall in such accounts and to ensure that at least U.S.\$100 million are transferred to the COVID Recovery Account.

If we offer additional notes as authorized by the SMV Resolution, we may use the net proceeds thereof for the purposes set forth in this Offering Memorandum (or as otherwise specified in the corresponding offering memorandum for the issuance of such additional notes).

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2021 (i) on a historical basis; and (ii) as adjusted to give effect to the Offering and the use of the gross proceeds from the Offering as if it had occurred on March 31, 2021. This table should be read in conjunction with, and is qualified in its entirety by reference to, “*Use of Proceeds*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Summary Financial and Other Information*” and our financial statements included elsewhere in this Offering Memorandum.

	As of March 31, 2021⁽⁵⁾	
	Actual	As Adjusted
	(US\$)	
Cash and bank deposits⁽¹⁾	99,383,652	
Accounts payable and other accrued expenses payable.....	48,293,511	
Accounts payable – Related Parties.....	20,301,687	
Loans payable.....	25,000,000	
Bonds payable ⁽²⁾	1,406,513,953	
Interest payable.....	32,462,721	
Notes offered hereby	-	
Total financial liabilities⁽³⁾	1,532,571,872	
Common shares; 1,000,000 authorized with par value of B/.20.00 each; all issued and outstanding.....	20,000,000	
Additional paid-in capital	307,661,033	
Retained earnings	224,601,488	
Accounts receivable shareholder	(15,170,000)	
Complementary tax	(14,867,563)	
Total equity	522,224,958	
Total capitalization⁽⁴⁾	2,054,796,830	

- (1) The as adjusted amount reflects the transfer of the net proceeds from the notes offered hereby to the accounts listed in the “*Use of Proceeds*” and subject to the limitations described in “*Description of the Notes*”.
- (2) Amounts are shown net of directly related costs of debt issuance.
- (3) Total financial liabilities in “Actual” column include accounts payable to related parties, accounts payable and other accrued expenses payable, loans payable, bonds payable and interest payable. Total financial liabilities in “As Adjusted” column include accounts payable to related parties, accounts payable and other accrued expenses payable, loans payable, bonds payable, interest payable and notes offered hereby to give effect to the offering and the use of the net proceeds from the offering as if it had occurred on March 31, 2021.
- (4) Total capitalization includes total financial liabilities plus total equity and does not include cash and bank deposits.
- (5) There has been no material change in total capitalization since March 31, 2021.

As of March 31, 2021, the ratio of our total liabilities to paid-in capital (defined as common shares plus additional paid-in capital) equaled 5.02.

SELECTED FINANCIAL AND OTHER INFORMATION

The following tables set forth our selected financial and other information for the periods indicated. The selected financial information in the tables is derived from our Financial Statements. The following selected financial and other information should be read in conjunction with the Financial Statements, related notes and other financial information included elsewhere in this Offering Memorandum.

	For the Three-Month Period Ended March 31,		For the Year Ended December 31,		
	2021	2020	2020	2019	2018
	(US\$)			(US\$)	
Operating revenues					
Airport operation services	14,468,559	36,992,899	53,758,355	165,998,778	155,524,989
Rent	8,084,248	19,426,961	30,912,607	87,709,909	76,637,394
Other revenues ⁽¹⁾	290,034	669,192	3,831,064	5,181,587	4,669,045
Operating revenues	22,842,841	57,089,052	88,502,026	258,890,274	236,831,428
Other income ⁽²⁾	-	-	85,077,264	-	-
Depreciation	(4,548,554)	(4,463,480)	(17,997,902)	(18,213,758)	(16,597,769)
Personnel costs	(6,540,904)	(9,245,919)	(28,260,308)	(39,787,741)	(38,544,327)
Repair and maintenance	(916,337)	(1,276,903)	(9,627,125)	(8,358,534)	(5,184,383)
Electricity, water and telephone .	(924,904)	(1,495,021)	(6,092,929)	(8,320,645)	(6,610,651)
Special Fund for the Development of National Aeronautics Administration.....	(3,750,000)	(3,750,000)	(4,500,000)	(15,000,000)	(15,000,000)
ICAO fees and other related expenses	(640,301)	(606,933)	(8,897,102)	(7,389,613)	(8,454,378)
Payment for Panama Pacific concession	(625,000)	(625,000)	(2,500,000)	(2,500,000)	(2,500,000)
Other expenses	(2,778,315)	(2,482,433)	(18,291,452)	(17,873,387)	(32,289,196)
Financial costs, net	(7,627,584)	(6,979,114)	(62,048,204)	(29,012,196)	(43,717,691)
Profit (loss) before tax	(5,509,058)	26,164,249	15,364,268	112,434,400	67,933,033
Income tax					
Current.....	(310,728)	(7,849,275)	(1,348,160)	(34,301,750)	(18,648,023)
Deferred.....	92,072	(51,737)	296,812	(114,001)	2,089,190
Total income tax	(218,656)	(7,901,012)	(1,051,348)	(34,415,751)	(16,558,833)
Net profit (loss)	(5,727,714)	18,263,237	14,312,920	78,018,649	51,374,200

(1) Includes revenues from surcharges, fines, parking and revenues other than rent and airport operation services.

(2) Includes the application of a property tax credit in favor of the Airport and the reversal of a property tax provision.

	As of March 31,	As of December 31,		
	2021	2020	2019	2018
	(US\$)		(US\$)	
Non-current assets				
Property, equipment and leasehold improvements, net of depreciation	682,113,828	686,657,073	686,018,520	636,252,323
Construction in progress.....	1,297,523,261	1,280,099,440	1,254,385,557	1,170,791,831
Deferred tax assets.....	13,409,231	13,317,159	13,020,347	13,134,348
Advance payments to contractors	140,844	140,844	233,527	641,509
Advance payments for purchases abroad.....	24,839,659	28,450,089	39,613,680	66,376,960
Inventories, net	2,206,245	2,411,339	2,415,063	2,688,147
Severance fund	4,227,372	4,174,548	3,995,851	3,847,218

	As of March 31,	As of December 31,		
	2021	2020	2019	2018
	(US\$)		(US\$)	
Guarantee deposits	-	-	-	29,689
Total non-current assets.....	2,024,460,440	2,015,250,492	1,999,682,545	1,893,762,025
Current assets				
Cash and bank deposits	99,383,652	90,721,896	157,255,819	236,089,452
Accounts receivable:				
Customers.....	23,345,518	19,281,408	18,207,618	19,132,627
Related parties	143,846	129,771	213,967	82,634
Others	11,362	11,719	72,328	21,865
Subtotal.....	23,500,726	19,422,898	18,493,913	19,237,126
Less: provision for impairment of doubtful accounts	(11,835,362)	(10,972,902)	(7,065,238)	(4,988,991)
Total accounts receivable.....	11,665,364	8,449,996	11,428,675	14,248,135
Prepaid expenses	698,831	314,379	411,461	629,678
Prepaid taxes.....	31,071,851	31,382,578	-	4,058,288
Total current assets	142,819,698	130,868,849	169,095,955	255,025,553
Total assets	2,167,280,138	2,146,119,341	2,168,778,500	2,148,787,578

	As of March 31,	As of December 31,		
	2021	2020	2019	2018
	(US\$)		(US\$)	
Equity				
Common shares; 1,000,000 authorized with par value of B/.20.00 each; all issued and outstanding.....	20,000,000	20,000,000	20,000,000	20,000,000
Additional paid-in capital ..	307,661,033	307,661,033	307,661,033	307,661,033
Retained earnings	224,601,488	230,329,202	216,016,282	162,997,633
Accounts receivable shareholder	(15,170,000)	(15,170,000)	(15,170,000)	(12,670,000)
Complementary tax	(14,867,563)	(14,867,563)	(14,148,106)	(12,960,106)
Total equity	522,224,958	527,952,672	514,359,209	465,028,560
Non-current liabilities				
Deferred revenue	61,804,789	64,117,345	72,991,684	86,890,692
Bonds payable	1,397,872,664	1,397,511,596	1,404,745,440	1,411,281,443
Accounts payable to concessionaires.....	142,564	142,564	131,486	158,414
Concessionaires' guarantee deposits.....	7,138,850	7,087,792	7,112,818	6,202,977
Provision for benefits to retirees	4,205,943	4,286,468	4,833,185	4,304,928
Seniority premiums	3,528,380	3,525,875	3,665,316	3,361,076
Total non-current liabilities.....	1,474,693,190	1,476,671,640	1,493,479,929	1,512,199,530
Current liabilities				
Bonds payable	8,641,289	8,641,289	7,853,690	-
Loans payable.....	25,000,000	25,000,000	-	-
Interest payable.....	32,462,721	11,438,217	9,988,235	10,044,271
Withholdings to contractors	12,299,950	12,197,355	17,543,060	32,522,263
Accounts payable to related parties	20,301,687	16,367,431	15,318,887	15,114,919

	As of March 31,		As of December 31,	
	2021	2020	2019	2018
	(US\$)		(US\$)	
Accounts payable and other accrued expenses payable	48,293,511	44,339,945	34,916,332	49,930,906
Accounts payable to concessionaires.....	15,100	15,100	26,928	30,838
Income tax payable.....	-	-	11,472,430	-
Other taxes payable	-	-	39,375,088	37,587,216
Deferred revenue	23,347,732	23,495,692	24,444,712	26,329,075
Total current liabilities....	170,361,990	141,495,029	160,939,362	171,559,488
Total liabilities	1,645,055,180	1,618,166,669	1,654,419,291	1,683,759,018
Total equity and liabilities	2,167,280,138	2,146,119,341	2,168,778,500	2,148,787,578

The table below provides a reconciliation of our Adjusted EBITDA to our net profit (loss) for the three-month period ended March 31, 2021 and 2020 and the years 2020, 2019 and 2018.

Adjusted EBITDA Reconciliation

	For the Three-Month Period Ended March 31,		For the Year Ended December 31,		
	2021	2020	2020	2019	2018
	(US\$)			(US\$)	
Net profit (loss) ...	(5,727,714)	18,263,237	14,312,920	78,018,649	51,374,200
Adjustment for other income ⁽¹⁾	-	-	(85,077,264)	-	-
<i>plus</i> financial costs, net	7,627,584	6,979,114	62,048,204	29,012,196	43,717,691
<i>plus</i> depreciation ..	4,548,554	4,463,480	17,997,902	18,213,758	16,597,769
<i>plus</i> income tax	218,656	7,901,012	1,051,348	34,415,751	16,558,833
Adjusted EBITDA⁽²⁾	6,667,080	37,606,843	10,333,110	159,660,354	128,248,493

(1) Adjustment to exclude “Other income” resulting from the application of a property tax credit in favor of the Airport and the reversal of a property tax provision.

(2) We define Adjusted EBITDA as net profits, as adjusted to exclude “other income”, before financial costs, net, income taxes and depreciation.

The tables below provide a reconciliation of our Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income to our Revenues and Rent Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income to Rent for the six-month periods ended March 31, 2021 and 2020 and the years 2020, 2019 and 2018.

Reconciliation of Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income to Revenues

	For the Three-Month Period Ended March 31,		For the Year Ended December 31,		
	2021	2020	2020	2019	2018
	(US\$)		(US\$)		
Revenues	22,842,841	57,089,052	88,502,026	258,890,274	236,831,428
<i>minus</i> amortization of turnkey rights and guaranteed minimum income	2,460,516	6,038,106	10,062,104	31,305,781	23,063,239
Revenues Excluding Amortization of Turnkey Rights and ..Guaranteed Minimum Income	<u>20,382,325</u>	<u>51,050,946</u>	<u>78,439,922</u>	<u>227,584,493</u>	<u>213,768,189</u>

Reconciliation of Rent Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income to Revenues

	For the Three-Months Ended March 31,		For the Year Ended December 31,		
	2021	2020	2020	2019	2018
	(US\$)		(US\$)		
Rent	8,084,248	19,426,961	30,912,607	87,709,909	76,637,394
<i>minus</i> amortization of turnkey rights and guaranteed minimum income	2,460,516	6,038,106	10,062,104	31,305,781	23,063,239
Rent Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income	<u>5,623,732</u>	<u>13,388,855</u>	<u>20,850,503</u>	<u>56,404,128</u>	<u>53,574,155</u>

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

The following discussion is derived from our Financial Statements included elsewhere in this Offering Memorandum. This discussion does not include all of the information included in our Financial Statements. You should read our Financial Statements to gain a better understanding of our business and our historical results of operations.

Overview

We are a wholly-owned state company that owns, operates, maintains and develops the Airport, which is the principal international airport in Panama, the third busiest airport in the LAC Region based on international passenger traffic and the ninth busiest airport in the LAC Region based on total passenger traffic in 2019. The Airport is a critical gateway linking travel across North America, Central America, South America, the Caribbean and Europe because of its strategic position in the middle of the Americas and its role as the network hub for Copa Airlines.

We generate revenue from both aeronautical services and non-aeronautical commercial activities. Aeronautical services refer to airline passenger services and air cargo services, and the associated fees include the PEF, the Development Fee, transit fees and any other passenger fees, security charges, aircraft landing and take-off charges, aircraft parking charges, passenger boarding bridge charges, utility charges, airline club room leases and cargo charges. Revenues from non-aeronautical commercial activities include fixed and variable rents from commercial leases, turnkey rights to secure commercial leases, IMG arrangements with concessionaires, installation fees, various administrative and approval fees and others such as car parking fees and advertising fees. For the three months ended March 31, 2021 and the years ended December 31, 2020 and 2019, we generated US\$14,468,559, US\$53,758,355 and US\$165,998,778 of revenue from aeronautical services, respectively, and US\$8,374,282, US\$34,743,671 and US\$92,891,496 of revenue from non-aeronautical commercial activities, respectively. During 2020 and so far in 2021, our revenues have been significantly affected as a result of the adverse effects of the COVID-19 pandemic.

The rules and regulations governing the setting of fees and rates for aeronautical and non-aeronautical services are contained in Law 23 and our bylaws. The CAA, upon the request of our Board of Directors, is the final authority that sets rates and charges for aeronautical services including, but not limited to, the PEF, the Development Fee and other services to be provided to aircraft on land, such as the loading and unloading of passengers and cargo, passenger check-in counters and baggage handling. As such, we do not have unilateral control over the setting of these fees, our Board of Directors is the final authority entitled to set the rates for non-aeronautical commercial services and minimum rents for the use of Airport facilities. These rates and fees are based on the costs of the services provided, and it is the policy of the Board of Directors that such costs include maintaining a robust financial profile for the Airport and meeting our financial covenants and obligations. See “Regulatory Overview.”

Principal Components of Our Results of Operations

Aeronautical Revenue

Passenger and Air Traffic Volume

Our aeronautical services revenue is primarily affected by passenger and air traffic volumes, as further described below.

All fees for aeronautical services are approved by the CAA's board of directors pursuant to established legal procedures. The process begins with the presentation by the Chief Executive Officer of any proposed changes to fees and rates for aeronautical services to our Board of Directors. If our Board of Directors approves the proposed changes, it submits the new fee schedule to the CAA for its approval.

Passenger numbers are generally influenced by a variety of macroeconomic factors, including international economic and political conditions, the Panamanian economic outlook, airline industry conditions, the availability and price of aviation fuel, aviation safety and security concerns, competing airports and competing modes of

transportation. With the globalization of business and the increased importance of international trade and tourism, growth of the Panamanian economy has become more closely tied to worldwide economic, political and social conditions. As a result, international economics, trade balances, currency exchange rates, political relationships and hostilities are also important influences on passenger traffic at the Airport.

Passenger Exit Fee

The PEF is levied on departing international Origin/Destination Passengers for their use of Airport facilities and is currently set at US\$40.00 per international Origin/Destination Passenger. Revenue from the PEF constitutes our most significant source of revenue and is directly related to the number of international Origin/Destination Passengers who depart from the Airport. Passengers that remain in Panama for at least 24 hours are considered Origin/Destination Passengers, while all others are considered Transit/Transfer Passengers. Transit/Transfer Passengers and passengers on domestic flights are not required to pay the PEF. Currently, the overwhelming majority of flights at the Airport are arriving from or departing to international locations. Official Panamanian delegations (with proper authorization) in the areas of sports, academics and culture and people with diplomatic passport are exempt from paying the PEF. Children under two years of age are charged US\$10.00 in respect to the PEF. Retired passengers (defined as female passengers over 55 years of age and male passengers over 60 years of age) who are also residents receive a 50% discount in respect of the PEF. Our operating revenue from the PEF was US\$3,388,890, representing 14.8% of operating revenues, and US\$15,149,378, representing 26.6% of operating revenues, for the three months ended March 31, 2021 and 2020 respectively, and US\$19,016,564, representing 21.5% of operating revenues and US\$68,951,410, representing 26.6% of operating revenues, for the years ended December 31, 2020 and 2019, respectively, in each case exclusive of any amounts from the PEF remitted to government agencies as required by law as described below.

While the PEF is paid by the passenger, it is included in the airline ticket price received by the airlines and then paid by the airlines to us, on a monthly basis following our receipt from the airlines of a list of all passengers traveling on such airline during such period. The average period of time required by the airlines to pay the PEF is seven calendar days from the day we send the corresponding invoice to the airlines. Such invoice is issued by us on a weekly basis, following receipt and review of a report sent by the airlines to us. Once we receive the report, we validate the information through an internal audit process (issuing reports to the Board of Directors on a periodical basis). If an airline fails to pay for the PEF in a timely manner (within seven days from the date the invoice was sent), a penalty is imposed on such airline by the Airport, which can amount to up to 10% over the amounts owed. As a result, we should receive payment of the PEF by no later than two months on average after the passenger uses our facilities. Historically, we have not had material collection problems or delays in payment by the airlines and have never imposed the applicable penalty for late payment.

The PEF was last increased in October 2009 from US\$20.00 to US\$40.00. Pursuant to applicable law, 25% of each PEF, currently US\$10.00, must be sent by the Airport to the Panamanian Tourism Authority and US\$1.00 of the remaining PEF (US\$30.00) is later paid by the Airport to the National Commission for the Prevention of Crimes of Sexual Exploitation (“CONAPREDES”). The portions sent to the Panamanian Tourism Authority and CONAPREDES are not included in our revenue do not form part of the Committed Revenues.

We are not aware of any current plans to change the amount of the PEF, or to change the applicability of the PEF among the various categories of travelers. In order to modify the PEF, our Board of Directors must approve the proposed modification, which must then be submitted to the CAA for its approval in accordance with Article 17 of Law 23. See “*Regulatory Overview—Regulation of Rates and Fees.*”

Development Fee

In December 2015, the board of directors of the Civil Aeronautics Directorate issued Resolution No. 022, through which a special Airport development fee (the “Development Fee”) was authorized along with certain amendments to several other fees for airport services. The Development Fee, along with the changes to the existing fees, became applicable as of January 1, 2016. The Development Fee is currently set at US\$12.00 per international Origin/Destination Passenger at the Airport.

The Development Fee is levied on departing international Origin/Destination Passengers for their use of Airport facilities. Revenue from the Development Fee is directly related to the number of international

Origin/Destination Passengers who depart from the Airport. Children under two years of age are exempt from the payment of the Development Fee. Retired passengers (defined as female passengers over 55 years of age and male passengers over 60 years of age) who are also residents receive a 50% discount on the Development Fee.

Similar to the PEF, the Development Fee is included in the airline ticket price received by the airlines and then paid by the airlines to us along with the PEF, with the same collection and penalty procedures described above for the PEF. No portion of the Development Fee is required to be paid to the Panamanian Tourism Authority or CONAPREDES, and all revenue earned from such fee is included in our aeronautical revenues upon receipt.

Our revenue from the Development Fee was US\$1,352,832, representing 5.9% of operating revenues and US\$6,049,896, representing 10.6% of operating revenues for the three-month period ended March 31, 2021 and 2020, respectively, and US\$7,591,127, representing 8.6% of operating revenues and US\$27,535,116, representing 10.6% of operating revenues, for the years ended December 31, 2020 and 2019, respectively.

We are not aware of any plans to change the amount of the Development Fee, or to change the applicability of the Development Fee among the various categories of travelers. In order to modify the Development Fee, our Board of Directors must approve the proposed modification, which must then be submitted to the CAA for its approval in accordance with Article 17 of Law 23. See “*Regulatory Overview—Regulation of Rates and Fees.*”

Landing Fees and Boarding Bridge Fees

Air traffic volume and operating levels at the Airport affect landing fees and boarding bridge fees. Landing fees are paid by the airlines for the use of airfield facilities at the Airport, including the runway and taxiway system, based on a daily usage report prepared and issued by the Airport. Landing fees are assessed on a per ton of maximum departure weight basis on a graduated scale, with a minimum charge for international aircraft operations of US\$30.00 per ton for aircraft weighing up to 12,500 kilograms, and a charge of between US\$2.40 and US\$2.60 per ton for aircraft weighing over 12,500 kilograms. In addition, in 2016, airlines began to pay a 10% surcharge for landings between 6:00 pm and 6:00 am. Boarding bridge fees are paid by the airlines for the use of passenger boarding bridges at the Airport based on a daily usage report prepared and issued by the Airport. Our current boarding bridge fees are US\$62.00 for the first hour. The rate for each subsequent 15-minute interval after the first hour is of US\$15.50, and wide-body aircraft pay a 100% surcharge. For the three months ended March 31, 2021 we earned US\$1,856,372 in landing fees and US\$830,738 in boarding bridge fees. We earned US\$5,702,525, US\$15,191,454 and US\$14,971,476 in landing fees and US\$2,278,344, US\$7,224,860 and US\$7,335,947 in boarding bridge fees for the years ended December 31, 2020, 2019 and 2018, respectively.

Security Fee

On March 1, 2012, we introduced a security charge of US\$1.25 for every arriving, departing and transiting international passenger at the Airport (the “Security Fee”). Revenues from the Security Fee are driven by the number of total passengers traveling through the Airport. For the three months ended March 31, 2021 and the years ended December 31, 2020, 2019 and 2018, we collected US\$999,129, US\$3,748,463, US\$13,806,849 and US\$13,364,479, respectively, in security fees.

Non-aeronautical Revenues

Non-aeronautical revenues include revenue generated from concession agreements, including retail concessions, food and beverage, car parking and other services including terminal area concession agreements for advertising, banking, foreign currency exchange and vending machines. Our main sources of non-aeronautical revenue are rent and sales commission payments from operators of concessions for duty-free and food and beverage operations (also known as “concessionaires”). Non-aeronautical revenues are not regulated by the CAA. They may be adjusted at our sole discretion upon approval by our Board of Directors. The rights to develop and operate commercial space at the Airport are sold in a bidding process that is open to the public and governed by public procurement laws.

Significant duty-free operations at the Airport are attractive to many travelers, both Origin/Destination Passengers and Transit/Transfer Passengers. Many Latin American countries impose relatively high duties, tariffs and sales or consumption taxes on luxury goods, electronics, and other product categories that are typically sold in

airport duty-free shops. This makes buying products at the Airport an attractive proposition for many of our passengers. Currently, approximately 8,554.42 square meters have been assigned to different concessionaires in Terminal 1.

The number of passengers traveling through the Airport directly affects the Airport's non-aeronautical revenue, in particular commercial rental revenue. We enter into a concession agreement with each of the concessionaires operating at the Airport that governs the rental and other terms of the concession.

Historically, we collected revenue from concessionaires in three ways, all of which are included as rent:

- Upfront payments for the right to operate commercial space from the sales of turnkey rights (as defined below) or IMG (as defined below) arrangements;
- A fixed monthly space rental payment for commercial space, ranging from US\$50.00 to US\$400.00 per square meter per month; and
- Variable rent commission payments based on gross sales from commercial activities.

The criteria to decide whether to collect revenue through up-front payments from sales of turnkey rights or IMG concessions, fixed monthly space rental payments or variable rent commission payments based on a percentage of the gross sales from commercial activities, generally depends on the nature of the merchandise to be offered by the retailer in the corresponding space and prevailing commercial conditions.

In 2014, we began to move away from a strategy of selling turnkey rights toward a focus on concession agreements with an IMG. Because of the higher upfront payments under the turnkey rights mechanism, concession agreements based on the sale of turnkey rights enabled us to rapidly increase available funding for capital expenditures and minimize our collection risk. Concessionaires that purchased turnkey rights had their rent and commission payments reduced accordingly so that the total amount of revenue expected to be paid over the life of the concession was approximately the same as it would have been if they had not purchased turnkey rights. Accordingly, in exchange for the high upfront payment, lower gross sales commission fees were charged over the life of the concession. In contrast, while the IMG concession mechanism also provides for an upfront payment, this payment is much lower than under the turnkey rights. In exchange for this lower upfront payment, we are able to charge higher gross sales commissions, which allow us to participate in any future upside as we expand and passenger traffic increases at the Airport. The monthly payments are subject to a minimum guaranteed payment, the IMG amount, which provides the Airport with protection against economic downturns or lower sales levels. Additionally, as some retailers did not have access to the large amounts of capital required under the turnkey rights mechanism, we believed the IMG mechanism enabled us to attract a more diverse group of retailers to participate in our bidding process for available or new commercial space at the Airport. Rent and minimum gross sales commission rates, whether under the turnkey right, IMG or other mechanism, are set forth in a rate schedule approved by the Board of Directors in 2020 and vary depending on the retailer's business and the space's location within the Airport. The Airport periodically evaluates its revenue strategy relating to turnkey rights and IMG and it will weigh the impact of the COVID-19 pandemic on current and future potential concessionaires and its long-term revenue objectives.

We assign retail concessions in accordance with the procedures established by our Board of Directors. Most retail concessions, including those that involve a sale of turnkey rights or under the IMG concession mechanisms, are assigned through a competitive bidding process to those participants that are willing to offer the most favorable concession terms. Proposals for retail concession spaces must be presented in sealed envelopes on the place, date and times established thereto and are evaluated by a special committee, based on their economic and technical aspects. The special committee must present an assessment and analysis report to our Chief Executive Officer, who in turn must present it, along with his own opinion, to our Board of Directors. Our Board of Directors then selects the concessionaire based on the records presented. In cases where management believes it is critical that a particular retail space be occupied by a certain vendor or leading brand, our Board of Directors has the option to authorize the granting of concession space following an abbreviated competitive process, in which at least two participants are invited by our Board of Directors to bid. In addition, concessionaires may be selected directly, without any competitive process, if approved by our Board of Directors, in the case of an urgent national interest, national security or pursuant to international agreement.

As part of the Airport's business strategy, we have been increasing the number of retail space in the Airport put to bid. Our retail footprint is being significantly increased with the construction of Terminal 2. See "*Terminal Area Improvements—Terminal 2 Expansion*". From 2005 through 2009, 27 spaces were put to bid by the Airport; from 2009 through 2013, 11 spaces were put to bid; and from 2013 through 2016, 32 spaces were put to bid. In 2017, Terminal 2 spaces began being put to bid, and as a result 22 spaces were put to bid, representing 2,504 square meters in Terminal 1 and 93.7 square meters in Terminal 2. Further, in 2018, 9 spaces comprising 1,896.96 square meters of retail space and 45 spaces comprising 6,772.24 square meters of retail space were put to bid for Terminal 1 and Terminal 2, respectively, representing a total of 54 spaces comprising 8,669.20 square meters of retail space put to bid. Moreover, in 2019, 3 spaces comprising 51.55 square meters of retail space and 9 spaces comprising 51.55 square meters of retail space were put to bid for Terminal 1 and Terminal 2, respectively, representing a total of 12 spaces comprising 958.94 square meters of retail space put to bid. New retailers that have recently leased retail space in Terminal 2 include Maison Kayser, Nación Sushi, Al Capone's, Olive Garden and Flying Dogs.

Turnkey Rights

Initially, we structured certain of the Airport's concession contracts as turnkey rights, which included a significant upfront fee and, thereafter, relatively smaller rents and commissions on gross sales. As of the date hereof, 9% of the allocated duty-free space remains under the turnkey rights structure. Upfront payments for turnkey rights by concessionaires are recognized as revenue evenly over the course of the lease agreement. Turnkey rights deposits represent a form of equity investment by concessionaires, and they underwrite future traffic potential for the Airport. This strategy allowed us to quickly increase available funding for capital expenditures and minimize our collection risk. Though we believe that this strategy is not common among airports, many retailers were willing to pay for turnkey rights because their recurrent future payments were lower. Concessionaires were also willing to pay significant amounts of upfront deposits because retail businesses at the Airport (in common with large commercial airports in general) typically have relatively high margins and significant potential for growth and expansion. As a consequence, we have been able to use sales of turnkey rights to gather the economic benefit of the difference between (A) the total of the fixed and variable rent payments levied at the Airport and (B) the total rent paid by retail operators at other large commercial service airports.

We successfully sold turnkey rights to certain concessionaires as part of several terminal area improvement projects. The concession term for these agreements was 10 years with no automatic renewal. The winning bids per square meter varied depending on the retail segment, location within the terminal, and size of the lot offering.

The following table sets forth details relating to our remaining turnkey rights agreements:

Concessionaire	Retail Segment	Year Rights Sold	Year of Lease Expiration	Area (m²)	Price of Turnkey Rights (US\$)
Travel Wear, S.A. (Calvin Klein).....	Clothing	2016	2026	52	3,218,000
MS OSAS Duty Free, S.A.	Luxury	2015	2025	73	3,027,011
DLM Tocumen, S.A.	Branded goods	2013	2023	53	3,218,000
Consortio Flying Apparel (Tommy Hilfiger).....	Branded goods	2012	2022	56	3,218,000
Consortio Grupo Wisa	Toys	2013	2023	41	1,521,000
Consortio Grupo Wisa	Luxury accessories	2013	2023	42	2,621,000
Consortio el Viajero (Grupo Wisa).....	Luggage	2013	2023	60	2,066,777
Consortio el Viajero (Grupo Wisa).....	Luggage	2013	2023	37	2,066,777
Consortio Duty Free Panama (Attenza).....	Luggage	2013	2023	38	2,066,777
Consortio Grupo Wisa	Branded goods	2014	2024	42	1,998,654
MBL Trading S.A. (Boutique Mont Blanc).....	Branded goods	2014	2024	51	3,015,844
Flying Apparel S.A. (Tommy Hilfiger)	Branded goods	2015	2025	71	3,027,011
Total				616	31,064,851 (*)

(*) The amount pending to be recognized as revenue on December 31, 2020 was US\$11,905,745.

IMG

In recent years, we have increasingly moved away from structuring concession agreements with turnkey rights toward the IMG concession mechanism. Under such structure, when entering into any arrangement with a concessionaire, an IMG is agreed upon between us and the concessionaire, which will have to be paid by the concessionaire to us in any event. The process through which we determine the applicable IMG for a specific area of commercial space requires a detailed internal analysis of commercial historical and market data to enable us to optimize the IMG value we seek for a given space from a concessionaire. The IMG is determined once, upon entry into the agreement, and serves as the minimum monthly payment that we are entitled to receive from such concessionaire. On a monthly basis, we must receive the higher of either the IMG or a percentage of monthly gross sales, which will vary depending on the agreement but can be up to 30% of monthly gross sales.

The IMG concession mechanism also provides for a non-refundable up-front payment to the Airport from which, on a monthly basis, 50% of the concessionaire's monthly IMG is credited to the concessionaire until such time as that up-front payment amount has been completely allocated to the concessionaire's IMG payment obligations. During such period, the concessionaire pays the Airport the remaining 50% of the monthly IMG or, if the agreed upon percentage of the monthly gross sales is higher than the IMG, the difference between the 50% of the monthly IMG and the agreed upon percentage of the monthly gross sales, as applicable.

For the period from January 2017 through June 2018, the average monthly IMG for concessionaires with active operations under IMG-based agreements was approximately US\$59,851; however, actual average payments from such retailers amounted to approximately US\$60,967.

Since 2015, we have entered into new IMG concession agreements with retail stores such as Boutique Ferragamo, Chicken Rosti Restaurant, Fitlab, Ferretti and Kate Spade, MontBlanc, Nike, Diesel, Nathan's Famous, The Coffee Bean & Tea Leaf, Pandora, Under Armour, Samsung, Polo Ralph Lauren, Krispy Cream, Panafoto, Mercurio, Dogilicious, Café Juan Valdez and Café Ily.

The following table sets forth details relating to our IMG agreements:

Concessionaire	Retail Segment	Year Rights Sold	Year of Lease Expiration	Area (m ²)	IMG Initial Payment (US\$)	Monthly IMG (US\$)
Airport Foods Inc.	Restaurant	2016	2026	156.66	66,000	5,500
Airport Foods, Inc.	Branded goods	2016	2026	98.65	48,000	4,000
Mohinani Group S.A.	Branded goods	2015	2025	56.75	624,000	26,000
Premun Café de Latinoamérica, S.A. (Coffee Bean).....	Coffee shop	2016	2026	16.34	523,467	21,811,11
Duty Free Punta Cana, INC.....	Convenience store	2016	2026	118.29	3,024,000	126,000
Premun Café de Latinoamérica, S.A. (Coffee Bean).....	Coffee shop	2017	2027	55.41	494,832	41,236
Asociación Accidental "Panama Specialty (Maritano's), S.A. Supreme Services (Panama) No. 3, S.A.....	Coffee shop	2016	2026	32.19	812,688	33,862
Consorcio New Sport Duty Free Panama.....	Branded goods	2016	2026	65.09	867,000	36,125
Fissa Safori Corp (Ferretti)						
Consorcio VIKI Group.....	Ice cream shop	2017	2027	27.51	180,885	30,147,50
Empresa Augustas, S.A. (Boutique de marca).....	Branded goods	2017	2026	66.3	1,100,256	45,844
Duty Free Electronic, S.A. (Samsung)	Electronics	2017	2027	100.3	418,128	34,844
Empresas Augusta, S.A. (Adidas) ..	Sporting goods	2015	2025	63.27	1,124,26	46,844
Artes Visuales, S.A.	Country store	2016	2026	96.88	678,660	56,555
Consorcio Fitlab	Vitamins	2017	2027	27.50	436,364	18,182
Supreme Services (Panamá) No. 3, S.A.	Restaurant	2017	2027	46.07	511,836	42,653
Duty Free de Panama, S.A. - Bloque 3	Duty free	2018	2028	53.39	28,000,000	675,844

Concessionaire	Retail Segment	Year Rights Sold	Year of Lease Expiration	Area (m ²)	IMG Initial Payment (US\$)	Monthly IMG (US\$)
Coffee and Vending Panamá, S.A.	Coffee and snacks	2016	2021	N/A*	312,624	26,052
Duty Free Punta Cana Inc. - Boutique Kate Spade.....	Luxury goods	2017	2027	45.04	130,620	21,770
Consortio Duty Free Américas Bar	Bar	2017	2027	41.99	309,240	25,770
Consortio Grupo Esmo	Menswear	2017	2027	65.64	200,000	33,333
Mohinani Group, S.A.	Jewelry	2017	2027	75.00	210,000	35,000
Consortio Air Popcorn.....	Food snacks	2017	2027	6.00	85,009	14,168
Lopo Tocumen, Inc.	Luxury goods	2018	2028	103.03	765,240	63,770
Artes Visuales, S.A. – Studio Nature	Locally-made goods	2019	2029	13.55 / 3.84	308,400	25,700
Consortio Global Lounge Network	VIP lounge	2019	2029	521.26	600,000	25,000
Consortio Vitel Mobile	Electronics	2017	2027	35.66	574,560	47,880
Consortio Attenza Duty Free Ropa Casual	Branded goods			103.03	765,240	63,770
Consortio Retail Deluxe.....	Branded goods	2017	2027	66.30	373,320	31,110
Consortio Duty Free Américas	Duty Free	2018	2028	1,470.92	56,000,000	2,415,540
Consortio IMEBEN	Luxury goods	2018	2028	81.31 / 77.86 / 46.69	293,328	48,888
Consortio Bentis	Luxury goods	2018	2028	61.34	191,328	31,888
Consortio Grupo Panafoto	Electronics	2019	2029	74	123,300	20,550
Motta Internacional, S.A.	Electronics	2019	2029	34.16	122,946	20,491
Consortio Premium Pretzel	Food snacks	2019	2030	85,681.08	14,280.18	
Total.....				4,722	99,236,952.08	4,158,449.18

* Concessioned areas do not correspond to specific blocks within the Airport, but various spaces for the placement of vending machines.

As of the date of this Offering Memorandum, we have sold approximately 12,139 square meters of new retail space in Terminal 2 under the IMG concession mechanism. We initiated the bidding process in December 2017 and expect to charge rental rates consistent with those established in the rate schedule approved by the Board of Directors. However, the bidding process is ongoing, and while certain concessions have been awarded, no concession agreements have been *refrendados* yet. The parties binding obligations with regards to any given concession are effective upon execution and *refrendo* of the concession agreement. We expect to finalize concession agreements with some concessionaires during the first quarter of 2022.

Panamanian Economic Environment

One of the primary drivers of Origin/Destination Passenger volumes at the Airport has historically been the strong performance of the Panamanian economy. Even though the COVID-19 pandemic has significantly affected such performance, with an estimated GDP decrease of 17.9% in 2020, real GDP growth has in the past several years been robust, at 3.0%, 3.6% and 5.6% in 2019, 2018 and 2017 respectively. See “*Business—Presentation of the Market—Panamanian Economy*.” Also, the political environment in Panama has remained stable, with an attractive business environment and regulatory system. The U.S. dollar is the legal tender in Panama, which contributes to the attractiveness of Panama as a business center. Moreover, Panama maintains investment-grade sovereign ratings for its debt as stable, currently rated Baa2, BBB and BBB- by Moody’s, Standard & Poor’s and Fitch, respectively. The country also benefits from a historically fast-growing middle class and a relatively high per capita income, which contributes to higher levels of discretionary spending and greater use of air travel. Estimated GDP per capita for 2020 was US\$12,373.00, down from US\$15,831.00 for 2019, remaining nonetheless the highest in Central America. Panama also benefits from a relatively large, educated population with sizable spending power.

Capital Expansion Plans

As discussed throughout this Offering Memorandum, we have extensive capital expansion plans. Due to the nature of our business, the amount and type of our capital expenditures vary from year to year depending on the projects we undertake and their stage of development. During the past five years, we spent approximately US\$837.2 million to improve the Airport's facilities. See "*Summary of the Business, Terms, Conditions and Risk Factors Relating to the Offering*".

Other Airports

In addition to the Airport, we also operate four other airports in Panama: Scarlett Raquel Martínez Airport in Rio Hato, Enrique Malek International Airport in David, Enrique Adolfo Jiménez Airport in Colón and Panama Pacífico International Airport (collectively, the "Other Airports"). For the three months ended March 31, 2021, the Other Airports in the aggregate constituted 0.63% of our revenues, and are immaterial to our business.

Critical Accounting Policies

The preparation of Financial Statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, costs and expenses. Actual results could differ from those estimated at the time. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing and current basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- Provision for impairment of financial assets.
- Provision for employee benefits.

For further detail, please see note 3 to our audited financial statements attached to this Offering Memorandum for a summary of our critical accounting policies.

Principal Components of Revenue

Our revenue is derived from three principal sources: (i) revenues from airport operation services related to PEF and other fees for use of the Airport (also known as "airport operation services" revenue), (ii) rent payments for commercial space in the Airport, including any amounts paid for turnkey rights, a fixed rent per square meter and a variable rent based on a percentage of gross sales (also known as "rent" revenue) and (iii) other revenue. The following tables set forth details relating to our revenue and passenger traffic for the periods shown.

	For the Three-month period Ended March 31, 2021	% of Operating Revenue	For the Three-month Period Ended March 31, 2020	% of Operating Revenue
<i>(US\$ except percentages and passengers)</i>				
Operating revenues				
Airport operation services	14,468,559	63.3%	36,992,899	64.8%
Rent	8,084,248	35.4%	19,426,961	34.0%
Other	290,034	1.3%	669,192	1.2%
Operating revenues	22,842,841	100%	57,089,052	100%
Other information				
Total departing passengers	149,335		527,325	
Total arriving passengers	150,613		537,333	
Total Transit/Transfer Passengers	990,974		2,401,919	
Total passengers	1,290,922		3,466,577	
Gross Sales	26,601,129		58,111,670	

Retail spent per passenger*	41.36	33.39
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(*) Calculated on the basis of enplaned passengers only. We define enplaned passengers as those passengers, both Origin/Destination and Transit/Transfer, whose air journey begins at the Airport, including passengers who having arrived by air are continuing their air journey on a flight with a different airline or flight number. For the period ended March 31, 2021, we reported 643,214 enplaned passengers, of which 149,335 were Origin/Destination passengers and 493,879 were Transit/Transfer passengers as compared to 1,740,419 enplaned passengers, of which 527,325 were Origin/Destination passengers and 1,213,094 were Transit/Transfer passengers for the same period in 2020.

	Year ended December 31, 2020	% of Total	Year ended December 31, 2019	% of Total	Year ended December 31, 2018	% of Total
<i>(US\$ except percentages and passengers)</i>						
Operating revenues						
Airport operation services	53,758,355	60.7%	165,998,778	64.1%	155,524,989	65.7%
Rent	30,912,607	34.9%	87,709,909	33.9%	76,637,394	32.4%
Other revenues ⁽¹⁾	3,831,064	4.3%	5,181,587	2.0%	4,669,045	2.0%
Operating revenues	88,502,026	100%	258,890,274	100%	236,831,428	100%
Total departing passengers	675,087		2,339,645		2,101,456	
Total arriving passengers	663,177		2,457,022		2,197,533	
Total Transit/Transfer Passengers	3,188,399		11,785,934		11,943,690	
Total passengers	4,526,663		16,582,601		16,242,679	
Gross Sales	76,585,401		293,007,945		246,525,752	
Retail spend per passenger*	33.58		35.38		30.40	

(*) Calculated on the basis of enplaned passengers only. We define enplaned passengers as those passengers, both Origin/Destination and Transit/Transfer, whose air journey begins at the Airport, including passengers who having arrived by air are continuing their air journey on a flight with a different airline or flight number. For the year ended December 31, 2020, we reported 2,280,684 enplaned passengers, of which 675,087 were Origin/Destination passengers and 1,605,597 were Transit/Transfer passengers as compared to 8,281,929 enplaned passengers, of which 2,339,645 were Origin/Destination passengers and 5,942,284 were Transit/Transfer passengers and 8,110,440 enplaned passengers, of which 2,101,456 were Origin/Destination passengers and 6,008,984 were Transit/Transfer passengers for the same periods in 2019 and 2018, respectively.

(1) Includes revenues from surcharges, fines, parking and revenues other than rent and airport operation services.

Principal Components of Expenses

Our expenses primarily consist of personnel costs, including employee benefit expenses and depreciation. For purpose of this Offering Memorandum, we also include financial costs, net, as an expense. Please see notes 18 and 19 to our audited financial statements and notes 15 and 16 to our unaudited interim financial statements for additional information regarding our personnel costs and financial costs, net, respectively. The following tables set forth details regarding our expenses for the periods shown.

	For the Three-month Period Ended March 31, 2021	% of Total Expenses	For the Three-month Period Ended March 31, 2020	% of Total Expenses
<i>(US\$ except percentages)</i>				
Depreciation	4,548,554	16.0%	4,463,480	14.4%
Personnel costs	6,540,904	23.1%	9,245,919	29.9%
Repair and maintenance	916,337	3.2%	1,276,903	4.1%
Electricity, water and telephone	924,904	3.3%	1,495,021	4.8%
Special Fund for the Development of National Aeronautics Administration	3,750,000	13.2%	3,750,000	12.1%
ICAO Fees and other related expenses	640,301	2.3%	606,933	2.0%
Payment for Panama Pacific concession	625,000	2.2%	625,000	2.0%
Other expenses	2,778,315	9.8%	2,482,433	8.0%
Financial costs, net	7,627,584	26.9%	6,979,114	22.6%
Total expenses	28,351,899	100%	30,924,803	100%

	Year ended December 31, 2020	% of Total Expenses	Year ended December 31, 2019	% of Total Expenses	Year ended December 31, 2018	% of Total Expenses
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	<i>(US\$ except percentages)</i>					
Depreciation.....	17,997,902	11.4%	18,213,758	12.4%	16,597,769	9.8%
Personnel costs	28,260,308	17.9%	39,787,741	27.2%	38,544,327	22.8%
Repair and maintenance	9,627,125	6.1%	8,358,534	5.7%	5,184,383	3.1%
Electricity, water and telephone	6,092,929	3.9%	8,320,645	5.7%	6,610,651	3.9%
Special Fund for the Development of National Aeronautics Administration..	4,500,000	2.8%	15,000,000	10.2%	15,000,000	8.9%
ICAO Fees and other related expenses ...	8,897,102	5.6%	7,389,613	5.0%	8,454,378	5.0%
Payment for Panama Pacific concession..	2,500,000	1.6%	2,500,000	1.7%	2,500,000	1.5%
Other expenses.....	18,291,452	11.6%	17,873,387	12.2%	32,289,196	19.1%
Financial costs, net	62,048,204	39.2%	29,012,196	19.8%	43,717,691	25.9%
Total expenses	158,215,022	100%	146,455,874	100%	168,898,395	100%

Results of Operations

Three-month period ended March 31, 2021 as Compared to the three-month period ended March 31, 2020.

The following table summarizes our performance for the three-month periods ended March 31, 2021 and 2020:

	Three-month Period Ended March 31,			
	2021	2020	2021 vs. 2020	
			Change	
	<i>US\$</i>		<i>US\$</i>	<i>%</i>
Operating revenues				
Airport operation services	14,468,559	36,992,899	(22,524,340)	(60.0)%
Rent.....	8,084,248	19,426,961	(11,342,713)	(58.4)%
Other revenues ⁽¹⁾	290,034	669,192	(379,158)	(56.7)%
Operating revenues	22,842,841	57,089,052	(34,246,211)	(60.0)%
Total expenses	28,351,899	30,924,803	(2,572,904)	(8.3)%
Depreciation.....	(4,548,554)	(4,463,480)	85,074	1.9%
Personnel costs	(6,540,904)	(9,245,919)	(2,705,015)	(29.3)%
Repair and maintenance	(916,337)	(1,276,903)	(360,566)	(28.2)%
Electricity, water and telephone	(924,904)	(1,495,021)	(570,117)	(38.1)%
Special Fund for the Development of National Aeronautics Administration	(3,750,000)	(3,750,000)	-	-
Ministry of Public Safety	-	-	-	-
ICAO Fees and other related expenses..	(640,301)	(606,933)	33,368	5.5%
Payment for Panama Pacific concession	(625,000)	(625,000)	-	-
Other expenses	(2,778,315)	(2,482,433)	295,882	11.9%
Financial costs, net.....	(7,627,584)	(6,979,114)	648,470	9.3%
Profit (Loss) before tax	(5,509,058)	26,164,249	(31,673,307)	(121.1)%
As % of revenue	(24.1)%	45.8%	-	-
Total Income tax	(218,656)	(7,901,012)	(7,682,356)	(97.2)%
Net profit (loss).....	(5,727,714)	18,263,237	(23,990,951)	(131.4)%

(1) Includes revenues from surcharges, fines, parking and revenues other than rent and airport operation services.

During the three-month period ended March 31, 2021, our results of operations were characterized by decreased operating revenues and decreased total expenses as compared to the three-month period ended March 31, 2020. The decrease in operating revenues by 60% for the three-month period ended March 31, 2021 as compared to the three-month period ended March 31, 2020 was primarily the result of the adverse effects of the COVID-19 pandemic.

Operating revenues

Operating revenues decreased by US\$34,246,211, or 60.0%, from US\$57,089,052 for the three-month period ended March 31, 2020 to US\$22,842,841 for the three-month period ended March 31, 2021.

Airport Operation Services

Airport operation services income decreased by US\$22,524,340, or 60.9%, from US\$36,992,899 for the three-month period ended March 31, 2020 to US\$14,468,559 for the three-month period ended March 31, 2021. The decrease in operating revenues resulted primarily from a decrease in the number of passenger and of aircraft operations as a result of the adverse effects of the COVID-19 pandemic.

Rent

Rental income decreased by US\$11,342,713, or 58.4%, from US\$19,426,961 for the three-month period ended March 31, 2020 to US\$8,084,248 for the three-month period ended March 31, 2021, primarily as the result of the adverse effects of the COVID-19 pandemic, which caused us to temporarily reduce invoicing and fees and the application of discounts to concessionaires.

Other revenues

Other revenues decreased by US\$379,158, or 56.7%, from US\$669,192 for the three-month period ended March 31, 2020 to US\$290,034 for the three-month period ended March 31, 2021.

Total Expenses

Expenses decreased by US\$2,572,904, or 8.3%, from US\$30,924,803 for the three-month period ended March 31, 2020 to US\$28,351,899 for the three-month period ended March 31, 2021. Such decrease was primarily the result of suspended personnel and other savings and reduced costs resulting from the limited operation of the Airport due to the adverse effects of the COVID-19 pandemic.

Depreciation

Depreciation increased by US\$85,074, or 1.9%, from US\$4,463,480 for the three-month period ended March 31, 2020 to US\$4,548,554 for the three-month period ended March 31, 2021.

Personnel Costs

Personnel costs decreased by US\$2,705,015, or 29.3%, from US\$9,245,919 for the three-month period ended March 31, 2020 to US\$6,540,904 for the three-month period ended March 31, 2021. Such decrease was due to the reduction in working hours of our personnel and the continuing of the suspension of contracts that began in 2020 as a result of the adverse effects of the COVID-19 pandemic.

Repair and Maintenance

Repair and maintenance decreased by US\$360,566, or 28.2%, from US\$1,276,903 for the three-month period ended March 31, 2020 to US\$916,337 for the three-month period ended March 31, 2021. Such decrease was primarily due to the suspension or reduction of certain reparation and maintenance expenditures due to the adverse effects of the COVID-19 pandemic as well as the renegotiation of certain maintenance contracts at reduced rates.

Electricity, Water and Telephone

Electricity, water and telephone expenses decreased by US\$570,117, or 38.1%, from US\$1,495,021 for the three-month period ended March 31, 2020 to US\$924,904 for the three-month period ended March 31, 2021. This decrease was primarily due to renewed focus on the implementation of internal cost control measures and the closure of unused portions of the Airport as a result of the COVID-19 pandemic.

Special Fund for the Development of National Aeronautics Administration

Special Fund for the Development of National Aeronautics Administration was US\$3,750,000 for the three-month period ended March 31, 2020, and remained unchanged for the three-month period ended March 31, 2021.

ICAO Fees and Other Related Expenses

ICAO fees and other expenses increased by US\$33,368, or 5.5%, from US\$606,933 for the three-month period ended March 31, 2020 to US\$640,301 for the three-month period ended March 31, 2021.

Payment for Panama Pacific Concession

Pursuant to its terms, payment for the Panama Pacific concession which amounted to US\$625,000 for the three-month period ended March 31, 2020, which remained unchanged for the three-month period ended March 31, 2021.

Other Expenses

Other expenses increased by US\$295,882 or 11.9%, from US\$2,482,433 for the three-month period ended March 31, 2020 to US\$2,778,315 for the three-month period ended March 31, 2021. Such decrease was mainly due the limiting of purchases of supplies as a result of limited operations of the airport due to the adverse effects of the COVID-19 pandemic.

Financial Costs, Net

Financial costs, net increased by US\$648,470 or 9.3%, from US\$6,979,114 for the three-month period ended March 31, 2020 to US\$7,627,584 for the three-month period ended March 31, 2021, primarily as a result of additional interest paid in connection with one of the Company's existing lines of credit.

Profit (Loss) before Tax

For the reasons described above, profit (loss) before tax decreased by US\$31,673,307, or 121.1%, from a profit of US\$26,164,249 for the three-month period ended March 31, 2020 to a loss of US\$5,509,058 for the three-month period ended March 31, 2021.

Total Income Tax

Income tax decreased by US\$7,682,356, or 97.2%, from US\$7,901,012 for the three-month period ended March 31, 2020 to US\$218,656 for the three-month period ended March 31, 2021.

Net Profit (loss)

As a result of the foregoing factors, net profit (loss) decreased by US\$23,990,951, or 131.4%, from a net profit (loss) of US\$18,263,237 for the three-month period ended March 31, 2020 to a net loss of US\$5,727,714 for the three-month period ended March 31, 2021.

Year ended December 31, 2020 as Compared to the Year ended December 31, 2019.

The following table summarizes our performance for the year ended December 31, 2020 and 2019:

	Year ended December 31,			
	2020	2019	2020 vs. 2019	
			Change	
	US\$		US\$	%
Operating revenues				
Airport operation services	53,758,355	165,998,778	(112,240,423)	(67.6)%
Rent	30,912,607	87,709,909	(56,797,302)	(64.8)%
Other ⁽¹⁾	3,831,064	5,181,587	(1,350,523)	(26.1)%

	Year ended December 31,			
	2020	2019	2020 vs. 2019	
	US\$		US\$	%
Operating revenues	88,502,026	258,890,274	(170,388,248)	(65.8)%
Other income⁽²⁾	85,077,264	-	85,077,264	-
Total expenses	158,215,022	146,455,874	11,759,148	8.0%
Depreciation.....	(17,997,902)	(18,213,758)	(215,856)	(1.2)%
Personnel costs.....	(28,260,308)	(39,787,741)	(11,527,433)	(29.0)%
Repair and maintenance.....	(9,627,125)	(8,358,534)	1,268,591	15.2%
Electricity, water and telephone.....	(6,092,929)	(8,320,645)	(2,227,716)	(26.8)%
Special Fund for the Development of National Aeronautics Administration.....	(4,500,000)	(15,000,000)	(10,500,000)	(70.0)%
ICAO Fees and other related expenses..	(8,897,102)	(7,389,613)	1,507,489	20.4%
Payment for Panama Pacific concession.....	(2,500,000)	(2,500,000)	-	-
Other expenses.....	(18,291,452)	(17,873,387)	418,065	2.3%
Financial costs, net.....	(62,048,204)	(29,012,196)	33,036,008	113.9%
Profit before (loss) tax	15,364,268	112,434,400	(97,070,132)	(86.3)%
As % of revenue.....	17.4%	43.43%	-	-
Total Income tax.....	(1,051,348)	(34,415,751)	(33,364,403)	(96.9)%
Net profit (loss)	14,312,920	78,018,649	(63,705,729)	(81.7)%

(1) Includes revenues from surcharges, fines, parking and revenues other than rent and airport operation services.

(2) Includes the application of a property tax credit in favor of the Airport and the reversal of a property tax provision.

During the year ended December 31, 2020, our results of operations were characterized by a decrease in operating revenues and a decrease in total expenses as compared to the year ended December 31, 2019. This was a result primarily of the limited operation of the Airport due to the adverse effects of the COVID-19 pandemic. Nonetheless, the Airport has experienced exponential growth in passenger traffic since the gradual reopening phase in Panama began on October 2020, with an average monthly growth of 83.16%, ending 2020 with a total of 4.5 million passengers in transit through Tocumen. While this represents a 72.7% decrease in passenger traffic compared to 2019, it is a significant increase in passenger traffic levels as compared to the months after the COVID-19 pandemic began.

Operating revenues

Operating revenues decreased by US\$170,388,248 or 65.8%, from US\$258,890,274 for the year ended December 31, 2019 to US\$88,502,026 for the year ended December 31, 2020.

Airport Operation Services

Airport operation services income decreased by US\$112,240,423, or 67.6%, from US\$165,998,778 for the year ended December 31, 2019 to US\$53,758,355 for the year ended December 31, 2020. The decrease in operating revenues resulted primarily from a decrease in the number of passenger and of aircraft operations as a result of the adverse effects of the COVID-19 pandemic.

Rent

Rental income decreased by US\$56,797,302, or 64.84%, from US\$87,709,909 for the year ended December 31, 2019 to US\$30,912,607 for the year ended December 31, 2020, primarily as the result of the adverse effects of the COVID-19 pandemic, which caused us to temporarily reduce invoicing and fees and the application of discounts to concessionaires.

Other revenues

Other decreased by US\$1,350,523, or 26.1%, from US\$5,181,587 for the year ended December 31, 2019 to US\$3,831,064 for the year ended December 31, 2020. The decrease was due to the application of a tax credit resulting from prepaid taxes during the year ended December 31, 2019.

Other income

Other income was US\$85,077,264 for the year ended December 31, 2020, which was the result of: (i) the application of a property tax credit in favor of the Airport for US\$45,702,176, and (ii) a reversal of property tax provision for US\$39,375,088.

Total Expenses

Expenses increased by US\$11,759,148, or 8.0%, from US\$146,455,874 for the year ended December 31, 2019 to US\$158,215,022 for the year ended December 31, 2020, for the reasons described immediately below.

Depreciation

Depreciation decreased by US\$215,856, or 1.2%, from US\$18,213,758 for the year ended December 31, 2019 to US\$17,997,902 for the year ended December 31, 2020.

Personnel Costs

Personnel costs decreased by US\$11,527,473, or 29.0%, from US\$39,787,741 for the year ended December 31, 2019 to US\$28,260,308 for the year ended December 31, 2020. Such decrease was due to the reduction in working hours of our personnel and the suspension of contracts made as a result of the adverse effects of the COVID-19 pandemic.

Repair and Maintenance

Repair and maintenance increased by US\$1,268,591, or 15.2%, from US\$8,358,534 for the year ended December 31, 2019 to US\$9,627,125 for the year ended December 31, 2020. Such increase was primarily due to additional costs incurred to adapt the Airport to new biosecurity regulations required by the Panamanian government as a result of the COVID-19 pandemic.

Electricity, Water and Telephone

Electricity, water and telephone expenses decreased by US\$2,227,716, or 26.8%, from US\$8,320,645 for the year ended December 31, 2019 to US\$6,092,929 for the year ended December 31, 2020. This decrease was primarily due to renewed focus on the implementation of internal cost control measures and the closure of unused portions of the Airport as a result of the COVID-19 pandemic.

Special Fund for the Development of National Aeronautics Administration

Special Fund for the Development of National Aeronautics Administration was US\$4,500,000 for the year ended December 31, 2020, compared to US\$15,000,000 for the year ended December 31, 2019. This decrease was the result of the reduced contribution required from the Airport determined by the Special Fund for the Development of National Aeronautics Administration as a result of the adverse effects of the COVID-19 pandemic.

ICAO Fees and Other Related Expenses

ICAO fees and other expenses increased by US\$1,507,489, or 20.4%, from US\$7,389,613 for the year ended December 31, 2019 to US\$8,897,102 for the year ended December 31, 2020. Such increase was primarily due to increased projects with ICAO.

Payment for Panama Pacific Concession

Pursuant to its terms, payment for the Panama Pacific concession amounted to US\$2,500,000 for the year ended December 31, 2019 and remained the same for the year ended December 31, 2020.

Other Expenses

Other expenses increased by US\$418,065 or 2.3%, from US\$17,873,387 for the year ended December 31, 2019 to US\$18,291,452 for the year ended December 31, 2020.

Financial Costs, Net

Financial costs, net increased by US\$33,036,008 or 113.9%, from US\$29,012,196 for the year ended December 31, 2019 to US\$62,048,204 for the year ended December 31, 2020, primarily as a result of a reduction in capitalized interest for the year ended December 31, 2020 due to criteria for capitalization not being met during the months that construction of Terminal 2 was suspended due to the COVID-19 pandemic.

Profit (loss) before Tax

For the reasons described above, profit (loss) before tax decreased by US\$97,070,132, or 86.3%, from US\$112,434,400 for the year ended December 31, 2019 to US\$15,364,268 for the year ended December 31, 2020.

Total Income Tax

Income tax decreased by US\$33,364,403, or 96.9%, from US\$34,415,751 for the year ended December 31, 2019 to US\$1,051,348 for the year ended December 31, 2020.

Net Profit (loss)

As a result of the foregoing factors, net profit (loss) decreased by US\$63,705,729, or 81.7%, from US\$78,018,649 for the year ended December 31, 2019 to US\$14,312,920 for the year ended December 31, 2020.

Year ended December 31, 2019 as Compared to the Year ended December 31, 2018.

The following table summarizes our performance for the year ended December 31, 2019 and 2018:

	Year ended December 31,			
	2019	2018	2019 vs. 2018	
			Change	
	US\$		US\$	%
Operating revenues				
Airport operation services	165,998,778	155,524,989	10,473,789	6.7%
Rent	87,709,909	76,637,394	11,072,515	14.4%
Other	5,181,587	4,669,045	512,512	11.0%
Operating revenues	258,890,274	236,831,428	22,058,846	9.3%
Total expenses	146,455,874	168,898,395	(22,442,521)	(13.3)%
Depreciation	(18,213,758)	(16,597,769)	1,615,989	9.7%
Personnel costs	(39,787,741)	(38,544,327)	1,243,414	3.2%
Repair and maintenance	(8,358,534)	(5,184,383)	3,174,151	61.2%
Electricity, water and telephone	(8,320,645)	(6,610,651)	1,709,994	25.9%
Special Fund for the Development of National Aeronautics Administration	(15,000,000)	(15,000,000)	-	-
Ministry of Public Safety	-	-	-	-
ICAO Fees and other related expenses..	(7,389,613)	(8,454,378)	(1,064,765)	(12.6)%
Payment for Panama Pacific concession	(2,500,000)	(2,500,000)	-	-
Other expenses	(17,873,387)	(32,289,196)	(14,415,809)	(44.6)%
Financial costs, net	(29,012,196)	(43,717,691)	(14,705,495)	(33.6)%
Profit (loss) before tax	112,434,400	67,933,033	44,501,367	65.5%

	Year ended December 31,			
	2019	2018	2019 vs. 2018	
			Change	
	US\$		US\$	%
As % of revenue.....	43.43%	28.68%		
Income tax.....	(34,415,751)	(16,558,833)	17,856,918	107.8%
Net profit (loss).....	78,018,649	51,374,200	26,644,449	51.9%

During the year ended December 31, 2019, our results of operations were characterized by increased operating revenues and increased total expenses as compared to the year ended December 31, 2018. The increase in operating revenues resulted primarily from an increase in Airport operation services income resulting from increased Airport traffic and the increase in expenses resulted primarily from increases to personnel costs and a charge to expenses.

Operating revenues

Operating revenues increased by US\$22,058,846, or 9.3%, from US\$236,831,428 for the year ended December 31, 2018 to US\$258,890,274 for the year ended December 31, 2019.

Airport Operation Services

Airport operation services income increased by US\$10,473,789, or 6.7%, from US\$155,524,989 for the year ended December 31, 2018 to US\$165,998,778 for the year ended December 31, 2019. This increase was primarily due to the increase in passenger traffic as compared to the prior year.

Rent

Rental income increased by US\$11,072,515, or 14.4%, from US\$76,637,394 for the year ended December 31, 2018 to US\$87,709,909 for the year ended December 31, 2019, primarily as a result of the awarding of new retail space to concessionaires.

Other revenues

Other revenues increased by US\$512,512 or 11%, from US\$4,669,045 for the year ended December 31, 2018 to US\$5,181,587 for the year ended December 31, 2019.

Total Expenses

Expenses decreased by US\$22,442,521, or 13.3%, from US\$168,898,395 for the year ended December 31, 2018 to US\$146,455,874 for the year ended December 31, 2019.

Depreciation

Depreciation increased by US\$1,615,989 or 9.7%, from US\$16,597,769 for the year ended December 31, 2018 to US\$18,213,758 for the year ended December 31, 2019. The increase in depreciation primarily reflects the purchase of new equipment and other assets.

Personnel Costs

Personnel costs increased by US\$1,243,414 or 3.2%, from US\$38,544,327 for the year ended December 31, 2018 to US\$39,787,741 for the year ended December 31, 2019. Such increase was primarily the result of salary increases pursuant related to our collective bargaining agreement.

Repair and Maintenance

Repair and maintenance costs increased by US\$3,174,151 or 61.2%, from US\$5,184,383 for the year ended December 31, 2018 to US\$8,358,534 for the year ended December 31, 2019. Such increase was primarily due to the partial operational opening of Terminal 2.

Electricity, Water and Telephone

Electricity, water and telephone expenses increased by US\$1,709,994, or 25.9%, from US\$6,610,651 for the year ended December 31, 2018 to US\$8,320,645 for the year ended December 31, 2019. This increase was primarily due to the partial operational opening of Terminal 2.

Special Fund for the Development of National Aeronautics Administration

Expenses related to the Special Fund for the Development of National Aeronautics Administration were US\$15,000,000 for the year ended December 31, 2019, which remained unchanged for the year ended December 31, 2018.

ICAO Fees and Other Related Expenses

ICAO fees and other expenses decreased by US\$1,064,765, or 12.6%, from US\$8,454,378 for the year ended December 31, 2018 to US\$7,389,613 for the year ended December 31, 2019. Such decrease was primarily due to the decrease in expense requirements for certain projects.

Payment for Panama Pacific Concession

Payment for Panama Pacific concession was US\$2,500,000 for the year ended December 31, 2018, which remained unchanged for the year ended December 31, 2019.

Other Expenses

Other expenses decreased by US\$14,415,809, or 44.6%, from US\$32,289,196 for the year ended December 31, 2018 to US\$17,873,387 for the year ended December 31, 2019. Such decrease was primarily due to extraordinary contingent commitments that had been recorded in 2018 and were not recorded in 2019.

Financial Costs, Net

Financial costs, net decreased by US\$14,705,495, or 33.6% from US\$43,717,691 for the year ended December 31, 2018 to US\$29,012,196 for the year ended December 31, 2019, primarily as a result of the payment in December 2018 of a premium for early redemption of bonds issued in 2013.

Profit (loss) before Tax

For the reasons described above, profit (loss) before tax increased by US\$44,501,367, or 65.5%, from US\$67,933,033 for the year ended December 31, 2018 to US\$112,434,400 for the year ended December 31, 2019.

Income Tax

Income tax increased by US\$17,856,918, or 107.8%, from US\$16,558,833 for the year ended December 31, 2018 to US\$34,415,751 for the year ended December 31, 2019.

Net Profit (loss)

As a result of the foregoing factors, net profit (loss) increased by US\$26,644,449, or 51.9%, from US\$51,374,200 for the year ended December 31, 2018 to US\$78,018,649 for the year ended December 31, 2019.

Liquidity and Capital Resources

Historically, we have generally met our ordinary course cash requirements for working capital, debt service and capital expenditures with funds provided by operations. We believe that the same general combination of funds,

plus the proceeds from debt offerings, is likely to be sufficient to meet our working capital, debt service and capital expenditure requirements for the foreseeable future. Given our need for annual budget approval by the Government, we do not expect to make short-term changes in our liquidity or working capital policies.

Dividend Policy

Any dividends to be paid by us must be proposed to and approved by our Board of Directors. Dividend distributions depend on several factors, including: (1) our net profit; (2) planned capital expenditures; (3) capital and legal reserve requirements; (4) compliance with applicable covenants in our debt agreements; and (5) prevailing business conditions. Historically, our policy has been to distribute 40% of our net profit as dividends each year, as declared by our Board of Directors at their final meeting of the year. Subject to the factors discussed above and the restrictions under the Indenture, starting in 2018, we expect that our dividend policy will require that our taxes and distributed dividends equal at least 50% of our earnings before taxes.

For the year ended December 31, 2018, we declared as dividends US\$20.0 million, and US\$3.0 million was credited to an account receivable held by the National Treasury, and distributed as dividends US\$20.0 million. For the year ended December 31, 2019, we declared as dividends US\$25.0 million, and US\$2.5 million was credited to an account receivable held by the National Treasury, and distributed as dividends US\$25.0 million. For the year ended December 31, 2020, we did not declare any dividend. Please see note 21 to our audited financial statements for additional information regarding dividends.

Cash Flow Information

The following table sets forth information related to our cash flows for the periods shown.

	For the Three-month period ended March 31,		Year ended December 31,		
	2021	2020	2020	2019	2018
Net cash provided by (used in)					
Operating activities	9,073,389	31,136,643	(76,483,723)	56,753,671	129,222,974
Investing activities	(411,633)	(1,820,496)	(6,477,052)	(106,899,304)	(160,837,553)
Financing activities	(7,898,217)	(15,675,280)	16,202,020	(30,175,544)	171,452,699
Net change in cash	763,539	13,640,867	(66,758,755)	(80,321,177)	139,838,120
Cash and cash equivalent at the beginning of the year	20,976,225	87,734,980	87,734,980	168,056,157	28,218,037
Cash and cash equivalent at the end of the year	21,739,764	101,375,847	20,976,225	87,734,980	168,056,157

Cash Flow from Operating Activities

Three-month period ended March 31, 2021 as Compared to the three-month period ended March 31, 2020

Cash flow from operating activities decreased by US\$22,063,254 from US\$31,136,643 for the three-month period ended March 31, 2020 to US\$9,073,389 for the three-month period ended March 31, 2021. This decrease was mainly due to the lower collection of revenues as a result of the reduction in passenger traffic and other adverse effects of the COVID-19 pandemic.

Year ended December 31, 2020 as Compared to the Year ended December 31, 2019

Cash flow from operating activities decreased by US\$133,237,394 from US\$56,753,671 for the year ended December 31, 2019 to an outflow of US\$76,483,723 for the year ended December 31, 2020. This decrease was mainly due to the lower collection of revenues as a result of the reduction in passenger traffic and other adverse effects of the COVID-19 pandemic and the partial reversal of a provision for property taxes in an amount of US\$39,375,088.

Year ended December 31, 2019 as Compared to the Year ended December 31, 2018

Cash flow from operating activities decreased by US\$72,469,303, from US\$129,222,974 for the year ended December 31, 2018 to US\$56,753,671 for the year ended December 31, 2019. This decrease was primarily due to an increase in the payment of interest and taxes.

Cash Flow from Investing Activities

Three-month period ended March 31, 2021 as Compared to the Three-month period ended March 31, 2020

Cash flow used in investing activities decreased by US\$1,408,863 from an outflow of US\$1,820,496 for the three-month period ended March 31, 2020 to an outflow of US\$411,633 for the three-month period ended March 31, 2021. This increase primarily reflects a reduction in the disbursement of expenses payable to contractors.

Year ended December 31, 2020 as Compared to the Year ended December 31, 2019

Cash flow used in investing activities decreased by US\$100,422,252 from an outflow of US\$106,899,304 for the year ended December 31, 2019 to an outflow of US\$6,477,052 for the year ended December 31, 2020. This increase primarily reflects the suspension of non-essential investments as a result of the COVID-19 pandemic.

Year ended December 31, 2019 as Compared to the Year ended December 31, 2018

Cash flow used in investing activities decreased by US\$53,938,249 from an outflow of US\$160,837,553 for the year ended December 31, 2018 to an outflow of US\$106,899,304 for the year ended December 31, 2019. This increase was primarily as a result of a reduction in the disbursement of expenses payable to contractors.

Cash Flow from Financing Activities

Three-month period ended March 31, 2021 as Compared to the three-month period ended March 31, 2020

Cash flow used in financing activities decreased by US\$7,777,063 from an outflow of US\$15,675,280 for the three-month period ended March 31, 2020 to an outflow of US\$7,898,217 for the three-month period ended March 31, 2021. This increase was primarily due to debt payments being deferred to April 2021.

Year ended December 31, 2020 as Compared to the Year ended December 31, 2019

Cash flow from financing activities increased by US\$46,377,564 from an outflow of US\$30,175,544 for the year ended December 31, 2019 to an inflow of US\$16,202,020 for the year ended December 31, 2020. This increase primarily is due to the drawing of US\$25.0 million from a credit line.

Year ended December 31, 2019 as Compared to the Year ended December 31, 2018

Cash flow used in financing activities decreased by US\$201,628,243 from an inflow of US\$171,452,699 for the year ended December 31, 2018 to an outflow of US\$30,175,544 for the year ended December 31, 2019. This decrease was primarily due to the issuance in November 2018 of the 2048 Notes.

Contractual Commitments

Odebrecht Contract

On February 8, 2013, we entered into a design-build-equipment contract with Odebrecht for the construction of Terminal 2 for an approximate total anticipated amount of US\$680 million (the “Odebrecht Contract”). The Odebrecht Contract gave us the right to require Odebrecht to perform certain ancillary works related to the construction of Terminal 2, for up to an additional US\$100 million, without the need to enter into any amendments to the Odebrecht Contract. We subsequently undertook these ancillary works and as a result the contract price was increased by US\$100 million, as contemplated under the initial terms of the Odebrecht Contract.

Additionally, the Odebrecht Contract included the following four budgeted projects we could decide to undertake at our option: (i) the Runway Project in the amount of approximately US\$66.7 million, (ii) a taxiway in the amount of approximately US\$82.1 million, (iii) landscape work for Terminal 2 in the amount of approximately US\$5.6 million, and (iv) landscape work for the access boulevard in the amount of approximately US\$2.7 million. We separately also awarded some works to other contractors under our regular bidding procedures, including some of the optional projects that had initially been identified in the Odebrecht Contract.

We have executed the following amendments to the Odebrecht Contract: Amendments No. 1 and No. 2 were countersigned (*refrendado*) in July 2016, Amendment No. 3 was countersigned in July 2018, Amendment No. 4 was countersigned in January 2019, Amendment No. 5 was countersigned in July 2019, Amendment No. 6 was countersigned in November 2019, Amendment No. 7 was countersigned in January 2021 and Amendment No. 8 was countersigned in June 14, 2021. The amendments were necessary to better align the contract to our evolving infrastructure plans, timing needs, to formalize change orders for works that were underway and account for price adjustments and labor delays. We are currently evaluating the execution of an eighth amendment to the Odebrecht Contract, which purpose would be to extend the contract's term and include some final adjustments, both of which would allow for the completion of the works, which underwent certain delays as a result of the COVID-19 pandemic.

As of the date of this Offering Memorandum, the Airport has provisionally accepted Terminal 2 from the contractor, as construction is 99.7% complete. The Airport recently completed operational tests of Terminal 2 and this will be followed by gradual and phased-in operations, with full commencement of operations expected on or around September 2021. For more information, see “—Terminal Area Improvements—Terminal 2 Expansion”.

The negotiation and execution of any amendments to the Odebrecht Contract follows our regular contracting process and are approved by our board, the Council of Ministers and the *Contraloría*. Consorcio PM Terminal Sur, composed by Ayesa, Aeroports de Paris, CSA Group and Cemosa (our “Project Manager”) also provides guidance in the negotiation and evaluation of any such amendments, such as advising us on scope of works, costs and construction timeline, among others.

Under the Odebrecht Contract, all design, construction and equipment work related to the construction of Terminal 2 was initially expected to be completed in two phases within 48 months following the tenth business day from receipt of the notice to proceed (*orden de proceder*). Pursuant to Amendments No. 2 and No. 3, this period was extended by 18 months to 66 months and 19 days following the tenth business day from receipt of the notice to proceed (*orden de proceder*). Work related to all basic infrastructure such as the foundation and structure of Terminal 2, was completed in March 2016. The Odebrecht Contract was extended until March 31, 2021 by Amendment No. 7 and most recently extended until September 30, 2021 by Amendment No. 8. As of March 31, 2021, most of the work under the Odebrecht Contract had been completed and the pending works primarily relate to adjustments.

The Odebrecht Contract provides that before we must make payments on the contract (1) Odebrecht must first submit to a monthly inspection to determine whether the progress of the work has conformed to the approved plan, thus ensuring that there is no cash counterparty risk to us arising from this contract and (2) Odebrecht's subcontractors must certify that Odebrecht is current on its payments to each such subcontractor. Payment under the Odebrecht Contract must be approved and certified by the Project Manager and the Vice Presidency for Engineering and Projects (“VPIP”) based on a measurement form agreed to and approved by the Chief Executive Officer at the time the Odebrecht Contract was executed. As a result of the payment mechanism agreed at the outset, payments initially made to Odebrecht resulted in a differential between physical project completion and overall payment, which facilitated the commencement of works and the ordering of long-lead items. During the life of the project the percentage that Odebrecht is permitted to invoice has been modified in order to reduce this differential while providing sufficient liquidity to the contractor to ensure completion of the project. Retainage under the contract, performance bonds and other contractual rights protect us against any non-completion risks.

Under the terms of the Odebrecht Contract, Odebrecht initially posted a performance bond in the amount of approximately US\$170 million. As a result of the several amendments of the contract, the performance bond was increased to approximately US\$229.4 million, which corresponds to approximately 25% of the total costs of the construction of Terminal 2 (excluding any additional work related to the construction of Terminal 2 that we may

require Odebrecht or another contractor to undertake). We may exercise the performance bond in the event of an early termination. In addition, Odebrecht is required to maintain all insurance policies related to its construction work, including insurance against Odebrecht's or its subcontractors' negligence. Additionally, until 100% of construction work is completed, we have the right to retain 4% of the payments owed to Odebrecht. The amounts retained are released to the contractor within 90 days of substantial or partial delivery of the project. Odebrecht's liability under the Odebrecht Contract is limited to 15% of the total contract cost, excluding from this limit compensation related to intellectual property claims against Odebrecht or any claims caused by Odebrecht's willful misconduct or gross negligence.

Under the Odebrecht Contract, Odebrecht is subject to a penalty of 4% of the value of the work not delivered on time, for every day of delay, with a limit of 5% of the total value of the Odebrecht Contract. Any delay caused by reasons not attributable to Odebrecht will allow for the extension of the contract without penalty for a period equal to the delay. Any extension will modify the agreement, proportionally, and will be evidenced by amendments. In such cases, Odebrecht will be entitled to a retribution for the additional extension of the agreement. Due to the delays in completion of Terminal 2 (which were partly attributable and partly not attributable to the contractor) and pursuant to Amendment No. 6 to the Odebrecht Contract, upon completion and delivery of Terminal 2 Odebrecht shall pay a penalty, which final amount shall be determined at such date but which as of the date of this Offering Memorandum is estimated to be of approximately US\$430,000.

Consortio PM Contract

On February 15, 2013, we entered into a service contract with *Consortio PM Terminal Sur Tocumen, S.A.* for comprehensive monitoring, inspection and administration of the Terminal 2 construction in the amount of approximately US\$20 million (the "Consortio PM Contract"). The Consortio PM Contract was amended in October 2015 to include additional management and technical services at a cost of approximately US\$4.6 million. The contract was further amended on January 2021 to adjust for the contract's term and costs, the latter of which is currently in an aggregate total amount of approximately US\$36.0 million.

ICAO

We have had an agreement in place with ICAO since June 2003. ICAO is a specialized agency of the United Nations, created in 1944, to promote the safe and orderly development of international civil aviation throughout the world. Pursuant to this agreement, ICAO agreed to supply the Airport with equipment and other materials necessary to maintain international standards for the Panamanian civil aviation section. In addition, ICAO supports technical cooperation activities between the Government and other developing countries. We expect all commitments to ICAO under this agreement to be funded from our regular operations and management budget.

Retail Concessions

Retail concessionaires must pay a monthly fixed rent based on the amount of leased space and a variable rent based on a percentage of gross sales. Additionally, certain retail operators purchased upfront turnkey rights at the time the respective contracts were finalized for the right to operate concessions, and certain others have agreed to IMG concession construct. In leasing out duty free retail space at the Airport, we have adopted certain guidelines in our bidding procedures, including a requirement that all concessionaires have and maintain the ability to conduct credit card transactions and a robust compliance framework that includes know-your-client procedures. For more information on our compliance policy, see "*Business—Compliance Policies*."

The following is a description of the most significant current retail concession agreements to which we are a party.

Consortio Duty Free Americas Panama

We entered into two concession agreements with Consortio Duty Free Americas Panama on July 6, 2018, covering space in Terminal 1 and granting Consortio Duty Free Americas Panama the right to sell certain categories of duty-free merchandise, including perfume, cosmetics, liquor and tobacco products and luxury accessories. The agreements are under the IMG concession mechanism whereby Consortio Duty Free Americas Panama made an

initial non-refundable aggregate payment of US\$56,000,000 for both concessions. In addition, the concessionaire agrees to pay us a monthly IMG amount of US\$1,207,770, which includes the monthly rent of US\$100 per square meter, plus 30% of gross sales for duty free. Each agreement has a ten-year term.

Consorcio Attenza Duty Free

We entered into a concession agreement with Consorcio Attenza Duty Free on July 6, 2018, covering space in Terminal 1 and granting Consorcio Attenza Duty Free the right to sell certain categories of duty-free merchandise, including perfume, cosmetics, liquor and tobacco products and luxury accessories. The agreement is under the IMG concession mechanism whereby Consorcio Attenza Duty Free Panama made an initial non-refundable payment of US\$28,000,000 for the concession. In addition, the concessionaire agrees to pay us a monthly IMG amount of US\$795,844, which includes the monthly rent of US\$100 per square meter, plus 30% of gross sales for duty free. This agreement has a ten-year term.

Food Court Concession – International Meal Company

We entered into a concession agreement with International Meal Company on May 13, 2019 covering space in the new Terminal 2 and granting International Meal Company the right to operate eight stores in the food court area and two stores in the commercial free zone area. The agreement is under the IMG concession mechanism whereby International Meal Company made an initial non-refundable payment of \$US960,600 for the concession. In addition, the concessionaire agrees to pay us a monthly IMG amount of US\$160,100, which includes the monthly rent of US\$50 per square meter, plus 12% of its gross sales. This agreement has a ten-year term and its effectiveness shall commence once Terminal 2 is open and fully operational.

Motta Internacional, S.A.

We entered into a concession agreement with Motta Internacional, S.A. on 2018 covering space in Terminal 1 and the new Terminal 2 and granting Motta Internacional, S.A. the right to operate an electronics business in such spaces. The agreement is under the IMG concession mechanism whereby Motta Internacional, S.A. made an initial non-refundable payment of US\$845,064 for the concession. In addition, the concessionaire agrees to pay us a monthly IMG amount of US\$140,844, which includes the monthly rent of US\$100 per square meter, plus 10% of gross sales. This agreement has a ten-year term and its effectiveness shall commence once Terminal 2 is open and fully operational.

Panafoto Duty Free, S.A.

We entered into a concession agreement with Panafoto Duty Free, S.A., an electronic multi-brand store, covering space in Terminal 1 and the new Terminal 2 and granting Panafoto Duty Free, S.A. the right to operate an electronics business in such spaces. The agreement is under the IMG concession mechanism whereby Panafoto Duty Free, S.A. made an initial non-refundable payment of US\$513,300 for the concession. In addition, the concessionaire agrees to pay us a monthly IMG amount of US\$85,550, which includes the monthly rent of US\$100 per square meter, plus 10% of gross sales. This agreement has a ten-year term and its effectiveness shall commence once Terminal 2 is open and fully operational.

MCA PTY Consortium

We entered into a concession agreement with MCA PTY Consortium, a company that works with Starbucks, Pie five, Smashburger, Solitsmo and other brands, covering space in Terminal 2 and granting MCA PTY Consortium the right to operate an international food and beverage business in such space. The agreement is under the IMG concession mechanism whereby Consortium MCA PTY made an initial non-refundable payment of US\$900,000 for the concession. In addition, the concessionaire agrees to pay us a monthly IMG amount of US\$150,000, which includes the monthly rent of US\$50 per square meter, plus 12% of gross sales. This agreement has a ten-year term and its effectiveness shall commence once Terminal 2 is open and fully operational.

Consortium Mera Corporation

We entered into a concession agreement with Consorcio Mera Corporation, a company that works with Dogilicious, Chili's, Illy café and other brands, covering spaces in Terminal 2 and granting Consortium Mera Corporation the right to operate an international restaurant business in such spaces. The agreement is under the IMG concession mechanism whereby Consorcio Mera made an initial non-refundable payment of US\$850,896 for the concession. In addition, the concessionaire agrees to pay us a monthly IMG amount of US\$96,000, which includes the monthly rent of US\$50 per square meter, plus 12% of gross sales. This agreement has a ten-year term and its effectiveness shall commence once Terminal 2 is open and fully operational.

Acquisition of Land Adjacent to the Airport – Universidad de Panamá

In February 2014 we exercised our option to purchase 285 hectares of land adjacent to the Airport for US\$109.9 million pursuant to an option contract between us and *Universidad de Panamá* dated December 15, 2012. See “*Related Party Transactions*”.

Sale of Land Adjacent to the Airport – Ministerio de Educación

In November 2015, we entered into a real estate sale agreement with the Ministry of Education, through which we sold approximately 10.6 hectares of land adjacent to the Airport for a total purchase price of US\$20.2 million. The land was acquired by the Ministry of Education for the construction and development project of the *Instituto Técnico Superior del Este*, a technical educational institute. The approval process followed and complied with all the steps and formalities required in Panama for this kind of transaction, including the *Resolución de Gabinete* No. 125 issued on November 17, 2015. See “*Related Party Transactions*.”

Outstanding Indebtedness

As of March 31, 2021, we had US\$ 1,406.5 million of bonds payable. A description of our material outstanding indebtedness as of March 31, 2021 is below.

Existing Notes

On May 18, 2016, we issued the 5.625% Senior Secured Notes due 2036 (the “2036 Notes”) for a principal aggregate amount of US\$575.0 million to investors in Panama and elsewhere. The proceeds of the 2036 Notes were used to fund a payment account for the notes, fund a debt service reserve account for the notes and fund an operations and maintenance account, with the remainder transferred to an account used for our expansionary activities.

On May 9, 2018, we issued the 6.000% Senior Secured Notes due 2048 (“2048 Notes”) for a principal aggregate amount of US\$225.0 million and, on November 14, 2018, we issued additional 2048 Notes for a principal aggregate amount of US\$650.0 million, to investors in Panama and elsewhere. The proceeds of the initial issuance of the notes were used to fund a payment account for the notes, fund a debt service reserve account for the notes, fund an operations and maintenance account and repay an outstanding loan with the remainder transferred to an account used for our expansionary activities.

The Existing Notes are subject to covenants, redemption provisions and events of default that are customary in such bond markets, including limitations on debt incurrence, payment restrictions affecting restricted subsidiaries, dividends and other restricted payments, issuances of guarantees by restricted subsidiaries, transactions with affiliates, liens, asset sales and mergers and consolidations, and such limitations restrict our activities.

\$50.0 Million Uncommitted Line of Credit

In September 2020 and April 2021, the Airport drew a total of US\$50.0 million from two uncommitted and unsecured lines of credit it had with Citibank and Banistmo. The principal amount drawn under each line of credit is \$25.0 million and the interest rate is 12-month LIBOR plus 1.95% per annum. We may use a portion of the net

proceeds of this offering to repay in full or in part all outstanding obligations thereunder on the Issue Date. An additional aggregate US\$25.0 million in lines of credit is under negotiation with Scotiabank.

We are in material compliance with all covenants and other terms of our outstanding indebtedness. For more information regarding our outstanding indebtedness, see notes 12 and 13 to our audited financial statements.

Qualitative and Quantitative Disclosures about Market Risk

Market risk is the risk that the fair values of the future cash flows of a financial instrument fluctuate due to changes in market prices. In our case, our financial instruments affected by market risks include our existing credit facilities. We do not enter into derivative contracts to hedge market risk.

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 matters of significant judgment, and therefore, cannot be determined with precision. Any changes in assumptions could significantly affect the estimates.

Except as detailed in the table below, our management believes that the carrying amounts of financial assets and liabilities recognized at amortized cost in our Financial Statements approximate their fair value due to their short-term maturity.

As of March 31, 2021		
	Carrying amount	Fair value measurement Level 2
Bonds payable	1,406,543,953	1,563,815,046
Loans payable.....	25,000,000	23,551,578

Fair value hierarchy						
	2020		2019		2018	
	Carrying amount	Fair value measurement Level 2	Carrying amount	Fair value measurement Level 2	Carrying amount	Fair value measurement Level 2
December 31 st						
Bonds payable	1,406,152,885	1,644,153,562	1,412,599,130	1,789,400,000	1,411,281,443	1,464,145,750
Loans payable.....	25,000,000	24,452,171	-	-	-	-

For further information regarding our market risk, see note 22 to our audited financial statements.

BUSINESS

Overview

We are a wholly-owned state company that owns, operates, maintains and develops the Airport, which is the principal international airport in Panama, the third busiest airport in Latin America and the Caribbean (the “LAC Region”) based on international passenger traffic and the ninth busiest airport in the LAC Region based on total passenger traffic in 2019, the most recently available data. The Airport is the principal international airport directly serving Panama City, the largest city in Panama. Accordingly, the Airport is a critical gateway, linking travel across North America, Central America, South America, the Caribbean and Europe, because of its strategic position in the middle of the Americas and its role as the network hub for *Compañía Panameña de Aviación, S.A.* (“Copa Airlines”). As of the date of this Offering Memorandum, Copa Airlines is a leading Latin American airline, serving throughout 2020 more than 49 destinations in 25 countries in the Americas and the Caribbean with one of the newest and most modern fleets in the industry. In 2020, the Airport was the origination point or destination point for approximately 30% of its passengers (“Origin/Destination Passengers”), while approximately 70% of its passengers were connecting passengers, also known as transit/transfer passengers (“Transit/Transfer Passengers”).

During the first quarter of 2021, the Airport served 66 destinations in 34 countries with approximately 12,000 flights on 19 airlines. During the first quarter of 2020, we served 89 destinations in 39 countries with approximately 38,800 commercial flights per year on 32 airlines. As of December 31, 2020, the Airport served 92 destinations in 41 countries with approximately 38,800 commercial flights per year on 32 airlines, with 40 routes having at least one or more daily departures and as of December 31, 2019, the Airport served 91 destinations in 40 countries with approximately 136,000 commercial flights per year on 25 airlines, with 64 routes having at least one or more daily departures. Despite the adverse effects of the COVID-19 pandemic and the implementation of travel restrictions worldwide, our privileged geographical position and the fact that we remain an important travel network hub serving the Latin America region has kept us competitive throughout 2020 and so far through 2021.

The Airport is one of the two airports in Central America with two active runways capable of accommodating commercial traffic. The facilities of the Airport also include an international passenger terminal complex with 54 contact gates, including 34 contact gates in Terminal 1 and 20 in the Airport’s new Terminal 2 (nine of which are already operational), in addition to a small domestic terminal, car parking lots, an air cargo facility, a maintenance facility, an air traffic control tower, fuel storage and other assets. The Airport has been recognized by Skytrax as the “*Best Airport in Central America*” and as having the “*Best Airport Staff Central America*” for each year from 2011 through 2020. In January 2020, the Airport also ranked the 14th airport world-wide and 1st among Latin American and Caribbean airports in the “On time Performance Punctuality League” ranking published by the OAG Aviation Group (“OAG”).

We believe the Airport’s geographic location provides competitive advantages including a centric location in the Americas, consistent weather conditions and facilities at sea level that provide relative cost and operational advantages compared to airports located at higher elevations. The Airport’s location allows airlines to serve cities as far north as Toronto and as far south as Buenos Aires, through the use of modern and efficient narrow-body aircraft, while its facilities remain equipped to handle wide-body aircraft such as the Boeing 777. The Airport has a balanced capacity among destinations served: in 2019, 40.82% of scheduled departing seats from the Airport went to South America, 30.75% went to North America, 12.35% went to the Caribbean, 10.68% went to Central America, 5.26% went to Europe and 0.13% went to Asia. Further, in 2020, despite the adverse effects of the COVID-19 pandemic, the Airport maintained its balanced capacity among destinations served, having 41.51% of scheduled departing seats going to South America, 32.13% to North America, 10.91% to the Caribbean, 10.17% to Central America 5.21% to Europe and 0.06% went to Asia.

Additionally, the Airport is located in the Province of Panama, a center of commerce that is home to large corporations, a significant banking presence, a wide variety of tourism businesses and the most affluent residents in the country. As of July 1, 2019, approximately 52.7% of Panamanians resided in the Province of Panama, which includes the Panama City metropolitan area. As a result, the Airport is positioned to serve the region and a large population likely to travel internationally for both business and leisure.

In 2019, the Airport reached an all-time high of passengers served of 16.6 million and we partially opened five gates of Terminal 2 to accommodate for the increase. However, due to the COVID-19 pandemic, in 2020 passenger traffic diminished, and the Airport served 4.5 million passengers throughout the year.

The table below includes certain of our recent operating and financial metrics.

	Three Month Period Ended March 31,		Year Ended December 31,		
	2021	2020⁽³⁾	2020	2019	2018⁽³⁾
	<i>(US\$ except percentages, destinations and passengers)</i>				
Destinations served ⁽¹⁾	66	89	92	91	90
Total passengers (millions)	1.3	3.4	4.5	16.6	16.2
Total passengers' annual growth	(62.8)%	(16.4)%	(72.7)%	2.1%	4.0%
Total aeronautical revenues (millions)	14.4	36.9	53.8	165.9	155.5
Total non-aeronautical revenues (millions)	8.4	20.1	34.7	92.9	81.3
Operating revenues (millions)	22.8	57.0	88.5	258.8	236.8
Operating revenues year-on-year growth	(60.0)%	(14.4)%	(65.8)%	9.3%	1.4%
Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income (millions) ⁽²⁾	20.4	51.1	78.4	227.6	213.8
Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income year-on-year growth ...	(60.1)%	-	(65.6)%	6.5%	-

- (1) Changes in destinations served reflect the impact of the COVID-19 pandemic, seasonal flight variations and other non-recurring events, such as private charters.
- (2) We define Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income as operating revenues, net of amortization of right of key and guaranteed minimum income. We believe such a measure is useful to investors to illustrate the expiration of certain high value duty free and retail space leases that were originally concessioned under the turnkey rights model as we no longer have turnkey rights deposits to recognize in relation to such concessions. Please see "Summary of the Business, Terms, Conditions and Risk Factors Relating to the Offering—Summary Financial and Other Information" for a discussion and reconciliation of our use of Revenues Excluding Amortization of Turnkey Rights and Guaranteed Minimum Income in this Offering Memorandum.
- (3) Percentages for the three-month periods ended March 31, 2020 and 2021 and the year ended December 31, 2018 show variation in relation to the same periods in 2019 and 2017, respectively.

The table below shows our passenger traffic and flights per month from March 2020 until March 2021:

	Total Passengers	Total Flights
2020		
January	1,434,568	12,729
February	1,279,261	11,679
March	752,748	8,243
April	2,380	813
May	4,496	913
June	5,835	975
July	8,988	1,055
August	13,091	1,080
September	29,844	1,413
October	154,671	2,473
November	357,930	4,070
December	482,851	5,533
2021		
January	458,628	5,829
February	376,182	4,700
March	456,112	5,067
April	456,264	5,184
May	601,278	6,207
June	751,219	7,315

The increase in operating revenues during 2018 and 2019 was primarily related to the scheduled expiration of certain duty free and retail space leases that were originally concessioned under the turnkey rights model, and their replacement by leases using our IMG leasing rights model. Under the turnkey model, at the start of a lease, we received a significant upfront fee and, thereafter, relatively smaller rents and commissions on gross sales (“turnkey rights”). These upfront payments for turnkey rights were recognized as revenue evenly over the course of the lease agreement. Our current IMG leasing model involves lower upfront payments in exchange for higher gross sales commissions that are subject to a monthly minimum. Please see “*Business—Non-aeronautical Revenues*” for a discussion of the change from the turnkey approach to a new model. During 2020 and the first quarter of 2021, we experienced decreases in operating revenues of 65.8% and 60.0%, as compared to the same periods in the prior year, primarily as a result of the adverse effects of the COVID-19 pandemic.

We generate revenue from both aeronautical services and non-aeronautical commercial services. Aeronautical services refer to airline passenger services and air cargo services, and the associated fees include passenger exit fees, the Development Fee, transit fees and any other passenger fees, security charges, aircraft landing and take-off charges, aircraft parking charges, passenger boarding bridge charges, utility charges, airline club room leases and cargo charges. Revenues from non-aeronautical commercial services include fixed and variable rents from commercial leases, sales of turnkey rights to secure commercial leases, IMG arrangements with concessionaires, installation fees, various administrative and approval fees and other revenues such as car parking fees and advertising fees.

Impact of COVID-19

The ongoing COVID-19 pandemic has caused severe disruptions in the world economy and in Panama. In order to contain the spread of COVID-19, the Panamanian government announced and implemented several measures such as the declaration of a state of emergency at the end of the first half of March 2020, which entailed restrictions that significantly affected economic activity in the country. Mainly due to the negative economic effects caused by the COVID-19 pandemic and the measures undertaken by the Panamanian Government to combat it, GDP in Panama decreased by 17.9% in 2020. In addition, Panama’s fiscal deficit in 2020 was of US\$5,350.4 million, or 9.95% of Panama’s GDP, as compared to 2019, when Panama had a fiscal deficit of US\$2,505 million, or 3.75% of Panama’s GDP. On March 24, 2020, the Panamanian government approved and began the implementation of a fiscal stimulus package, which included health-related expenditures, income transfers for vulnerable sectors of the population and extensions to tax deadlines.

To combat the COVID-19 pandemic, on March 14, 2020 the government of Panama suspended temporarily all flights from Europe and Asia and banned all foreigners from entering Panama. Citizens and permanent residents would be subject to mandatory quarantine for fourteen days. On March 19, 2020, the government of Panama suspended temporarily all international flights. As a result, airlines flying through the Airport were forced to cancel flights and modify itineraries, as the number of confirmed cases worldwide increased, including Copa Airlines. In October 2020, commercial flights resumed, and during the months of October, November and December 2020, there were 12,076 flights operated through the Airport.

The suspension of international and domestic commercial flights as a result of the COVID-19 pandemic directly impacted commercial businesses established at the Airport. Due to the closure of commercial activities in the Airport, the Airport had to adopt temporary financial relief measures for commercial concessionaires, including reduced invoicing and fees and the application of discounts. These were applied during the seven-month suspension of commercial flights at the Airport and were gradually phased-out once operations resumed. The impact of COVID-19 pandemic affected our results of operations. For example, operating revenues decreased by US\$34.2 million, or 60.0%, from US\$57.0 million for the three-month period ended March 31, 2020 to US\$22.8 million for the three-month period ended March 31, 2021 and by US\$170.3 million, or 65.8%, from US\$258.8 million for the year ended December 31, 2019 to US\$88.5 million for the year ended December 31, 2020.

We undertook steps to address the temporary reduction in revenues, including: (i) constant communication with the National Government of Panama, our sole shareholder, which reiterated its support for the measures adopted; (ii) constant communication with customers, especially airlines and concessionaires operating at the Airport, as well as constant communication with the market, through regular updates; (iii) measures to limit

operational costs, including part-time work and other personnel related measures, for Airport staff; and (iv) suspension of all non-essential investments.

We cannot predict the extent of the impact of the COVID-19 pandemic, nor the trends involving the pandemic's effects on economic activity and the Airport. See *"Risk Factors—Risks Relating to the Issuer—The recent COVID-19 pandemic, as well as any other public health crises that may arise in the future, is having and will likely continue to have a negative impact on passenger traffic levels, air traffic operations and our results of operations, financial position and cash flows"* and *"Risk Factors—Risks Relating to Panama—The worldwide economic effects of the outbreak of the Coronavirus could adversely affect Panama's economy."*

The full extent to which the COVID-19 pandemic will impact our business, results of operations, financial position and liquidity is unknown. Given the unprecedented uncertainty of this situation, including the unknown duration and severity of the pandemic and the unknown overall impact on demand for air travel, we are unable to forecast the full impact of the COVID-19 pandemic on our business. We will continue to closely monitor the situation and take all measures necessary to preserve the Airport's business and take steps to further strengthen our financial position.

Competitive Strengths

Despite the adverse effects of the COVID-19 pandemic and the implementation of travel restrictions worldwide, our principal competitive strengths include have kept us competitive throughout 2020 and so far through 2021. These include:

- The Airport is a Government-owned, critical infrastructure asset that benefits from Government promotional activities and Government relief;
- We are a market-leading airport;
- We benefit from Panama's strategic location in the LAC Region;
- We have strong, collaborative relationships with our carriers, including our top customer, Copa Airlines;
- We benefit from a strong Panamanian economy;
- The Airport enjoys diversified passenger, purpose and capacity distribution;
- Streamlined international Transit/Transfer Passenger clearance; and
- We have an experienced management team and a motivated workforce.

We are a market-leading airport

We are the leading Airport in Central America by passenger volume, serving approximately 1,290,922 passengers in the three-month period ended March 31 2021, 4,526,663 passengers in 2020, 16,582,601 passengers in 2019 and 16,242,679 passengers in 2018, as well as by operating revenues, with annual operating revenues of US\$22.8 million for the three-month period ended March 31, 2021, US\$88.5 million for 2020, US\$258.8 million for 2019 and US\$236.8 million for 2018. Additionally, in 2019 we were the third busiest airport in Latin America based on international passenger traffic. Furthermore, according to OAG, we had the best on-time percentage in 2019 amongst global medium-sized airports, defined as those with five to ten million departing seats per year, with 92.21% of flights departing within 15 minutes of their scheduled times, with Copa Airlines being the best among all airlines and first among Latin American airlines for 2019, at 92.01%. On March 2020, OAG suspended the release of the rankings due to the adverse effects to the industry caused by the pandemic of the COVID-19. Nonetheless, on the first two months of 2020, the Airport was ranked first in the performance category for Latin America and the Caribbean.

The quality of the Airport's services was recognized by Skytrax when it was selected as the "*Best Airport in Central America*" in each year from 2011 through 2020. In 2020, the Airport served approximately 76.2% of aviation passengers, and approximately 100% of air cargo, to and from Panama and generated US\$88.5 million from both passenger and cargo services, including revenues from both aeronautical and non-aeronautical segments. Over the last five years, we have invested approximately US\$837.2 million to expand and improve the Airport's operations, in addition to other expansions and upgrades we have made during the same period to modernize and maintain competitive our facilities. For example, we are currently developing Terminal 2 to increase our service quality, as well as upgrading the baggage handling system in the main terminal and implementing self-service technology ensuring a quick and independent check-in process for passengers. As of the date of this Offering Memorandum, the Airport has provisionally accepted Terminal 2 from the contractor, as construction is 99.7% complete. The Airport recently completed operational tests of Terminal 2 and this will be followed by gradual and phased-in operations, with full commencement of operations expected on or around September 2021.

We believe that the size of the Airport, the scale of its destination and airline network and its operating personnel give the Airport robust competitive advantages over its competitors. The Airport serves a diversified traffic mix and a large airline customer base, which provides an expansive market for a variety of services. In addition, we believe that our long-term expansion plan will provide sufficient capacity for our future operational and financial success.

We benefit from Panama's strategic location in the LAC Region

Panama is an important regional trading center and a natural geographic hub between North, Central and South America and the Caribbean. Panama's strategic location supported the development of the Panama Canal (the "Canal") and the Colón Free Trade Zone. Due to its central location, the Airport has significant geographic advantages over competing regional airports, and the Airport derives a significant amount of its airline interest and aeronautical revenues from its importance as a regional hub for the LAC Region. Panama enjoys a favorable weather environment, which leads to low levels of service disruptions. Accordingly, the Airport has been closed (during business hours) for an average of less than three hours per year over the last five years due to weather-related conditions. Furthermore, the Airport's location at sea level provides relative cost and operational advantages compared to airports located at higher elevations (such as Bogota and Mexico City), as the Airport enjoys better visibility conditions during inclement weather and planes may take off with higher weights, resulting in higher yields for airlines. Finally, because of the Airport's central geographic location in the Americas, airlines may service almost all of North and South America (cities as far north as Toronto and as far south as Buenos Aires) with newer narrow-body aircraft, avoiding the need to rely as heavily on more expensive wide-body aircraft to cover greater distances. As a result, we believe the Airport is attractive to airlines seeking to better serve the entire LAC Region. See "*Business—Airline Service—Traffic Growth*."

We have strong, collaborative relationships with our carriers, including our top customer, Copa Airlines

We have strong, collaborative relationships with all the major airlines operating in Panama and we regularly communicate with them regarding developments in our industry and other issues. These airlines have one voting member on our Board of Directors, who is elected by the Panama Airlines Association ("ALAP").

The Airport has an especially strong historical relationship with Copa Airlines, a leading Latin American provider of passenger services. Copa Airlines has historically been one of the largest private employers in Panama and contributor to Panama's aviation industry. The Airport is the network hub and the principal base of operations for Copa Airlines. During 2019, Copa Airlines and its affiliates operated approximately 88% of the total operations of the Airport, reaching 326 daily flights. Despite the COVID-19 pandemic, Copa Airlines continues to be our principal airline, currently offering approximately 130 daily flights from the Airport and providing service to 49 destinations in 25 countries in the Americas and the Caribbean. Copa Airlines also currently provides passengers with access to flights to more than 146 other destinations through codeshare arrangements with United Airlines and other airlines pursuant to which each airline places its name and flight designation code on the other's flight. Additionally, in 2019, Copa Airlines and its affiliates accounted for 86.2% of all scheduled departing seats, and transported approximately 3.0 million Origin/Destination Passengers and approximately 11.3 million Transit/Transfer Passengers to and from the Airport. Despite the adverse effects of the COVID-19 pandemic, Copa Airlines and its affiliates remained competitive in 2020 and still accounted for 86.7% of all scheduled departing

seats at the Airport and transported approximately 0.9 million Origin/Destination Passengers and approximately 3.0 million Transit/Transfer Passengers to and from the Airport. See “*Business—Airline Service—Copa Airlines; and — Other Airlines.*”

The concentration of such traffic volume in just one airline has facilitated a highly favorable and more efficient use of the Airport’s capacity. Copa Airlines has gained a competitive advantage over other major carriers serving the region by offering service not only to major destinations, but also to secondary regional destinations that are either not served by other major carriers or are served only by the national carrier of that country. Among Copa Airlines’ primary competitive strengths is the Airport’s strategic location as the airline’s “*Hub of the Americas.*” Because of the Airport’s central location, convenient connections to Copa Airlines’ principal markets, the Americas and the Caribbean, are possible, enabling it to consolidate traffic to serve destinations that do not generate enough demand to justify direct flights. Copa Airlines’ focus on maintaining low operating costs and efficient operating performance have contributed significantly to its profitability. When coupled with its modern fleet, this focus on low operating costs and efficient performance has allowed Copa Airlines to create a strong brand and a reputation for quality service that has contributed to strong passenger loyalty.

We have enjoyed a mutually beneficial relationship with Copa Airlines for many years. Copa Airlines’ successful business strategy, route expansion and growth in passenger volume have substantially contributed to our revenues, and our improvements to the Airport’s infrastructure have met a necessary condition for Copa Airlines’ growth.

We benefit from a strong Panamanian economy

One of the primary drivers of Origin/Destination Passenger volumes at the Airport has historically been the strong performance of the Panamanian economy. Even though the COVID-19 pandemic has significantly affected such performance, with an estimated GDP decrease of 17.9% in 2020, real GDP growth has in the past several years been robust, at 3.0%, 3.6% and 5.6% in 2019, 2018 and 2017 respectively. See “*Business—Presentation of the Market—Panamanian Economy.*” Also, the political environment in Panama has remained stable, with an attractive business environment and regulatory system. The U.S. dollar is the legal tender in Panama, which contributes to the attractiveness of Panama as a business center. Moreover, Panama maintains investment-grade sovereign ratings for its debt as stable, currently rated Baa2, BBB and BBB- by Moody’s, Standard & Poor’s and Fitch, respectively. The country also benefits from a historically fast-growing middle class and a relatively high per capita income, which contributes to higher levels of discretionary spending and greater use of air travel, but which was substantially affected in 2020 by the COVID-19 pandemic. Estimated GDP per capita for 2020 was US\$12,373.00, down from US\$15,831.00 for 2019, remaining nonetheless the highest in Central America. Panama also benefits from a relatively large, educated population with sizable spending power.

The Panamanian economy has not only been resilient during the COVID-19 pandemic, but is also positioned to be one of the fastest growing economies in the region. Despite the contraction in GDP in 2020 due to the COVID-19 pandemic and the strict quarantine measures ordered by the Panamanian Government, the World Bank estimates that Panama’s real GDP is expected to grow by 9.9% in 2021. Panama’s GDP growth in 2021 estimate is superior to those of Costa Rica (2.7%), Chile (6.1%), Colombia (5.9%), Mexico (5.0%), Brazil (4.5%), and the Dominican Republic (5.5%). Panama’s growth expectations are primarily due to the opening of the economy as COVID-19 mobility restrictions eventually ease, and as copper mining operations ramp up, infrastructure projects advance, and global trade rebounds. Additionally, the use of the U.S. dollar as its legal tender further increases the attractiveness of Panama as a business center, supported by the Panama Canal, the Panama Pacifico Project Zone, the Colon Free Zone (which includes international trade-related services for electronics, pharmaceuticals, liquor, textile, jewelry, toys, among others), bunkering services, seaports and real estate. We believe that the country’s favorable economic conditions provide a strong foundation with attractive growth prospects and a positive outlook for the sector in which we operate.

The Airport is a critical infrastructure asset that benefits from Government promotional activities

Over the last several years, the Government of Panama (the “Government”) has promoted the country as a global platform for transportation, logistics and business, with projects including the expansion of the Canal and the development of road and subway infrastructure. The Canal’s expansion project, completed in June 2016, was designed to double its capacity by allowing increased traffic and larger ships. Similarly, the Government has also

promoted the expansion of the Colón Free Trade Zone, a tax-favored import and export trading zone located near the Atlantic entrance to the Canal, as a means to leverage the presence of the Canal and enhance the competitiveness of the broader Panamanian economy. The Government has also promoted the development of Panama's tourism industry, which grew significantly until 2020, when it contracted due to the adverse effects of the COVID-19 pandemic, as well as the use of Panama as the regional corporate headquarters for a number of global corporations. The success of these policies is reflected by the presence of a variety of regional headquarters of international corporations in Panama, including, among others, Nestlé, HILTI, P&G, Caterpillar, Dell, Maersk, 3M and General Electric. In addition, in 2019, the Government's efforts have been key to Panama's selection as the host for World Youth Day 2019, a gathering that brought thousands of people from around the world to Panama City in January 2019. We believe Panama's continued and concurrent infrastructure and economic development is important to the Airport's growth as it contributes to increased travel, including via air transportation, both to and through Panama.

The Airport enjoys diversified passenger, purpose and capacity distribution

In 2020, Origin/Destination Passengers accounted for 29.56% of the Airport's passengers and Transit/Transfer Passengers for 70.44%. We collect a passenger exit fee ("PEF") from departing international passengers, which is our primary source of revenue. Transit/Transfer Passengers contribute significantly to the Airport's non-aeronautical revenue and reflect its importance as a regional hub. The Airport also benefits from significant amounts of passengers flying for a variety of purposes, including business travel, leisure travel and personal travel. Additionally, the Airport is located in the province of Panama, a center of commerce home to large corporations, a significant banking presence, a wide variety of tourism businesses and the most affluent residents in the country. As a result, the Airport is positioned to serve the region and a large population likely to travel internationally for both business and leisure.

The geographic distribution of the Airport's scheduled departing seats reflects its focus on providing balanced capacity throughout the LAC Region. In 2020, 41.51% of scheduled departing seats from the Airport went to South America, 32.13% went to North America, 10.91% went to the Caribbean, 10.17% went to Central America and 5.21% went to Europe and 0.06% went to Asia.

Furthermore, in 2017, the Government enacted legislation to foster investment and tourism into Panama. Similarly, in order to increase the number of leisure passengers using the Airport, the Panama Tourism Authority develops and promotes tourism in the country through various national advertising campaigns and partnerships to attract international events to Panama, resulting in Panama's selection as the host for World Youth Day 2019, a gathering that brought thousands of people from around the world to Panama City in January 2019. In May 2021, the Cabinet Council approved the *Plan Maestro de Turismo Sostenible 2020-2025* to promote tourism in Panama for the next few years, allocating an additional approximately US\$10.0 million for tourism marketing and approximately US\$46 million for improvements to the roads and highways infrastructure of the country.

Streamlined international Transit/Transfer Passenger clearance

A major advantage of the Airport as a LAC Region hub is the convenience that Transit/Transfer Passengers enjoy, as their baggage is not required to clear customs and immigration during the transfer process. By contrast, at U.S. airports, including Miami International, historically a dominant LAC Region hub, and Luis Muñoz Marín International Airport in Puerto Rico, such clearance is required before embarking on a connecting international flight, and certain nationalities require a visa even in the case of transit passengers. Consequently, international-to-international transfer times at the Airport can be significantly shorter than at competing U.S. airports, along with less burdensome documentation requirements. The Airport's gates consist of a single security zone making it easy to transfer between flights. As a result of the great convenience offered to Transit/Transfer passengers, the Airport has maintained its LAC Region market share in recent years. The Airport remains ready and able to adopt new security controls as they become required by international certification standards or other countries.

We have an experienced, internationally minded, management team and motivated workforce

We benefit from an experienced and talented management team, many of whom previously held executive positions in various private industries in Panama and elsewhere. Our management uses a planning and development process for our human capital to support the current and future capabilities of the organization and ensure its sustainability over time. For example, we have developed comprehensive training plans to improve project

management, customer service and assistance, airport operations, administration management, leadership and other skills that are required in key positions, as well as investing in personnel visits to market-leading hubs such as FedEx's Global Cargo hub in Memphis, Tennessee and some advanced baggage handling systems at airports around the world such as Toronto, Dubai, Amsterdam, Helsinki, Bangkok, Singapore, as part of a management tour of model airports worldwide. Furthermore, our workplace is career-oriented and emphasizes teamwork, outstanding customer service and meritocracy in order to attract and retain highly qualified personnel and maintain a motivated workforce. The quality of the Airport's employees was recognized by Skytrax when the Airport was selected as having the "*Best Airport Staff in Central America*" in each year from 2011 through 2020.

Our regulatory framework, board composition and decision-making process provides enhanced checks and balances and transparency

Multiple parties, including entities independent from the Airport, are involved in the decision-making process at the Airport. Any agreement in excess of US\$300,000 must be approved by our Board of Directors and the Cabinet Council must approve agreements in excess of US\$3,000,000. Additionally, four members of our Board of Directors are appointed by the Ministry of Economy and Finance ("MEF"), one member is elected by the ALAP, one member is elected by our employees and one voting member is elected by the Airport's concessionaires, allowing for greater independence and transparency in key decisions affecting the Airport. Furthermore, our annual budget is approved by the National Assembly and material disbursements are approved by the General Comptroller's Office (the "*Contraloría*"), an institution independent of the Government. A system of checks and balances ensures that the Airport's management and disposition of funds and assets has adequate oversight.

Significant Expansions

Over the last five years, we have invested approximately US\$837.2 million to expand and improve the Airport's operations, in addition to other expansions and upgrades we have made during the same period to modernize and maintain competitive our facilities. For example, we are currently developing Terminal 2 to increase our service quality, as well as upgrading the baggage handling system in the main terminal and implementing self-service technology ensuring a quick and independent check-in process for passengers. Moreover, we plan to build a new third runway running parallel to runway 03R- 21L, which will enable us to serve additional passenger inflows. The development plan shows that additional land is required to be acquired in connection with construction of the third runway.

Our expansion plans have been delayed as a result of the COVID-19 pandemic. However, we expect to resume such plans as soon as the adverse effects of the COVID-19 pandemic subside. The schedule of our expected expansions will be determined by demand levels at the Airport.

Strategies

We will seek to improve our operational performance and increase our earnings by implementing the following strategies:

- Develop world-class services at the Airport;
- Expand passenger capacity through focused capital expansion;
- Improve operating efficiency; and
- Diversify and increase non-aeronautical commercial revenues.

Develop world-class services at the Airport

We intend to maximize our share of the annual passenger traffic in Latin America (including Central America) through the following specific strategies:

- ***Continue to promote our recognition*** as the “Best Airport in Central America” and as having the “Best Airport Staff in Central America” in each year from 2011 through 2020 by Skytrax. The recognition from these awards improves our strategic position and our attractiveness as a hub.
- ***Follow strict health and safety protocols and biosecurity measures***, in close coordination with Panama’s health authorities, and continue operating an attractive and safe hub for passengers through the COVID-19 pandemic.
- ***Open new strategic intercontinental routes*** at the Airport through the promotion of the Airport in key cities in Latin America and developing additional connectivity with Europe, Asia and the Middle East (through locations such as United Kingdom, China, Poland and Dubai) in order to position our Panama hub as one of the main gateways in the Americas.
- ***Continue to develop Panama’s growing tourism industry*** with Panamanian tourism agencies, Copa Airlines and other airlines. We have capitalized on Copa Airlines’ membership in the Star Alliance, which has boosted its passenger growth and helped further promote the Airport as a regional hub. Furthermore, the Airport has increasingly benefited from Copa Airlines’ strategy of strengthening its ties with leading European airlines, such as KLM and Iberia, both of which have significantly increased service to and from the Airport in recent years. These and other airlines offer code-sharing flights with Copa Airlines, through which passengers originating in Europe and destined for LAC Region destinations fly to the Airport on a European carrier, and then transfer to a Copa Airlines flight to their final destination, all on one integrated ticket. The Airport has also increased its efforts to attract new airlines and to foster the opening of new routes by offering marketing support to airlines to promote growth.
- ***Execute our capital expansion master plan*** for the Airport, which includes completing the construction of Terminal 2 and other improvements and expansions. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Principal Components of Our Results of Operations—Capital Expansion Plans*”. Our capital expansion master plan will create increased capacity at the Airport to increase its revenues and improve its service quality. As of the date of this Offering Memorandum, the Airport has provisionally accepted Terminal 2 from the contractor, as construction is 99.7% complete. The Airport recently completed operational tests of Terminal 2 and this will be followed by gradual and phased-in operations, with full commencement of operations expected on or around September 2021.
- ***Consolidate flights*** from/to the Airport’s traditional markets (such as North America) and expand flights from/to other markets (such as Asia and Eastern Europe). We also aim to reduce seasonality and decrease intra-week volatility in some locations while consolidating existing markets.

Expand passenger capacity through focused capital expansion

Over the last five years, we have invested approximately US\$837.2 million to expand and improve the Airport’s operations, in addition to other expansions and upgrades we have made during the same period to modernize and maintain competitive our facilities. For example, we are currently developing Terminal 2 to increase our service quality, as well as upgrading the baggage handling system in the main terminal and implementing self-service technology ensuring a quick and independent check-in process for passengers.

Our capital expansion plans include the following:

- the new Terminal 2 building recently completed operational tests and this will be followed by gradual and phased-in operations, with full commencement of operations expected on or around September 2021.
- the construction of a new independent runway system;

- the expansion of the cargo-handling infrastructure and a new logistics free trade zone, which is expected to be completed during the last quarter of 2021;
- the acquisition of additional land for the Airport's expansion; and
- the expansion of related facilities, such as the further construction of satellite buildings designed to accommodate projected increases in passenger volumes, increase operational efficiency and expand retail spaces.

Our expansion plans are flexible enough to be modified based on underlying demand patterns and expectations. As a result of the COVID-19 pandemic, in 2020 and during the first quarter of 2021 the development of these plans had to be adjusted to accommodate diminished demand. Nonetheless, as the negative effects of the COVID-19 pandemic subside, will resume the implementation of our expansion plans. This will be done gradually, as traffic demand recovers throughout 2021 and 2022. Our plans will enable us to expand our capacity for both passenger and cargo, including more efficient facilities for customs and immigration and baggage handling needs. These capital investments and improvements will help ensure that the Airport remains a leading Latin American provider of passenger and cargo services.

Improve operating efficiency

We continue to focus on increasing operating efficiencies at the Airport. We recently upgraded the baggage handling system of Terminal 1, built and are building additional contact gates and apron areas to provide additional remote commercial and cargo aircraft parking positions and are undertaking taxiway improvements in Terminal 1. We are also continuing to evaluate several additional projects to further improve efficiencies in our capital expansion master plan, including the construction of a new third runway. Terminal 2 has been specifically designed to be located between two independent runways to expand hub terminal passenger capacity by facilitating the movement of passengers between connecting gates, improve passenger security and efficient baggage handling, increase duty-free spending and increase the efficiency with which Origin/Destination passengers are processed through immigration and customs. We have implemented our Public Announcement System, Multi-Airport Operation System (“AOS”) and passenger self-check-in system (Common Use Self Service Kiosk or “CUSS”) to allow faster passage through the Airport and continue working closely with ACI and IATA to create a standardized collaborative decision-making process. We are also continuing to implement a new state-of-the-art operating system utilized by some of the world's largest airports, as well as an operating procedures manual, both of which are expected to accommodate the Airport's expansion. The operating system and operating procedures manual will further integrate, automate and streamline various airport support functions, including (i) invoicing to better allow the Airport to capture airlines' resource usage and concessionaires' sales and (ii) dissemination of real-time information to enable efficient resource deployment throughout the Airport.

Furthermore, in keeping with our goal of operational efficiency, we outsource certain services to third parties because we consider it to be the most efficient way to quickly respond to increasing demand. Since 2018 we entered into such new service contracts for the maintenance and support of certain of our technological equipment, including security scanning machines. We also continue to upgrade and improve the maintenance of various key operational systems, including our IT systems, throughout the Airport. We will continue to evaluate different methods to enhance our operations and expect that this focus will increase our overall operational efficiency as well as reduce our long-term costs.

Currently, we are covered by Article 353 of Panamanian Law 176 of 2020, which results in the Airport being exempt from the public bidding requirement established under Panamanian Law 22 of 2006 for purchases under US\$1,000,000 for the acquisition of supplies, maintenance and parts necessary to maintain the public service. We believe that these measures, together with our continued review of our aeronautical rates and fees and the introduction of other non-aeronautical revenue streams and operating fees, will contribute to continue to improve efficiency by reducing our costs and will help to increase our revenues in the long-term, and, as a result, our competitiveness.

Diversify and increase non-aeronautical commercial revenues

For the three-month period ended March 31, 2021 and the years ended December 31, 2020 and 2019, 36.7%, 39.3% and 35.9%, respectively of our operating revenues, were generated by our non-aeronautical commercial activities, including revenues from concessions for retail stores, food and beverage and car parking. The CAA does not regulate non-aeronautical commercial revenues or otherwise establish what non-aeronautical fees and rates we can charge. We have worked with Pragma Consulting, a specialty British airport retail services consultancy, to optimize our retail spaces, improve the layouts and increase leasable space to increase our retail revenue. We intend to improve and diversify the retail product offerings in this area by working with several luxury retailers to introduce new complementary product offerings.

In addition to our retail offerings, we are analyzing other opportunities to diversify our non-aeronautical revenues, such as the development of the logistics free trade zone, which construction began during the last quarter of 2018 (see “*Business—Improvements and Expansion—Terminal Area Improvements—Logistics Free Zone*”).

Optimize the profile of our debt to reduce debt service costs during the short and medium term and create a debt structure that replicates the long duration of Airport assets

We intend to use the net proceeds from the offering of the notes to, among other things, finance the purchase of the Existing Notes pursuant to the Tender Offer, repay outstanding bank debt and fund the COVID Recovery Account. See “*Use of Proceeds*”. One of our principal goals with the offering of notes is to increase the average life of our debt spreading out year-on-year amortization throughout the tenor of the notes, with a view to materially reducing our yearly debt service over the next 10 to 15 years. In addition, achieving a longer debt average life will enable us to better match our financial liabilities to the long duration of our assets, particularly since we own and operate the Airport without the duration or other constraints typically applicable to concession regimes.

Also, the repayment of our outstanding bank debt will increase our ability to finance new projects, working capital and address other liquidity needs. Finally, the funds deposited in the COVID Recovery Account may (subject to certain conditions, see “*Description of the Notes—Collateral—Accounts and Priority of Payments—COVID Recovery Account*”) be utilized for the payment of O&M Costs and of interest and principal amounts due under our debt, further strengthening our financial condition.

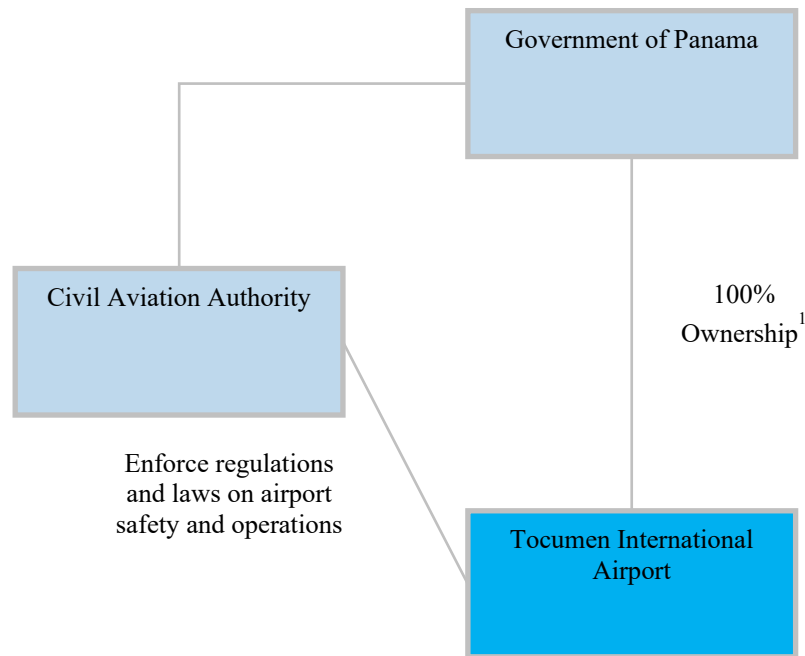
History and Organization

The Airport was inaugurated on June 1, 1947. The administrative building/passenger terminal was inaugurated seven years later. In 1971, due to Panama’s developing role as a transit hub and the growing demand for air operations in the country and region, Panama’s aeronautical authorities began the construction of new facilities. The current passenger terminal was inaugurated on August 15, 1978 and commenced operations on September 5 of the same year.

From its inauguration until May 31, 2003, the Airport was managed by the Civil Aeronautics Directorate of Panama (currently known as the Civil Aviation Authority or the “CAA”). Pursuant to Panamanian Law No. 23 of January 29, 2003 (as amended, “Law 23”), which regulates the administration of airports and airfields in Panama, the assets, liabilities and management of the Airport passed to us on June 1, 2003. The CAA’s responsibilities include regulating air transportation services, operational and airport security and fees and rates for aeronautical services in Panama pursuant to the procedures established by Law 23. See “*Regulatory Overview*.”

We are 100% owned by Panama and are governed by our board of seven voting directors (the “Board of Directors”) and three non-voting directors. Four of our voting directors are appointed by the executive branch of the Government, through the Ministry of Economy and Finance, and the other three directors are each elected by ALAP, our employees, and the Airport’s concessionaires, respectively. See “*Management and Employees—Board of Directors*” and “*—Management Team*.”

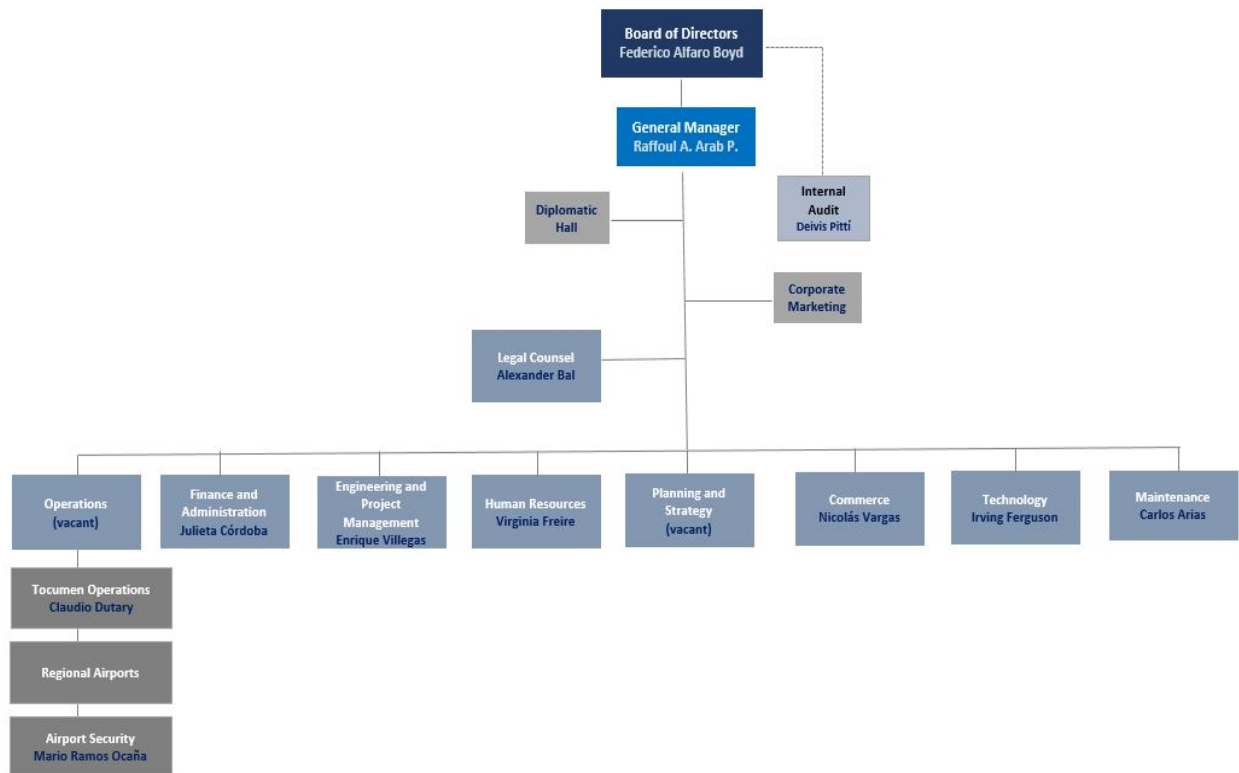
The following chart illustrates certain aspects of our ownership and regulatory structure.



¹ Corporation established under Law 23.

As of March 31, 2021, we had 1,514 employees spread across nine different operating vice-presidencies, which encompass a broad range of activities typical for a large commercial service airport. Approximately one-third of our employees perform Airport security functions. The number of our employees has generally increased over time to accommodate increased numbers of passengers using the Airport in connection with our various expansions.

The following chart provides an overview of our current management structure.



Presentation of the Market

Panamanian Economy

Panama is a republic located at the narrowest point of the Central American isthmus, which connects the continents of North America and South America. It has a coastline of approximately 1,868 miles on the Caribbean Sea and Pacific Ocean and is bordered on the east by Colombia and on the west by Costa Rica. Panama has a national territory of approximately 29,157 square miles situated within its coastline and 345 miles of land borders and includes numerous coastal islands. The Canal, one of the most important commercial waterways in the world, which connects the Atlantic and Pacific Oceans, bisects the country running northwest to southeast. Panama's climate is primarily tropical.

Panama has a convenient and key geographic location, which positively impacts the Panamanian economy and its development. As a result, we benefit from significant advantages as compared to our direct competitors:

- the Airport is in the center of major international routes connecting North, Central and South America (with optimal flexibility to operate a variety of aircraft without payload or operational limitations).
- similarly, the Airport's location is optimal, allowing all European destinations to be served with a long-range commercial fleet, with a maximum payload and without operational limitations.
- the Airport benefits from its optimal location at sea level without operational altitude limitations.
- the Airport benefits from generally good weather conditions.
- the Airport benefits from Panama's attractive positioning as one of the world's leading trading and logistics hubs.

- commitment of the government of Panama to make the country an important tourist destination.

In addition, the regulatory environment in Panama is highly conducive to business. During the period from 2017 to 2020, the population of Panama grew by an average of 1.4% per year. As of December 31, 2020, Panama had an estimated population of 4,279,000 and an approximate population density of 57 people per square kilometer. The province of Panama, the country's largest province and the province in which the Airport is located, is estimated to comprise approximately two-thirds of Panama's total population.

Panama benefits from a large, educated population with sizable spending power. Estimated nominal GDP for 2020 was approximately US\$52.9 billion, and US\$12,600.00 per capita, down from US\$15,700.00 for 2019, remaining nonetheless the highest in Central America.

In 2019, GDP in Panama grew by 3.0%, as compared to 3.6% and 5.6% in 2018 and 2017, respectively. Inflation, as measured by the average CPI with base year 2013, was estimated to be negative 0.4% in 2019, and to be 0.8% and 0.9% in 2018 and 2017, respectively. The Government's overall deficit increased from US\$1,346 million in 2017 (2.2% of nominal GDP) to a deficit of US\$2,071 million in 2018 (3.2% of nominal GDP), to a deficit of US\$2,505 million in 2019 (3.75% of nominal GDP) and to a deficit of US\$5,402 million in 2020 (10.2% of nominal GDP).

In 2020, GDP in Panama decreased by an estimated 17.9%, mainly due to the negative economic effects caused by the COVID-19 pandemic, which led to the declaration of a state of emergency at the end of the first half of March 2020. This entailed restrictions that significantly affected economic activity in the country. As a result, Panama's fiscal deficit in 2020 was of US\$5,350.4 million, or 9.9% of Panama's GDP. Throughout 2020, the Panamanian government issued debt to finance the deficit. Thus, the non-financial public sector debt balance grew by 19.2% in 2020 as compared to 2019, from US\$31,019 to US\$36,960 million. In 2020, Panama had a debt-to-GDP ratio of 69.8%, as compared to 46.4%, 39.4% and 37.6%, in 2019, 2018 and 2017, respectively.

The COVID-19 pandemic negatively impacted Panama's economic activity throughout 2020. As compared to 2019, in 2020 manufacturing decreased by 22.2%, construction decreased by 51.9%, wholesale and retail trade decreased by 19.4%, hotel and restaurant activities decreased by 55.8%, transportation, storage and communication activities decreased by 6.2%, and real estate, business and rental activities decreased by 30.8%. However, certain sectors did have increased activity levels and thus contributed to Panama's economy throughout the year. In 2020, as compared to 2019, government services increased by 9.9%, private health services experienced a growth of 4.7%, agricultural activity increased by 3.0%, fishing activities increased by 12.2% and mine exploitation grew by 34.1%. In the transportation sector, revenue from canal tolls increased by 1.7%, movement of TEU containers increased by 5.3%, exports of bananas increased by 10.0%, fish exports increased by 23.0% and copper and related concentrates exports grew by 34.4%.

Real GDP growth in Panama is currently expected to be 9.2% in 2021 and 7.3% in 2022. The economic recovery is expected to be driven by a "base effect" related to the 2020 GDP contraction (although some COVID-19 related measures are expected to still be in force during 2021), consumption recovery after the easing of mobility restrictions imposed by the Panamanian government to address the COVID-19 pandemic, government-led infrastructure projects (including the Panama Metro line No. 3) and production at the Minera Panama copper mine. These expectations are conditioned upon the successful and widespread distribution of vaccines to inoculate the Panamanian population against COVID-19, which would reduce or mitigate the need of imposing further COVID-19-related restrictions, as well as the recovery of global demand for Panama's service exports.

Latin American Development

The Airport has benefitted from strong economic performance in Latin America in recent years, as well as positive regional performance that is expected to increase air traffic growth over the next 20 years.

Panama has a growing middle class that has exhibited higher discretionary spending levels and greater use of air travel over the last several years. Notwithstanding growth in the middle class and the use of air travel,

enplanements per capita are still low as compared to other developed economies, which represent significant growth opportunities for regional airlines and the Airport.

Air travel is considered the most reliable and most frequently used form of travel in Central and South America. Latin America is characterized by mountainous landforms, jungle barriers and complex waterways, which result in poor land connectivity and increase the advantages of air travel. The existing inter-city and cross-border roads are of highly inconsistent quality and are at times exposed to areas with high crime risk, making air travel a safer, and sometimes the only option for travel. For example, despite Panama City and Bogota being only 480 miles apart, geographic conditions make it physically impossible to travel by car. This creates additional demand for the Airport to facilitate regional transportation. A large number of cities in Latin America require some form of air transportation due to the difficulties of other forms of transportation.

Historical Information

Panama adopted its first constitution in 1904, and, between 1904 and 1968, Panama generally experienced social and political stability and economic growth under a constitutional democracy. Constitutional government continued until October 1968, when the National Guard mounted a military coup and replaced the civilian government. Although the military made nominal efforts during the late 1970s to return to civilian government, the military generally remained in control of the Government until 1989. Since the end of 1989, Panama has enjoyed political and economic stability under democratically elected governments.

Panama maintains diplomatic relations with 97 countries. Panama is a charter member of the United Nations and a member of various other international organizations, including the International Monetary Fund and the IDB. Panama is a founding member of the Organization of American States and is also a member of the International Bank for Reconstruction and Development (the “World Bank”) and the World Bank affiliates, International Finance Corporation and Multilateral Investment Guaranty Agency (together the “World Bank Group”), as well as a member of the San José Pact, under which Venezuela and Mexico agreed to provide the Central American countries and four Caribbean countries with crude oil and petroleum products under preferential terms. On September 6, 1997, Panama became a member of the World Trade Organization.

While much of the service sector economic activity is represented by activities associated with public administration, commerce and real estate, the other significant, internationally oriented activities of this sector distinguish the Panamanian economy. The Canal has played a growing and currently significant role in the economy since its transfer to Panama on December 31, 1999. The withdrawal of the U.S. military and reversion of facilities in the former Canal Zone, culminating with the reversion of the Canal itself at the end of 1999, had substantial fiscal and macroeconomic impacts on Panama and its economy. These impacts have largely been absorbed by Panama in the years since the withdrawal. The Canal’s expansion project, completed in June 2016, with a cost of more than US\$5,250 million, provides 1,250 million additional tons of cargo capacity and increasing annual revenue. In the Canal’s 2020 fiscal year (which ended September 30, 2020), commercial oceangoing traffic registered 13,369 transits and the Canal’s toll revenue was US\$2,663.2 million. We believe the expansion of the Canal has continued to have a positive impact on air freight and cargo traffic at the Airport, by generally increasing business activity.

Another significant and distinctive factor of the Panamanian economy is the Colón Free Trade Zone, a tax-favored export and import trading zone located near the Atlantic entrance to the Canal, which contributed an average of 4.5% of GDP between 2017 and 2020. The Colón Free Trade Zone is the largest free-trade zone in the Western Hemisphere, servicing approximately 19,794 visitors and investors in 2020 and 87,441 visitors in 2019 and accounting for more than US\$14,419.7 million of imports and re-exports in 2020. The Colón Free Trade Zone is a key international goods transit and distribution center in Latin America. More than 2,157 international and local firms operate in it.

Over the years, Panama has entered into free trade agreements, including agreements with the following countries: Israel, Chile, Singapore, Peru, Canada, and certain Central American countries, among others. On March 1, 2021, the free trade agreement entered in 2018 by and between the Republic of Korea and certain Central American countries came into effect. Further, on January 1, 2021, the Agreement Establishing an Association between the United Kingdom of Great Britain and Northern Ireland and Central America entered by Panama and the United Kingdom came into effect. Panama has also had a Promotion Trade Treaty with the United States since 2007

and is part to an Association Agreement between certain Central American countries and European Union since 2013.

Further, as of March 31, 2021, Panama has signed treaties and concluded negotiations in order to avoid double taxation with the following countries: Barbados, Czech Republic, France, Ireland, Israel, Italy, Netherlands, Mexico, United Kingdom, United Arab Emirates, Luxembourg, Portugal, Singapore, South Korea, Spain, Qatar and Vietnam. Most OECD member countries have been invited to negotiate, as well as important trading partners such as India and Japan. Nonetheless, in February 2021 the Economic and Financial Affairs Council of the European Union adopted a revised European Union blacklist of non-cooperative jurisdiction for tax purposes, including Panama.

Panama's unique geographic position, service economy (including the Canal) and monetary regime anchored by the use of the U.S. dollar as legal tender are major factors in Panama's economic performance. Panama has used the U.S. dollar as its legal tender since shortly after gaining its independence. The national currency, the Balboa, is used primarily as a unit of account linked to the U.S. dollar at a ratio of one U.S. dollar per one Balboa.

Airport and Facilities

The Airport (IATA: PTY, ICAO: MPTO) is located approximately 24 kilometers northeast of downtown Panama City and occupies an area of approximately 1,003 hectares. The Airport property is approximately six kilometers long, running from the southwest to the northeast, with an average width of 1.49 kilometers. The Airport is surrounded by dense urban development to the north, west, and northeast, with marshlands and agricultural fields located to the south and southeast. Set forth below is a map illustrating the current Airport facilities.



Overview of Facilities

The table below sets forth certain summary information about the Airport and its facilities.

Summary of Facilities

	<u>Approximate Sq. Meters</u>
Airport land area	1,002,764
Runway area (from 2 runways) ...	257,940
Apron area (T1, T2, T Cargo)	601,369
Terminals area (T1, T2, T Cargo)	
Open/circulation area.....	46,730
Baggage claim & makeup	2,394
Departure lounges.....	16,156
Retail & concessions	145,002
Airport operations space.....	17,933
Airline space	
Copa Airlines space.....	39,922

Other airlines space	22,725
Total airlines space	62,647
Security (including immigration) ...	12,447
Airport administration	5,357
Office space	2,058
Ground transport.....	501
Total space.....	311,225

Airfield Facilities

The Airport is classified as a category 4E airfield, allowing aircraft operations up to ICAO category E (A340, B777, B747).

The Airport has two staggered parallel runways separated by approximately 860 meters. Runway 3R-21L is 3,050 meters long by 45 meters wide and located on the southeast quadrant of the Airport, and runway 3L-21R is 2,682 meters long by 45 meters wide and located in the northwest quadrant of the Airport. Each runway is surrounded by urban development.

Runway 03R/21L has precision instrument approaches and runway 03L/21R has non-precision basic visual approaches. Runway 03R/21L is equipped with a Category I Instrument Landing System (“ILS”), which allows aircraft approaches to a decision height of 200 feet in visibility minimums of a half mile. Both runways have associated half-length parallel taxiways, Taxiway L and Taxiway E. Taxiway E provides access to the northeast quadrant of the Airport (cargo and general aviation areas). Additional taxiways connect the runways and taxiways to other Airport facilities.

In coordination with the construction of the North Concourse, a taxiway connecting the new terminal apron, the runway 21L threshold and the runway 3L threshold were built.

Terminal Facilities

The Airport’s terminal complex currently occupies approximately 45 hectares located south of the airfield, and primarily consists of one passenger terminal building, commercial aircraft parking, Airport administrative offices and the ground transportation system. This includes both the original terminal (“Terminal 1” or “T1”) and also the new terminal, which is partially operational (“Terminal 2” or “T2”).

Terminal 1 includes a three-story core processor building with two diagonal distributors terminating with radial satellite lounges. It was opened in 1978 and renovated and expanded between 2006 and 2009. The linear North Concourse project, which became operational in March 2012, expanded Terminal 1 by adding 12 additional gates. Terminal 1 is approximately 75,000 square meters with three levels, two of which are dedicated to passenger services and the third being a mezzanine with concessions and Airport offices. Baggage sorting, baggage claim, immigration, customs, rental car counters and a meet-and-greet hall are located on the lower level. Airline ticket counters and offices, security screening, concessions, and passenger hold areas are located on the second level. The third level includes office space and food services.

The Airport is currently developing the new Terminal 2, which shall occupy approximately 116,000 square meters with three levels, two of which shall be dedicated to passenger services and the third being a mezzanine with concessions and Airport offices. As of the date of this Offering Memorandum, the Airport has provisionally accepted Terminal 2 from the contractor, as construction is 99.7% complete. The Airport recently completed operational tests of Terminal 2 and this will be followed by gradual and phased-in operations, with full commencement of operations expected on or around September 2021. For more information, see “—*Terminal Area Improvements—Terminal 2 Expansion*”.

Terminal 1 provides 34 standard aircraft contact parking positions for aircraft equipped with passenger loading bridges and four remote parking positions. Terminal 2 will have 20 standard aircraft contact parking positions for aircraft equipped with passenger loading bridges and eight remote parking positions. Even though

Terminal 2 is still under development, nine of its contact parking positions and all eight remote parking positions have already been completed and are currently being used for the embarking and disembarking of passengers. See “—Terminal Area Improvements—Terminal 2 Expansion”. All remote parking positions are serviced by shuttle buses picking up boarding passengers moving to and from the remote gates and the central building. Passengers disembarking from remote positions are transported to a Terminal 1 gate. All gates are of common use and operated by the Airport. Additionally, there are 10 cargo terminal parking positions for peak period and overnight parking.

Approximately 45 hectares of apron are available for aircraft maneuvering and parking at the passenger terminals. The apron is currently configured to accommodate aircraft ranging from regional jets to Boeing 747 aircraft.

A domestic terminal is located on the north side of the main Terminal 1 building. This domestic terminal is used for domestic flights operated by Copa Airlines, which main domestic destination is the city of David, Chiriquí province.

Airport Access and Car Parking

A 1.3-kilometer, one-way loop road consisting of two lanes provides access to the terminal complex. The loop diverges and widens in front of the terminal to provide an upper and lower curbside with two travel lanes and two passenger pickup/drop-off lanes on each curbside.

A partially covered public car park is located west of the terminal building. This is the main parking facility for airline passengers and provides 995 public parking spaces. The airport currently manages and operates the rental of these parking spaces. A 360-space employee parking lot is located adjacent to the Airport’s administration buildings. Also, the Airport has an area for short-term 45-minute parking which provides 118 free public parking spaces.

Rental car facilities are located southwest of the terminal building, adjacent to the departures curbside approach.

Other Aeronautical-Related Facilities

An air cargo facility is located in the northeast quadrant of the airfield, accessed by cargo vehicles via a cargo road. Approximately 105,200 square meters of apron space is provided adjacent to the cargo facility. A general aviation complex is located north of the terminal complex between the two runways with 10,000 square meters. Copa Airlines operates a maintenance facility north of the cargo facility. The facility includes a maintenance hangar and a 12,820 square-meter office. An additional commercial aviation maintenance facility is located on the south side of the passenger terminal complex.

An Airport Traffic Control Tower (“ATCT”) is located on top of the passenger terminal building and provides office space for air traffic control personnel and associated equipment storage. The CAA manages and operates the ATCT. The Airport fuel farm is located south of the private aviation complex, and the fuel supply of contact stands is ensured using hydrant pits, while remote stands are fed using fuel trucks. A 4,115 square-meter aircraft rescue and firefighting (“ARFF”) facility is located north of the terminal near the center of the airfield, and includes staff areas and covered vehicle bays.

Principal Business Activities of the Airport

The Airport’s strategic organization and management translate into significant competitive advantages for us:

- The Airport’s ownership structure ensures its long-term financial stability. The Airport is not linked to short-term profit maximization or investment return for limited concession time.
- The Airport works closely with the Panama Ministry of Tourism (*Autoridad de Turismo de Panamá* or “ATP”), implementing specific marketing and pricing policies to attract new traffic.

The table below shows the principal activities of the Airport by revenue for the three months ended March 31, 2021 and March 31, 2020:

	Three months ended March 31, 2021		Three months ended March 31, 2020	
	Amount	% of Total Income	Amount	% of Total Income
	<i>(US\$ except percentages)</i>			
Aeronautical revenues⁽¹⁾.....	14,468,559	63.3%	36,992,899	64.8%
PEF.....	3,388,890	14.8%	15,149,378	26.5%
Development fee.....	1,352,832	5.9%	6,049,896	10.6%
Landing fee.....	1,856,372	8.1%	3,321,670	5.8%
Boarding bridge charges...	830,738	3.6%	1,552,708	2.7%
Security fee.....	999,129	4.4%	2,905,939	5.1%
Fuel service.....	1,801,317	7.9%	4,112,640	7.2%
Other services.....	4,239,281	18.6%	3,900,669	6.8%
Non-aeronautical revenues	8,374,282	36.7%	20,096,153	35.2%
Fixed rent.....	5,958,786	26.1%	10,626,059	18.6%
Variable rent commissions	1,195,752	5.2%	7,871,096	13.8%
Sales of turnkey rights.....	929,710	4.1%	929,805	1.6%
Other revenues ⁽²⁾	290,034	1.3%	669,193	1.2%
Operating revenues.....	22,842,841	100%	57,089,052	100%

(1) Includes cargo revenues.

(2) Includes revenues from surcharges, fines, parking and revenues other than rent and airport operation services.

The table below shows the principal activities of the Airport by revenue for the year ended December 31, 2020 and December 31, 2019:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Amount	% of Total Income	Amount	% of Total Income
	<i>(US\$ except percentages)</i>			
Aeronautical revenues⁽¹⁾.....	53,758,355	60.7%	165,998,778	64.1%
PEF.....	19,016,564	21.5%	68,951,410	26.6%
Development fee.....	7,591,127	8.6%	27,535,116	10.6%
Landing fee.....	5,702,525	6.4%	15,191,454	5.9%
Boarding bridge charges.....	2,278,344	2.6%	7,224,860	2.8%
Security fee.....	3,748,463	4.2%	13,806,849	5.3%
Fuel service.....	6,463,545	7.3%	17,857,359	6.9%
Other services.....	8,957,787	10.1%	15,431,730	6.0%
Non-aeronautical revenues.....	34,743,671	39.3%	92,891,496	35.9%
Fixed rent.....	16,485,531	18.6%	47,479,380	18.3%
Variable rent commissions.....	10,707,854	12.1%	36,511,307	14.1%
Sales of turnkey rights.....	3,719,222	4.2%	3,719,222	1.4%
Other revenues ⁽²⁾	3,831,064	4.3%	5,181,587	2.0%
Operating revenues.....	88,502,026	100%	258,890,274	100%

(1) Includes cargo revenues.

(2) Includes revenues from surcharges, fines, parking and revenues other than rent and airport operation services.

Aeronautical Revenues

Aeronautical revenues are derived from the PEF, the Development Fee, security charges, air cargo parking charges, landing fees, into-plane fueling, passenger boarding bridge charges and revenue from cargo operations, which are paid by airlines to us pursuant to the Airport's tariff schedule approved periodically by the CAA. Additionally, the Airport instituted a Development Fee on January 1, 2016. For further detail on our aeronautical revenues, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Components of Our Results of Operations—Aeronautical Revenues.*" There are no "use and lease" agreements between us and the airlines (either individually or collectively) using the Airport related to airline operations on the airfield or in the terminals.

CAA approval is required for any proposed changes to the various categories of aeronautical charges (including adjustments to account for inflation). Although costs are taken into account in the determination of the rates, these charges are not directly based on costs, as there is not a specified formula for calculating the individual fees and charges based on the associated allocated costs. It is a policy of our Board of Directors to include the costs of maintaining a robust financial profile for the Airport and meeting its financial covenants and obligations in such costs. In order to adjust fees and charges, we need to prepare a submission to the CAA justifying the need for the fee changes proposed. While there is no prescribed timetable for CAA review, fee adjustments are typically reviewed and approved by the CAA's board of directors at the same meeting at which they are proposed.

We have historically been able to obtain CAA approval for fee and charge increases when needed. No formal consultation with the airlines or other parties is needed, although we generally hold a meeting with the airlines to discuss any proposed fee and charge adjustments and solicit airline comments and views. While there is no notice period required before the new fees are put into effect, we generally provide a notice period of 60 days to the airlines prior to any fee adjustments. See "*Regulatory Overview.*"

Non-aeronautical Revenues

Non-aeronautical revenues include revenue generated from concession agreements, including retail concessions, food and beverage services, car parking and other services, such as terminal area concession agreements for advertising, banking, foreign currency exchange and vending machines. The Airport collects revenues from all concessionaires based on a fixed monthly rental payment for space occupied by the concessionaires and a variable rent based on a percentage of their gross sales at the Airport. In addition, certain retail concessionaires were required to pay upfront payments to purchase turnkey rights, which we reflect in non-aeronautical revenues. Retail sales are also a factor in the amount of non-aeronautical revenues that we generate.

As part of the Airport's business strategy, we have been increasing the number of retail space in the Airport put to bid. Our retail footprint is being significantly increased with the construction of Terminal 2. See "*—Terminal Area Improvements—Terminal 2 Expansion.*"

From 2005 through 2009, 27 spaces were put to bid by the Airport; from 2009 through 2013, 11 spaces were put to bid; and from 2013 through 2016, 32 spaces were put to bid. In 2017, Terminal 2 spaces began being put to bid, and as a result 22 spaces were put to bid, representing 2,504 square meters in Terminal 1 and 93.7 square meters in Terminal 2. Further, in 2018, 9 spaces comprising 1,896.96 square meters of retail space and 45 spaces comprising 6,772.24 square meters of retail space were put to bid for Terminal 1 and Terminal 2, respectively, representing a total of 54 spaces comprising 8,669.20 square meters of retail space put to bid. Moreover, in 2019, 3 spaces comprising 51.55 square meters of retail space and 9 spaces comprising 51.55 square meters of retail space were put to bid for Terminal 1 and Terminal 2, respectively, representing a total of 12 spaces comprising 958.94 square meters of retail space put to bid.

Until March 2020, we had achieved record long-term lease rates with our concessions in the commercial spaces available in Terminal 1 and new concessions in the spaces to be delivered from Terminal 2, reflective of our substantially increased traffic base and the change from the turnkey approach to the IMG model. However, the impact of the COVID-19 pandemic caused a decrease in the number of retail space in the Airport put to bid, and consequently no spaces were put to bid throughout 2020. Nonetheless, we are confident that the leasing of the space still available at Terminal 1 and 2 will have a strong positive impact on our non-aircraft revenue in the future.

So far in 2021, 19 spaces were put to bid by the Airport, representing 483.2 square meters in Terminal 1 and 1,066.24 square meters in Terminal 2. Lease rates remained the same and were not affected or changed as a result of the COVID-19 pandemic, and all bids except for one included multiple offerors. In addition, during the first half of 2021, five retail-space leases became due, and we expect new submissions to bid for these during the second half of 2021. Further, during the second half of 2021, six retail-space leases are due, and we expect new submissions to bid will be made for these during the first half of 2022.

Leasing rates have been generally higher because of the substantial growth in traffic, which has had a positive effect on the value of the commercial spaces, and the change from the turnkey approach to the IMG model. While there are variations from year to year and impacts of episodic events such as the COVID-19 pandemic, our non-aeronautical business trends have been positive, driven by the growth in passenger traffic at the Airport. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Principal Components of Our Results of Operations—Non-aeronautical Revenues.*”

Additionally, retail sales by concessionaires at the Airport have increased from approximately US\$150 million in 2009 to approximately US\$293 million in 2019. In 2020, primarily as a result of the COVID-19 pandemic, retail sales by concessionaires at the airport decreased by 73.86% to US\$76.60 million, as compared to 2019. For the three months ended March 31, 2021, retail sales were US\$26.6 million, as compared to US\$58.1 million in the same period in 2020, primarily due to the negative impact of the COVID-19 pandemic and the measures imposed by the Panamanian Government to address it.

The table below shows a breakdown of gross retail sales of duty-free and other commercial lessors in the Airport from 2013 to 2020.

	2013	2014	2015	2016	2017	2018	2019	2020
	(US\$ millions)							
Gross Retail Sales of Duty-Free and other Commercial lessors in the Airport	293.3	316.7	286.6	259.2	258.6	246.6	293.0	76.0

The table below shows a breakdown of commercial space in Terminal 1 and the new Terminal 2, including the space that has already been leased, and the remaining available space for lease.

Commercial Square Meters To Be Re-Leased (T1) or Leased (T2)

	2018	2019	2020		To be leased	To be Leased 2022-2023	Total
	Leased	Leased	Leased				
			Awarded	In Progress			
T1	1,896.96	51.55	190.45	0	672.91	424.23	2,760.32
T2	6,772.24	907.39	10	0	2,910.67	2,190.77	12,791.07
Total	8,669.20	958.94	200.45	0	3,583.58	2,615.00	15,551.39

Non-aeronautical fees and charges are not regulated by the CAA. They may be adjusted at our sole discretion upon approval by our Board of Directors. Several non-aeronautical revenue categories are governed by the terms of leases and agreements between us and service providers.

Consortio Grupo Wisa

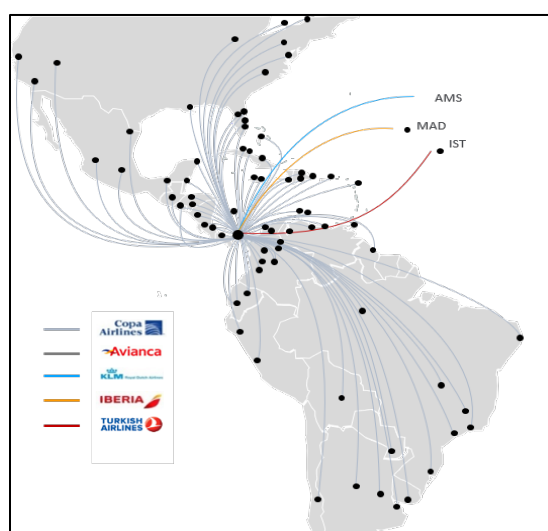
On May 5, 2016, one of Tocumen’s then-largest duty-free retail concessionaires and one of Latin America’s largest duty-free chains, Grupo Wisa, operating a number of traditional duty-free stores (such as *La Riviera*) and general merchandise stores (such as Burberry, Brooks Brothers and Columbia) at the Airport, along with various of its owners and other affiliates, were designated by OFAC as Specially Designated Narcotics Traffickers pursuant to the Kingpin Act, accused of laundering drug proceeds on behalf of multiple drug traffickers and their organizations. The concessions for many of their stores at the Airport, including *La Riviera*, expired on

December 14, 2017 and were not extended. As of December 31, 2020, the remaining Grupo Wisa concessions represented approximately 4.7% of the Airport's retail space and had expiration dates ranging from 2018 through 2024. Furthermore, our revenues from the Grupo Wisa during 2020 represented approximately 0.005% of our operating revenues.

Airline Service

International Destinations

As of December 31, 2019, approximately 186 scheduled daily departure flights provided at the Airport were bound for international destinations. Approximately 86.06% of these were operated by Copa Airlines and its affiliates, accounting for 82.70% of all scheduled outbound seats at the Airport. The total number of passengers using the Airport from January to December 2019 was 16,582,601, 29% of which were Origin/Destination Passengers, while approximately 71% were Transit/Transfer Passengers. Set forth below is a map showing these destinations.



The Airport suspended commercial flights from March 22, 2020 through October 12, 2020 due to the COVID-19 pandemic, only operating flights coordinated with the Government for humanitarian purposes. Through these flights, a total of 102,200 passengers were able to return to their countries of origin. In October 2020, commercial flights resumed, and during the months of October, November and December 2020, there were 12,076 flights operated through the Airport. The total number of passengers using the Airport from January to December 2020 was 4,526,663, or a decrease of 72.7% as compared to the same period in 2019.

As of the date of this Offering Memorandum, approximately 57 destinations are served by flights arriving at and departing from the Airport. Set forth below is a map showing these destinations.



Domestic Destinations

Nearly all domestic airline service for the Panama City area is currently provided at Marcos A. Gelabert International Airport, located southwest of Panama City. However, since January 2015, there has been domestic airline service between the Airport and Enrique Malek International Airport in David, Panama and Bocas del Toro Airport.

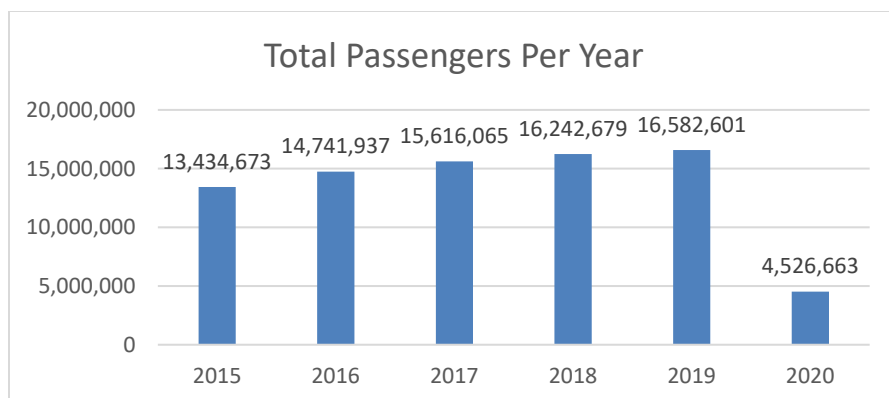
Traffic Growth

As shown below, Origin/Destination Passengers and Transit/Transfer Passengers grew at an average of 9% and 8% per year, respectively, between 2013 and 2019, and on 2020 decreased by 72.1% and 73%, respectively, primarily due to the COVID-19 pandemic.

Year ended December 31,	Origin/Destination		Transit/Transfer		Total	
	Passengers	Percentage change (%)	Passengers	Percentage change (%)	Passengers	Percentage change (%)
2013.....	3.890.061	6.2%	7.696.620	18.2%	11.586.681	13.9%
2014.....	4.167.140	7.1%	8.615.927	11.9%	12.782.167	10.3%
2015.....	4.345.776	4.3%	9.088.897	5.5%	13.434.673	5.1%
2016.....	4.569.630	5.2%	10.172.307	11.9%	14.741.937	9.7%
2017.....	4.457.433	(2.5)%	11.158.632	9.7%	15.616.065	5.9%
2018.....	4.298.989	(3.5)%	11.943.690	7.0%	16.242.679	4.0%
2019.....	4.796.667	11.6%	11.785.934	(1.3)%	16.582.601	2.0%
2020.....	1.338.264	(72.1)%	3.188.399	(73)%	4.526.663	(72)%

Compound Annual Growth Rate for Total Passengers

2013-2019 6.16%



The number of international Origin/Destination Passengers at the Airport increased from 4.5 million in 2017 to 4.8 million in 2019. Traffic variations over this period included a 11.5% increase in Origin/Destination Passenger activity in 2019, reflecting, among other things, the influx of tourism relating to the “2019 World Youth Day” held in Panama, where Pope Francisco visited the country. During 2020, the number of international Origin/Destination Passengers at the Airport decreased to 1.3 million, primarily due to the closing of the Airport during several months of 2020 and as a result of the adverse economic impact of the COVID-19 pandemic.

The number of Transit/Transfer Passengers at the Airport increased from 11.16 million in 2017 to 11.79 million in 2019. Traffic variations over this period included an increase in the number of Transit/Transfer Passengers of 7.0% in 2017 primarily due to new destinations served by Copa Airlines and new airlines serving the Airport. In 2020, the number of international Transit/Transfer Passengers at the Airport decreased to 3.2 million in 2020.

Throughout 2020 and notwithstanding the negative effects of the COVID-19 pandemic, we have connected 92 destinations in 41 countries through with approximately 38,800 commercial flights per year on 32 airlines. These flights have included 4,526,663 passengers and 145.929 metric tons of cargo.

The International Air Transport Association (“IATA”) has reported that, even though revenues from commercial airlines remained weak (an approximate 73% year-on-year reduction) in the second quarter of 2020 as the recovery in air travel demand stagnated, after more than one year as of the outbreak of COVID-19, travelers have greater confidence in the return to air travel, have expressed some frustration with current travel restrictions, and there is broad acceptance of a travel application to manage health credentials for travel. Survey responses indicate people are regaining their confidence in traveling. According to the study, those who expect to travel within months of COVID-19 containment now account for approximately 57% of respondents, up from 49% in September 2020. This is supported by indicators which seem to show that approximately 81% of people are more likely to travel once they have been vaccinated.

Copa Airlines

The Airport has a strong historical relationship with Copa Airlines, developing facilities to support not only the Origin/Destination market, but also effective transfer facilities based on coordinated arriving and departing aircraft banks. Additionally, the Airport maintains an active facility development program to permit schedule development by Copa Airlines. Not only is the development of the Airport closely tied to the development of Copa Airlines, but it is also tied with those airlines either in alliances or codeshares with Copa Airlines, which include United Airlines, KLM and Iberia.

Established in 1944, Copa Airlines is based in Panama City, Panama. Copa Airlines is a leading Latin American provider of airline passenger and cargo service through their three principal operating subsidiaries, Copa Airlines, Copa Colombia and as of 2016 low-cost airline Wingo. Copa Airlines operates from its strategically located position in Panama, and Copa Colombia and Wingo fly from Colombia to Copa Airlines’ Hub of the Americas in Panama, including operating low-cost model routes within Colombia and various cities in the region. Copa Airlines is a leader in passenger and cargo services. Through its operating subsidiaries, in 2019 it served 80

destinations in 33 countries in North, Central and South America and the Caribbean. Through its Panama City Hub of the Americas, Copa Airlines is able to efficiently serve several destinations and consolidate passenger traffic from multiple points to serve each destination effectively.

Copa Airlines has grown substantially over the past ten years, and in 2005, a portion of its shares were listed on the New York Stock Exchange. Copa Airlines has historically been one of the largest private employers in Panama and contributor to Panama's aviation industry. In 2019, Copa Airlines reported US\$10.5 billion in revenue and US\$346.2 million in net income. Moreover, Copa Airlines reported operating margins of between 13% and 16.1% in each of 2018 and 2019. Copa Airlines' financial success has been attributed partly to low labor costs which, in turn, support low unit costs. For the full year 2020, Copa Holdings reported a net loss of US\$598.6 million.

Of the total number of seats sold by Copa Airlines, in 2019 and 2020 approximately 73% and 76% of total seats were to or from the Airport, respectively. Copa Airlines Colombia (Copa Airlines' Colombian subsidiary) has a significant operation at Bogota El Dorado International Airport ("El Dorado") in order to serve the significant Colombian market, and there are other airport-pairs within Copa Airlines' system that are separate from both the Airport and Bogota. While San Jose, Costa Rica, is not a Copa Airlines hub, it has the highest level of departing or arriving seats that do not go to or from the Airport or Bogota. Since 2013, Copa Airlines Colombia has provided service between Colombia and international destinations other than Panama.

Copa Airlines has codeshare agreements with European carriers to provide connectivity between European hubs and the LAC Region. Copa Airlines provides passengers with access to flights to more than 146 other destinations through codeshare arrangements with various airlines pursuant to which each airline places its name and flight designation code on the other's flights. The ability to provide significant connecting capacity has supported development of the Origin/Destination market which in turn has supported Panama's growth as a regional business and population center. Copa Airlines has also used alliances to support its growth, originally with a commercial and marketing alliance with Continental Airlines formed in 1998. Copa Airlines is a member of the Star Alliance and has codeshare arrangements with AeroMexico, Condor Flugdienst, Cubana, GOL Linhas Aéreas Inteligentes, Iberia, KLM, LATAM and TAME.

Over time, the Airport has further strengthened its partnership with Copa Airlines to include a further expansion of Copa Airlines' operations at the Airport and additional routes, including six new destinations between 2018 and 2019. In 2020, Copa Airlines had no new destinations.

In December 2016, Copa Airlines launched a new low-cost model, Wingo, to diversify its value and destination offerings and to better compete with other low-cost carriers in the markets. Wingo serves domestic flights in Colombia and some international cities to and from Colombia.

As of December 31, 2020, Copa Airlines operated a fleet of 75 aircraft composed of 68 Boeing 737-800s and 7 Boeing 737 MAX 9s.

Other Airlines

Copa Airlines and its affiliates accounted for 86.2% of all scheduled total seats at the Airport in 2019 and 86.7% in 2020. The next-ranking airline, United Airlines, accounted for 2.3% of total seats in 2019 and 2.5% in 2020, respectively. United Airlines and American Airlines serve their U.S. hubs and also compete with Copa Airlines for Transit/Transfer Passengers by offering direct service between their hubs and LAC Region destinations. Similarly, while Avianca competes with Copa Airlines on routes to Colombia, it also competes for Transit/Transfer Passengers by offering direct service between its multiple hubs at Bogota, Lima and San Salvador to LAC Region destinations.

Air Panama is Panama's principal domestic airline, based at Marcos A. Gelabert International Airport. While presently Air Panama only offers limited international service at present, it could potentially increase its international service levels at other airports resulting in additional competition to the Airport.

Cargo Airline Service

We are focused on further developing our cargo business with a variety of airlines, utilizing both passenger aircraft belly holds as well as dedicated all-cargo aircraft.

In 2019, 164,700 tons of cargo were mobilized. Belly-freight carriers mobilized 43% of the total cargo transported while cargo airlines mobilized 57% of the cargo. Copa Airlines is the most important belly freight operator at the Airport by tonnage levels. Of the total cargo mobilized in 2019, Copa was responsible for almost 27.6%. After Copa Airlines, KLM is the next highest carrier of cargo of the commercial airlines, and in 2019 it transported 4.7% of all cargo tonnage mobilized. Of the freight-only carriers, DHL Group (“DHL”) cargo airlines businesses is the most important cargo airline, and in 2019 account for approximately 41.1% of all cargo traffic. Aero Sucre, the second biggest cargo airline during 2019, accounted for approximately 4.3% of all cargo traffic in 2019. DHL opened its express hub at the Airport in mid-2008, which has a capacity of processing between 10,000 to 15,000 daily packages, representing a 233% capacity increase from the previous hub, making it Central America’s largest integrator hub. Integrators such as DHL prosper on economies of scale, reducing unit costs as throughput increases.

In 2020, 145,929 tons of cargo were mobilized. Belly freight carriers mobilized 18% of the total cargo transported while cargo airlines mobilized 82% of the cargo. Of the total cargo mobilized in 2020, Copa was responsible for approximately 10.1%. Also, in 2020, KLM transported 4.74% of all cargo tonnage mobilized. Of the cargo airlines, DHL accounted for more than 59.84% of all cargo traffic throughout 2020 and United Parcel accounted for approximately 5.26% of all cargo traffic in the same year.

Pursuant to Resolution 007-JD-07 of November 22, 2007, the standard cargo fee is US\$0.005 per kilogram of cargo. The table below shows a breakdown of all our cargo transporters by percentage of total tonnage as of December 31, 2020 and 2019.

Airline	2020	2019	% Change	Absolute variation
Total	145,929	164,700	(11.40)%	(18,771)
Cargo Airlines	109,363	86,606	26.30%	22,757
DHL Holding	87,321.05	67,671	29.00%	19,650
United Parcel	7,576.00	6,448	17.50%	1,129
Aerosucre	4,351	7,087	(38.60)%	(2,736)
South American	5,291	3,567	48.30%	1,724
Amerijet	4,824.00	1,833	163.10%	2,990
Other Airline Carriers	10,194	7,873	29.50%	2,321
Tampa	3,953	4,257	(7.10)%	(303)
FedEx	1,441	974	47.90%	467
LatAm charge	1,757	0	-	1,757
Cuban	1,514	1,688	(10.30)%	(174)
AerCaribe	719	836	(14.00)%	(117)
Uniworld	580	65	790.40%	515
Others	230	52	344.00%	178
Belly-Cargo Airlines	24,765	65,985	(62.50)%	(41,221)
Copa Airlines	14,735	45,503	(67.60)%	(30,768)
Lufthansa	679	4,482	(84.90)%	(3,804)
KLM	6,915	7,688	(10.10)%	(773)
Air France	1,730	5,313	(67.40)%	(3,583)
Iberia	706	3,000	(76.50)%	(2,294)
Other Belly-Cargo Airlines	1,607	4,236	(62.10)%	(2,629)
Aeromexico	284	914	(69.00)%	(631)
American Airlines	126	249	(49.50)%	(123)
Delta	106	343	(69.00)%	(236)
Turkish	149	354	(57.90)%	(205)
United	374	890	(57.90)%	(515)

Airline	2020	2019	% Change	Absolute variation
Air Europe	368	824	(55.40)%	(456)
Others	200	663	(69.80)%	(462)
Total	145,929	164,700	(11.40)%	(18,771)
Airline carriers	119,557	94,479	26.50%	25,078
Belly-Cargo Airlines	26,372	70,221	(62.40)%	(43,850)

Improvements and Expansion

During the past five years, we spent approximately US\$837.2 million to improve the Airport's facilities. These improvements include the expansion of the main terminal core to the south with the construction of the new Terminal 2 processor and gates. Additionally, as at any airport, the routine deterioration of infrastructure and facilities due to aircraft and customer usage requires ongoing improvements and rehabilitation to comply with international standards.

We are currently implementing our capital expansion plan, which has been designed to be flexible enough to be modified based on underlying demand patterns and expectations. As a result of the COVID-19 pandemic, in 2020 and during the first quarter of 2021 the development of the expansion plan had to be adjusted to accommodate for diminished passenger demand. Nonetheless, as the negative effects of the COVID-19 pandemic subside, we will resume the implementation of our expansion plans.

Airport improvements and expansions can be divided into three categories: terminal area improvements, airfield improvements and landside, cargo and logistics area improvements.

Terminal Area Improvements

Terminal 2 Expansion

We are currently in the final stages of the construction of Terminal 2 with Odebrecht, the contractor that was awarded the contract in 2012 as a result of a public procurement process pursuant to Law No. 22 of 2006. This project includes expansion of the existing main terminal core and construction of a new Terminal 2. As planned, the construction of Terminal 2 created a net addition of 20 aircraft contact parking positions and eight remote hardstand parking positions. Nine of such contact parking positions and all eight remote hardstand parking positions are currently operational. For a further description, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Commitments.*" We undertook the construction of this project as our existing Terminal 1 operated for years above its nominal capacity of 12.0 million passengers per year and we enjoyed strong passenger growth, and we believe that our new combined nominal capacity will reach 21.0 million passengers per year once Terminal 2 is completed and fully operational.

The construction of Terminal 2 includes an expansion of the existing main terminal area towards the south and the construction of a new Terminal 2 processing facility and new gates, along with corresponding apron and aircraft parking, remote aircraft parking positions, ground transportation roads and other parking. Terminal 2 has an area of approximately 116,000 square meters, and consists of three levels, which are still under development: (1) baggage handling and equipment, (2) public areas, including check-in, passenger security processing, some retail areas and hold rooms and (3) a partial level for VIP lounges, some retail stores and restaurants. On the north edge, Terminal 2 connects with Terminal 1 and commercial areas. Once the project is completed, the first floor of Terminal 2 will increase baggage handling capability from four carousels to eight carousels and add one carousel for oversize and "special" bags. Additionally, the first floor will create 32 new immigration stations (in addition to the current 30 spaces) and ten new customs inspection stations (in addition to the current eight stations).

The construction of Terminal 2 includes several associated improvements, such as the construction of a processing facility, apron and aircraft parking areas, additional car parking and access roads. For Terminal 2, we have also been expanding the universe of retail operators invited to participate in the bidding process and already included several large international duty-free operators, which has generated additional competition for the spaces.

As of the date of this Offering Memorandum, 60% of the new available space for Terminal 2 has been awarded. See “—Non-aeronautical Revenues”.

As of the date of this Offering Memorandum, the Airport has provisionally accepted Terminal 2 from the contractor, as construction is 99.7% complete. The Airport recently completed operational tests of Terminal 2 and this will be followed by gradual and phased-in operations, with full commencement of operations expected on or around September 2021.

Short-Term Airfield Improvements

Short-term improvement projects can be divided into two categories: new airfield facilities, which will allow Airport capacity to be expanded, and rehabilitation and upgrading of existing facilities.

Throughout 2020 and 2021, we have developed or are in the process of developing the following projects:

- Taxiway refurbishment H and threshold 03L: improvements to the circulation of aircraft and access to runway 03L. This project was completed on March 2021.
- Repair of platform in cargo terminal. This project was completed in March 2021.
- Extension of the Lima taxiway and new access to the north-side apron. This project is expected to be completed on July 2021.
- Improvement in the pumping capacity of the wet fire system at Terminal 1’s fuel tanks. This project is expected to be completed on July 2021.
- Platform expansion in the Aircraft Rescue Firefighting (ARFF) area. This project is expected to be completed on August 2021.

Logistics Free Zone

We are currently developing the first logistics free zone within the Airport’s premises. The area is called “Tocumen Airport Logistics Zone” and will be managed by us as operator. This project aims to attract companies that perform value-added activities such as labeling, packaging, cargo handling, consolidation and deconsolidation, freight transport, light manufacture and cold chain benefiting from the Airport’s strategic location.

The project was originally scheduled to be completed in the first quarter of 2020, but additional work was added related to the development and improvement of the fiber optic communications and electricity systems. The project’s expected completion is during the last quarter of 2021. As of December 2020, the project was 75% completed.

New Airfield Facilities

As soon as we reach a capacity of 24 million passengers per year, we plan to expand airfield capacity by undertaking the Runway Project, that is, constructing a third air carrier runway for the Airport, along with associated facilities. The new airfield provides for 54,000 square meters of remote aircraft parking positions able to simultaneously accommodate four Type C aircrafts, and is expected to have the following components:

- two associated rapid exit ramps for approaching aircraft;
- a new taxiway parallel to the runway, which will be 25 meters wide with 17.5-meter margins;
- an approach lighting system (“ALS”) for both ends of the new third runway, made to comply with precision approach Category I;

- “hold” parking and the associated taxiway, which will create remote aircraft parking positions with a total area of 13,230 square meters;
- bypass taxiways for the runways, which will each measure approximately 97.5 meters by 25 meters, with 17.5-meter margins;
- an extension of Taxiway J towards Taxiway L;
- a parking area for ramp handling equipment, with an area of 40,000 square meters, located west of the North Concourse; and
- a new control tower.

At the conclusion of this construction, the airfield will possess: 1,185 lineal meters of rapid exit ramps (a 207.8% increase); 15,822 lineal meters of taxiway (a 67.02% increase); 140,820 square meters of parking for ramp handling equipment (no increase); and 78,787 square meters of remote aircraft parking positions (an 89.85% increase).

Airfield Rehabilitation and Upgrades

In relation to airfield rehabilitation and upgrades, we recently completed the rehabilitation of the pavement for runway 03R/21L and the expansion of our fuel storage facility. Further, we are currently in the process of repairing the perimeter security fence, which is deteriorated and, in some places, completely broken. This project is expected to be completed by 2022.

Long-Term Airfield Improvements

Between 2021 and 2030, we are considering the following long-term projects and improvements, depending on the need for these facilities in light of aviation activity levels and the condition of facilities at the time:

- rehabilitation of the pavement for runway 03R/21L, which requires deep structural repairs;
- maintenance of the runway shoulders, which will involve leveling and compacting of the land around both existing runways and restoring drainage channels. This maintenance will prevent water collection, deter birds and ensure the quality of the runway structural systems. The restoration and relocation of the drainage canals includes paving the canals in concrete, at a parallel distance of 75 meters from the runways;
- upgrade of the runway end safety areas on both runways, to meet the minimum requirements prescribed by ICAO;
- extension of Taxiway L to access runway 03R;
- reconstruction of Taxiway E, the pavement of which has deteriorated, and which is located closer to runway 03L/21R than is recommended by ICAO guidelines. This reconstruction project involves the replacement of Taxiway E with a new taxiway that is expected to be 2,518 meters long and 23 meters wide, with 10.5-meter margins, and located 190 meters (centerline to centerline) from runway 03L/21R;
- completion of the perimeter road, which will ensure the mobility of emergency vehicles to the Airport perimeter under all weather conditions;
- a new third runway that will be parallel to the existing runway 03R/21L and 1,525 meters from runway 03R/21L. The new third runway will be 45 meters wide and 3,100 meters long;

- construction of a Rapid Exit Taxiway, which would be located approximately 1,921 meters from runway 21R and connecting to Taxiway G;
- extension of Taxiway E, which would complete the parallel taxiway by extending it to Taxiway A;
- design and construction of a second taxiway parallel to the new third runway 03R/21L;
- expansion of the fuel storage facility, which would be increased by adding four 210,000-gallon tanks, likely in two phases; and
- a satellite rescue and fire-fighting service station, serving the southern runway. The station is expected to meet ICAO Category 9 standards, with all ARFF equipment meeting required response times. The satellite station is expected to be at least 700 square meters.

In parallel with Tocumen's investment plan, the Civil Aviation Authority will take responsibility for airfield-related equipment, under its own investment budget, including the following:

- upgrade of the existing ILS CAT I on the threshold to runway 03R/21L;
- procurement of a new ILS/DME CAT I on runway 03L/21R;
- procurement of a new ILS/DME CAT I on the third runway;
- upgrade of the radar systems;
- procurement of a new secondary radar; and
- procurement of the air navigation equipment on the control tower.

Landside, Cargo and Logistics Area Improvements

Projects planned through 2023 are as follows:

- construction of roadways and parking for the existing terminal complex that will add a four-lane commercial vehicle roadway on the lower level and expand the existing public parking lot;
- construction of roadways and parking for Terminal 2, which will loop in the existing terminal area and will add parking for 1,200 vehicles in a new public parking structure and covered parking for 400 employee vehicles;
- construction of a new access road, from Corredor Sur, through the area of Airport property known as the University Lands, including bridge structures over the Tocumen River. The new access road will require the development of a freeway interchange with Corredor Sur;
- realignment of the Tocumen River. Terminal 2 will be built where the Tocumen River currently flows, requiring a new river alignment. Additionally, we will undertake various environmental mitigation projects in connection with the river realignment;
- re-routing of the cargo access road, which is necessary in order to upgrade the runway end safety area for runway 21R. Additionally, a new security and control plaza for the cargo complex is also included in this project;
- replacement of the Airport's existing storm-water and sewage treatment plant located at the existing passenger terminal and construction of a new storm-water and sewage treatment plant for Terminal 2;
- expansion of the Airport's drinking water reservoir to 800,000 gallons;

- expansion of cargo processing facilities in three areas: the existing cargo terminal will be expanded, with sections for import cargo and export cargo being separated; general-use warehouses will be constructed; and integrator warehouses (DHL and FedEx) will be developed. An adequate refrigerated storage unit is also required. This project will also include improvements to the interior cargo road and staging areas; and
- construction of a logistics free trade area, composed of various processing facilities to enable companies to assemble, package and ship their products and to increase their operational efficiency, while also receiving the labor and tax incentives associated with operating in a free trade zone.

Airport City Project

We are considering the potential development of Airport City. Airport City would be a commercial development consisting of conference and exhibition centers, shopping malls, office buildings and other real estate to enhance the Airport's revenues and stimulate business and leisure travel. The Airport City development will benefit from the Government's support as part of Panama's infrastructure and economic development plan. If the project is developed, additional funding is expected to be available through concession, leasing or other arrangements with private sector real estate developers.

Any revenue from the proposed Airport City project will not be given as Collateral as part of the Committed Revenues. Additionally, any obligations of Airport City will be non-recourse to the Airport as well.

As of the date of this Offering Memorandum, there is no assurance that this development will take place.

Competition

International Traffic Airport Ranking

The Airport has been recognized by Skytrax as the “*Best Airport in Central America*” and as having the “*Best Airport Staff in Central America*” for each year from 2011 through 2020. In January 2020 the Airport also ranked the 14th airport world-wide and 1st among Latin American and Caribbean airports in the “*On time Performance Punctuality League*” ranking published by OAG.

The Airport has also been consistently recognized by the Airports Council International (“**ACI**”) as one of the busiest airports both in Latin America. Below are the official rankings published by ACI for 2019. Even though ACI has yet to publish 2020 data, we expect our position in the rankings to decline, as our revenues are more reliant on international passenger traffic and Transit/Transfer Passengers than other airports, which have a bigger portion of their revenues derive from domestic passenger traffic and Origin/Destination Passengers.

International Traffic in Latin America

In terms of total international passengers, the Airport ranked as the third busiest airport in Latin America in 2019.

2019				
Rank	Airport	City	Country	Traffic
1.	Aeropuerto Internacional de la Ciudad de México “Lic Benito Juárez	Mexico	Mexico	17,647,791
2.	Cancún International Airport	Cancún	Mexico	16,563,344
3.	Aeropuerto Internacional de Tocumen	Panama	Panama	16,486,099
4.	Guarulhos International Airport	São Paulo	Brazil	14,944,707
5.	Aeropuerto Internacional El Dorado	Bogotá	Colombia	11,422,907
6.	Aeropuerto Internacional Arturo Merino Benitez	Santiago	Chile	11,000,491
7.	Aeropuerto Internacional de Ezeiza	Buenos Aires	Argentina	10,909,969
8.	Aeropuerto Internacional “Jorge Chávez”	Lima	Peru	10,400,146
9.	Aeropuerto Internacional Punta Cana	Punta Cana	Dominican Republic	7,163,421

2019

Rank	Airport	City	Country	Traffic
10.	Aeropuerto Internacional “José Martí”	La Havana	Cuba	5,857,819
11.	Juan Santamaria International Airport	San José	Costa Rica	5,377,753
12.	Sangster International Airport	Montego Bay	Jamaica	4,739,792
13.	Aeropuerto Internacional Las Américas	Santo Domingo	Dominican Republic	4,392,994
14.	Aeropuerto Internacional de Guadalajara	Guadalajara	Mexico	4,364,146
15.	Rio de Janeiro International Airport-Galeão Antonio Carlos Jobim	Rio de Janeiro	Brazil	4,316,088
16.	Aeropuerto Internacional de los Cabos	San José del Cabo	Mexico	3,697,276
17.	Lynden Pindling International Airport	Nassau	Bahamas	3,262,232
18.	Aeropuerto Internacional Lic Gustavo Díaz Ordaz	Puerto Vallarta	Mexico	3,218,223
19.	Aeropuerto La Aurora	Guatemala City	Guatemala	3,034,546
20.	Reina Beatrix	Oranjestad	Aruba	2,622,750

Source: ACI-LAC Airport Traffic Database in Latin America

International Traffic in North and South America

In terms of total international passengers, the Airport was the seventh busiest airport in North and South America in 2019.

2019

Rank	Airport	City	Country	Traffic
1.	John F. Kennedy International Airport	New York	United States	34,317,281
2.	Toronto Pearson International Airport	Toronto	Canada	32,388,649
3.	Los Angeles International Airport	Los Angeles	United States	27,472,320
4.	Miami International Airport	Miami	United States	22,383,751
5.	Aeropuerto Internacional de la Ciudad de México “Lic Benito Juárez	Mexico City	Mexico	17,647,791
6.	Cancún International Airport	Cancun	Mexico	16,563,344
7.	Aeropuerto Internacional de Tocumen	Panama	Panama	16,486,099
8.	San Francisco International Airport	San Francisco	United States	15,309,584
9.	Guarulhos International Airport	São Paulo	Brazil	14,944,707
10.	Newark Liberty International Airport	Newark	United States	14,332,312
11.	O’Hare International Airport	Chicago	United States	14,198,789
12.	Vancouver International Airport	Vancouver	Canada	13,720,131
13.	Montreal-Pierre Elliot Trudeau International Airport	Montreal	Canada	13,112,990
14.	Hartsfield-Jackson Atlanta International Airport	Atlanta	United States	12,655,294
15.	Aeropuerto Internacional El Dorado	Bogotá	Colombia	11,422,907
16.	George Bush Intercontinental Airport	Houston	United States	11,122,035
17.	Aeropuerto Internacinal Arturo Merino Benitez	Santiago	Chile	11,000,491
18.	Aeropuerto Internacional de Ezeiza	Buenos Aires	Argentina	10,909,969
19.	Aeropuerto Internacional “Jorge Chávez”	Lima	Peru	10,400,146
20.	Dallas/Ft. Worth International Airport	Dallas Fort Worth	United States	9,578,478

Source: ACI World Airport Traffic Database

Traffic in Latin America by Total Passenger Traffic

In terms of total passenger traffic, the Airport was the ninth busiest airport in Latin America and the Caribbean in 2019.

Rank	Airport	City	Country	Traffic
1.	Aeropuerto Internacional de la Ciudad de México “Lic Benito Juárez	Mexico City	Mexico	50,308,049
2.	Guarulhos International Airport	São Paulo	Brazil	43,181,023
3.	Aeropuerto Internacional El Dorado	Bogotá	Colombia	34,975,000
4.	Cancún International Airport	Cancun	Mexico	25,552,670
5.	Aeropuerto Internacinal Arturo Merino Benítez	Santiago	Chile	24,630,472
6.	Aeropuerto Internacional “Jorge Chávez”	Lima	Peru	23,622,146
7.	Congonhas International Airport	São Paulo	Brazil	22,628,171
8.	Aeroporto Internacional de Brasília	Brasília	Brazil	16,728,209
9.	Aeropuerto Internacional de Tocumen	Panama City	Panama	16,528,601
10.	Aeropuerto Internacional de Guadalajara	Guadalajara	Mexico	14,849,722
11.	Rio de Janeiro International Airport-Galeão Antonio Carlos Jobim	Rio de Janeiro	Brazil	13,507,881
12.	Aeropuerto Jorge Newberry	Buenos Aires	Argentina	12,311,326
13.	Aeropuerto Internacional de Ezeiza	Buenos Aires	Argentina	11,818,307
14.	Aeropuerto de Monterrey	Monterrey	Mexico	11,201,352
15.	Tancredo Neves-Confins International Airport	Belo Horizonte	Brazil	11,173,774
16.	Viracopos International Airport	Campinas	Brazil	10,585,018
17.	Luis Muñoz Marín International Airport	San Juan	Puerto Rico	9,448,253
18.	José María Córdoba International Airport	Medellín	Colombia	9,205,009
19.	Santos Dumont Airport	Rio de Janeiro	Brazil	9,078,623
20.	Aeropuerto Internacional de Gral. Abelardo L. Rodríguez	Tijuana	Mexico	8,968,497

Source: ACI World Airport Traffic Database, 2019

International Competition

As previously discussed, the Airport is significantly reliant on Transit/Transfer Passenger activity, and faces competition for that traffic from two sources, namely:

- (i) from other centrally located regional airports that also offer connecting services within the LAC Region, such as the airports serving Bogota (Colombia), Cancun (México), Lima (Perú), Mexico City (Mexico), San Jose (Costa Rica), San Juan (Puerto Rico) and San Salvador (El Salvador).
- (ii) from major hubs in North or South America that offer direct airline service between major north-south city pairs, such as the airports serving Miami (USA), Houston (USA), Sao Paulo (Brazil) and Santiago (Chile).

Compared to other centrally located regional airports, the Airport’s infrastructure offers significant advantages to accommodate the operations of any airline with the regional depth of Copa Airlines.

Much of the Airport’s competition is driven by the presence of airlines that compete with Copa Airlines in the region. Regional airline mergers, specifically LAN-TAM (with hubs at Sao Paulo Guarulhos and Santiago airports) and Avianca (with hubs at Bogota, Lima and San Salvador airports), could result in the merged airlines having greater capability to develop north-south direct service through their principal hubs, as well as serving the region around their respective hubs. For further information on potential sources of competition see, “*Risk Factors—Risks Related to the Issuer—Competition from other destinations or from other airports could adversely affect our business.*”

Domestic Competition

Of the other airports in Panama only (i) Marcos A. Gelabert (located at Panama City), (ii) Isla Colón (located at Bocas del Toro) and (iii) Enrique Malek (located at David) international airports provide significant scheduled airline service. Additionally, the former Howard Air Force Base (now called Panama Pacifico), located in western Panama City, has an approximately 8,500-foot runway and provides charter, maintenance and general aviation services, but is not used for scheduled aviation purposes at this time. The airport serving Rio Hato is planned for expansion with the capability to serve narrow-body size aircraft. Certain of these other airports also offer international service and are expected to continue to develop such service, which includes charter service catering to the tourism market. While these other airports are potential competitors for Panama's international service, the Airport is expected to continue to be the country's principal international gateway because of the importance of Panama City as the country's population and business center, the stated commitment by Copa Airlines to continue using the Airport as its network hub and the size and infrastructure of the Airport.

Principal Competitors

The Avianca hub at Bogota has historically been, among others, one of the most significant competitors of the Airport. However, the Airport has certain structural advantages over Bogota hub, including: (i) a more central location, (ii) lower altitude, at sea-level, which enables heavier max take-off weight for aircraft (for instance, more fuel and higher load factors, which means more efficiency for airlines and more destinations in range and easier take-off/landing), (iii) more favorable weather patterns that support more consistent service and better on-time performance. Additionally, Avianca Holding S.A. filed for bankruptcy under Chapter 11 in the United States Bankruptcy Court and reduced its revenues by over 80% in 2020, as compared to 2019. In January 2021, Avianca had 36 domestic routes in Colombia and 34 international routes. The airline cancelled flights to Panama City during March, April and May of 2021. Avianca's bankruptcy filing and flight cancellations due to COVID-19 related restrictions in Colombia and the markets in which Avianca operates have significantly affected the Avianca hub at Bogota.

While Miami has the highest activity levels in many categories, we believe that the Airport and certain other hubs have successfully gained market share from Miami as a LAC Region hub, particularly given the customs, immigration and security requirements currently in place for Transit/Transfer Passengers at U.S. airports. It is possible that other airports in addition to those serving Bogota and Miami could emerge as more significant competitors.

Compliance Policies

In 2017, we approved an updated compliance policy and disseminated it to all of our employees. Accordingly, we adopted a robust framework of policies and procedures to manage compliance with applicable local and international laws, including internal controls, "know your customer" procedures and employee trainings aimed at identifying and preventing money laundering and terrorist financing.

Our compliance policy is focused mainly on the following:

- allowing the detection of unusual transactions and prevention or timely detection of suspicious transactions or any such attempted transactions;
- developing training programs in order to educate employees about the standards in effect for the prevention of money laundering and terrorist financing;
- commitment of all directors, executives, employees and any authorized representatives to adhere to the compliance policies;
- requiring relevant information from individuals and/or companies and exhaustive verification of any information through various investigative mechanisms;

- identifying and registering clients that in the course of the business relationship show a transactional pattern that does not match such client's business profile; and
- reporting of any transactions that have occurred or that have been attempted, and which in our judgment are suspicious, regardless of the amounts involved.

We are also in the process of evaluating a corporate purchasing policy to increase the transparency of the bidding process through which we receive price proposals for various services and to ensure that the prices we obtain from such processes reflect market prices.

Environmental Issues

We are subject to a broad range of environmental, health and safety laws and regulations in Panama that expose us to the risk of substantial costs and liabilities. These laws and regulations relate to, among other things, limits on emissions, water and air quality standards, limits on noise, forest preservation requirements, minimization of risks to the environment, standards on the cleanup, use and handling of hazardous materials and waste disposal practices.

We are committed to ensuring that all activities undertaken at the Airport are carried out in compliance with applicable environmental laws and regulations and sound environmental management practices.

Our principal environmental concerns are mitigating the environmental impact of our construction and improvement projects and the environmental impact of future traffic growth at the Airport.

Prior to the commencement of any construction and improvement projects, an environmental management plan for the projects is prepared. The principal features of these plans are:

- Identification of any environmental issues that may require additional environmental analysis prior to implementation. The environmental impact categories are: Noise, Compatible Land Use, Social Impacts, Induced Socioeconomic Impacts, Air Quality, Water Quality, Historic, Architectural, Archaeological, and Cultural Resources, Biotic Communities, Endangered and Threatened Species of Flora and Fauna, Wetlands, Floodplains, Coastal Zone Management Program, Coastal Barriers, Wild and Scenic Rivers, Prime and Unique Farmland, Energy Supply and Natural Resources, Light Emissions, Solid Waste Impacts, Construction Impacts, Hazardous Waste and Asbestos.
- Identification of key projects in the plan and the phasing of development, which dictates when the environmental analysis would need to take place. For example: New 03R/21L runway (Phase 2025), new satellite (Phase 2025), new parallel taxiway for runway 03R/21L (Phase 2025), new fuel farm located north of the new satellite (Phase 2025), cargo area development on former runway 03L/21R (Phase 2025).
- A brief, preliminary indication of environmental constraints and environmental issues affected by implementation of the plan. This includes initial coordination with relevant national and local agencies as part of the identification of environmental issues and the potential need for further study. At the time of project implementation, appropriate environmental documentation must be completed. This documentation may require coordination with national and local environmental agencies to secure the necessary approvals and permits to implement specific development items.

An increase in aircraft noise is expected to be a primary environmental impact of traffic growth at the Airport, and this increase may be substantial if a new third runway carries a significant proportion of traffic. If the noise exceeds certain levels, restrictions could be imposed on the use of the new third runway. For instance, use of the new runway could be restricted at night, and noise abatement procedures for aircraft using the new runway could be required.

We are also committed to undertaking all mitigation measures, as necessary, to avoid excessive disturbance to the wildlife living in the Airport premises and area. For such purpose, we use some of the most advanced techniques aimed to minimize the presence of birds in the airplane maneuver areas. The techniques we use include:

- specialized acoustic equipment, which combines the sounds produced by a canon and other noises from a vast variety of bird species, to ensure that birds never get used to a specific sound;
- “Capa” guns, used primarily during migration periods;
- laser guns, used primarily at night;
- pyrotechnics for bird dispersion;
- regular cleansing and maintenance of the Airport’s vegetation;
- use of camera traps to monitor birdlife; and
- mouse plague control.

Implementation of the above techniques is intended to reduce the number of bird strikes and to increase the Airport’s environmental compliance standards.

On September 25, 2020, the Board of Directors approved the creation and implementation of a Comprehensive Environmental Management System (SIGA), for providing guidance to the airport on good environmental practices, in accordance with the standards recommended by the International Civil Aviation Organization (“ICAO”) related to this matter.

There are no material environmental proceedings or investigations pending against the Airport by the *Ministerio de Ambiente de Panamá*, or Panama’s Environmental Ministry. For further information on the risks associated without environmental obligations, see “*Risk Factors—Risks Related to the Issuer—We are subject to environmental, health and safety laws and regulations.*”

Litigation

As of the date of this Offering Memorandum, we are subject to certain litigation, lawsuits and other legal proceedings filed in the ordinary course of business, all of which we believe that, if adversely determined, would not have a significant impact on our business or financial position. In addition to such ordinary course legal proceedings, we are subject to three claims and lawsuits filed against us before the Supreme Court of Panama (Third Chamber) claiming the aggregate amount in damages of approximately \$62.0 million, in connection with disputes arising with respect to certain concession agreements. As contemplated in the Panamanian Constitution and applicable laws, such relevant claims and lawsuits filed against us are being defended by the Attorney General of the Administration (Procurador General de la Administración) with the assistance of our in-house lawyers. Based on our own analysis and assessment, we believe that it is probable that the competent court in each of those legal proceedings will not agree with the plaintiffs allegations thereunder, and even if such court agrees with the plaintiffs’ claims, we believe that the monetary judgments against us would be materially lower than the amount of damages claimed by the plaintiff. We have provisioned a prudent and reasonable reserve in the amount of US\$10,715,098 to cover any potential adverse judgment resulting from currently pending legal proceedings, including those mentioned above.

MANAGEMENT AND EMPLOYEES

Board of Directors

We are 100% owned by the Government and are governed by our board of seven voting directors. Our voting directors are appointed by the executive branch of the Government, through the Ministry of Economy and Finance, or elected, as follows:

- four voting members are appointed by the Ministry of Economy and Finance each for a five-year term;
- one voting member is elected by the ALAP for a five-year term;
- one voting member is elected by our employees for a five-year term;
- one voting member is elected by the Airport's concessionaires for a five-year term; and
- According to article 5 of Law 23, the director of the CAA, the General Comptroller of the Republic and the Chief Executive Officer of the Airport shall attend the meetings of the Board of Directors as the non-voting members. Each such non-voting member has a term of seven years. All decisions taken by the Board of Directors must be adopted by at least a simple majority of the voting directors present at a duly convened meeting, except for any removal of the Chief Executive Officer with cause, which must be adopted by at least four voting directors.

Pursuant to Law 23 and our articles of incorporation, the Board of Directors has authority to approve any operations inherent to our corporate purpose. The powers and responsibilities of our Board of Directors are, among others, to: (1) define our financial, investment, procurement and personnel policies, and approve the business strategy proposed by the CEO; (2) appoint our executive and second-level officers; (3) approve our organizational structure and compensation policy; (4) approve our annual financial statements and submit them for approval to the Cabinet Council; (5) approve the creation of reserves and the allocation of profits; (6) approve our annual income estimates, as well as our expense and investment budgets; (7) approve our operating and marketing programs; (8) approve our indebtedness limits; (9) hire our external auditor; (10) be accountable for the exercise of its duties before the Executive Branch through the Ministry of Economy and Finance; (11) approve increases or decreases in our capital stock; and (12) approve the execution of agreements over US\$300,000, but under US\$3,000,000, which agreements require authorization from the Cabinet Council.

The activities of our Board of Directors are guided by our Code of Ethics, which states the ethical principles that apply to our business and that we expect to apply to those we do business with.

Internal Auditor

Our internal auditor is Deivis Pitty, who reports to the Board of Directors and can be removed by the Board of Directors. Our internal auditor coordinates internal review of our financial information and our outside auditors.

Audit Committee of the Board of Directors

Our audit committee of the Board of Directors is ordinarily composed of three directors. Currently, as a result of certain recent personnel changes, we are in the process of evaluating the composition of our audit committee. Our audit committee is authorized by Law 23. The audit committee assists our Board of Directors in its review of financial reporting principles and policies, controls and procedures, control and risk management and internal audit. The audit committee also assists our Board of Directors in its review of the integrity and reliability of our financial statements, the external audit and our compliance with legal and regulatory requirements. The audit committee meets four times per year.

Set forth below are the names, title, dates of appointment and brief biographical descriptions of the voting members of our Board of Directors as of the date of this Offering Memorandum.

Name	Position	Year of Birth	Year Appointed
Federico Alfaro Boyd.....	Chairman	September 25, 1982	2021
Jorge Almengor	Director/Vice-President	August 15, 1983	2019
Iván Eskildsen Alfaro	Director/Secretary	June 25, 1981	2019
Rafael Sabonge.....	Director/Treasurer	October 9, 1978	2019
Vidalía de Casado.....	Director	April 18, 1957	2014
Maruquel Ruiz.....	Director	October 29, 1972	2020
Elida Vargas	Director (Representative for our employees)	January 18, 1971	2020
Gustavo Pérez Morales.....	Non-Voting Member (Director of CAA)	January 24, 1971	2019
Zenia Vasquez	Non-Voting Member (General Comptroller of Panama)	March 24, 1979	2020
Raffoul Arab.....	Non-Voting Member (Chief Executive Officer of the Airport)	October 5, 1965	2019

Mr. Federico Alfaro Boyd. Mr. Alfaro, our President since 2021, served as Vice-chancellor of the Republic of Panama between 2019 and 2020 and has been a member of law firm Arias, Fábrega & Fábrega since 2007. Mr. Alfaro is also a member of the following boards of directors since 2019: (i) Petroterminal de Panama S.A., (ii) Elektra Noreste S.A. (ENSA), and (iii) ENEL Fortuna S.A. He graduated from George Washington University in 2004 and in 2007 obtained a Juris Doctorate from Loyola University of New Orleans School of Law. He has been awarded as “Up and Coming” lawyer specialized in corporate services in Chambers Global in Panama (2018-2019) and outstanding lawyer in corporate services in Chambers Latin America in Panama (2018-2019).

Jorge Almengor. Mr. Almengor, our Vice-President and director, is the current Vice-Minister of Finance of Panama. Mr. Almengor is a graduate of Santa Maria La Antigua Catholic University (*Cum Laude*), where he obtained a Bachelor of Laws and Political Science. Mr. Almengor also holds an LL.M. degree in International Business & Trade Law from Fordham University School of Law in New York. Mr. Almengor completed a postgraduate degree in Administration – Management Development Program (PDG) from Aden Business School University (Panama Campus) and holds a diploma in Financial Risks from Monterrey Institute of Technology (Panama Campus). In addition, Mr. Almengor began his professional career as a legal assistant and lawyer for judicial and administrative proceedings at the law firm Almengor, Caballero & Asociados. In September 2007, he was appointed legal advisor to the Public Credit Bureau in aspects related to public financing for the needs of the State’s General Budget. In June 2010, he was an international associate at the corporate and securities practice and international arbitration practice at Arnold & Porter Kaye Scholer LLP, forming part of the advisory team for international financial transactions of semi-public institutions, with a focus in Latin America. Further, Mr. Almengor was the Agency & Trust (A&T) Manager and a Direct Custody & Clearing (DDC) Business Specialist in Central America and the Caribbean (2011) at Citibank, developing new business opportunities in other countries of the region (CCA), including the implementation of sub-custody connectivity through LatinClear and LATINEX. In March 2017, Mr. Almengor joined Fiduciaria Lafise, S.A., as an independent member of the Trust Committee and advisor of Sales and Trusts Structuring.

Ivan Eskildsen Alfaro. Mr. Eskildsen, our Secretary, director and the current Minister of Tourism, holds a B.A. in Finance (*Summa Cum Laude*) from Bentley College in Boston. Mr. Eskildsen Panamanian is an entrepreneur with experience in the development of projects that focus on Panamanian traditions, customs, and sustainability. Mr. Eskildsen has created and managed ventures that seek to interest today’s youth in Panamanian traditions, especially those that strengthen community support, teamwork and create changes in consciousness. Before the age of 30 he founded and managed the Cubitá Project, a residential and commercial hotel complex, inspired by the architecture and traditions of the Azuero region that has cultural elements, is the most important of the area and has a private museum. He has been a member and a leader in different organizations, chambers and associations of the private sector. Mr. Eskildsen is an avid volunteer engaged in regional organizations focused on sustainable development, community projects and has devoted many years to the study of practical philosophy and history.

Rafael Sabonge Vilar. Mr. Sabonge, our Treasurer, obtained a Civil Engineering degree at the University of Texas in 2001. He has a postgraduate degree in metal structures from Polytechnic University of Madrid (2002) and a

Master's degree in Economic Analysis and Financial Economics from the Complutense University of Madrid (2003). Between 2001 and 2003, Mr. Sabonge worked as an engineer at Spanish company CPV CEP Ibérica. Between 2004 and 2005, he worked at Panamanian company Ingeniero Geotécnicos, which was in charge of supervising the construction of Phase II of the Colón Container Terminal. Between 2005 and 2008, he served as General Manager of MDM Inmobiliaria, a real estate developer, and between 2010 and 2013, he worked as Project Manager for the new offices of the Panamanian Electoral Tribunal. Since 2008, he is a Partner-Founder and General Manager of Grupo Urbe, a company that manages real estate projects, and a partner of Porta Norte.

Vidalia de Casado. Ms. de Casado is a director on behalf of the Panama Airlines Association. Ms. de Casado is a graduate in Human Resources Management and Business Administration from the Universidad Latina de Panama and holds a master's degree in Business Administration from the University of Louisville. Ms. de Casado has more than 30 years in the aviation industry and experience in the operational and human resources areas. Ms. de Casado is currently an advisor to Copa Airlines and a representative of the ALAP (Panama Airlines Association on the Board of Directors of Panama International Airport (AITSA)). Ms. de Casado began her career in the aviation industry in 1981 with Air Panama International, S.A., as Director of Human Resources and Services. In 1988, Ms. de Casado joined Copa Airlines, occupying the position of Service Manager, where her main role was to create the strategy, structure and organization of service areas, creating the Customer Service Department. Ms. de Casado continued contributing to the growth of COPA and in 1995 she became Vice President of Services (Airports and Services on Board), where her main role was to oversee the growth of the airports and crews. In 2016, Ms. de Casado became Vice President of Corporate Human Resources, with the aim of continuing to position Copa Airlines as one of the best companies to work in Latin America.

Maruquel Ruiz. Ms. Ruiz is a director on behalf of the *Asociación de Comerciantes* (Traders Association). Ms. Ruiz holds a degree in Industrial Engineering from Universidad Santa Maria La Antigua. Since 2008, Ms. Ruiz has served as Vice President of Operations & Finance at UETA/Duty Free Americas Group. Ms. Ruiz is responsible for the operations of more than 90 duty-free stores throughout Latin America, including Brazil, Uruguay, the Dominican Republic, Panama, Haiti, El Salvador and Colombia.

Elida F. Vargas Lee. Ms. Vargas is a director on behalf of *Union de Trabajadores Aeroportuarios*. Ms. Vargas has a degree in Marketing from the University Interamericana. She has served in different positions in the Airport, the latest as the executive assistant of the Vice Presidency of Maintenance.

Each of our administrators, officers and executives can be reached through Aeropuerto Internacional de Tocumen, S.A., at Vía José Domingo Díaz, Corregimiento de Tocumen City of Panama, Panama. Phone: + 507-238-2899, P.O. Box 0838-02408.

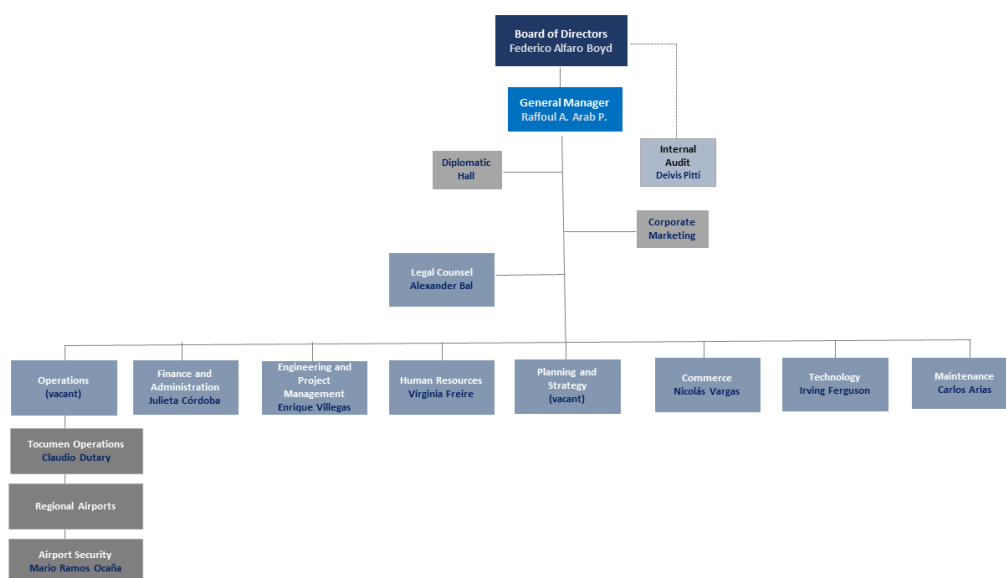
Management Team

Our management team currently consists of seven vice-presidents. Our managers are appointed by our Board of Directors and are in charge of the management and legal representation of the Airport. Our managers have, among others, the following powers and responsibilities: (1) execute all types of documents and actions in connection with our corporate purpose; (2) execute the resolutions of the Board of Directors; (3) decide the appointment and hiring of certain of our officers; (4) authorize the monthly publication of our balance sheet; (5) participate in the Board of Directors sessions; (6) all other responsibilities stated in our by-laws; (7) subject to certain exceptions, enter into agreements for amounts of up to US\$300,000; (8) enter into concession agreements for up to US\$10,000; and (9) execute any actions delegated by the Board of Directors. All vice-presidents report to the Chief Executive Officer who in turn reports to the Board of Directors.

Our Chief Executive Officer is entitled to enter into procurement agreements in amounts of up to US\$300,000 but requires authorization from the Board of Directors to enter into any agreements that exceed that amount.

The activities of our management are guided by our Code of Ethics, which states the ethical principles that apply to our business and that we expect to apply to those with whom we do business.

The following chart provides an overview of our current management structure. Set forth below are the names, titles, dates of appointment and brief biographical descriptions of the members of our management team as of the date of this Offering Memorandum.



Raffoul A. Arab P. Mr. Arab is our General Manager. Mr. Arab is a graduate of the Christian University of Science and Arts, in Oklahoma, United States of America, with a Bachelor of Science. Mr. Arab also holds an International Diploma in Airport Management and Administration from the ITAerea Aeronautical Business School. In addition, Mr. Arab took a course in Business/Family Management at INCAE, and a course in efficient sales techniques and organizational development, service and customer service at Dale Carnegie and course in advice and brokerage of risk insurance, bonds and breakage with the National Securities Commission and Reinsurance Panama. Mr. Arab has more than 30 years of professional experience as an entrepreneur and trader in the Agro Producer and Livestock sector, as well as advisor of diverse risks in the insurance area, serving in important positions in companies such as Sonic Bird, S.A., Inversiones LAR, S.A., Serviseguros, S.A Ingeniería y Desarrollo Generales, S.A. and Hacienda San Charbel, S.A. In 2006, Mr. Arab worked as Advisor and Secretary of Goals of the Panamanian Ministry of Health. Mr. Arab was a member of the 20-30 Active Club of Santiago, and from 2015 to 2016 he presided over the Rotary Club of Santiago. Mr. Arab is a member of the Chamber of Commerce Industries and Agriculture of Veraguas, the Pro-Veraguas Foundation, and the Association of Livestock-Chapter of Veraguas. In 2019, Mr. Arab was appointed General Manager of Tocumen International Airport for the period 2019-2024.

Alexander A. Bal C. Mr. Bal is our Legal Vice President. Mr. Bal graduated from Santa Maria La Antigua Catholic University, where he obtained a Bachelor Laws and Political Science. Mr. Bal holds a master's degree in Leadership and Government from INCAE, a master's degree in Public Management from IESA, a master's degree in Business Law from ADEN University, a master's degree in Business Administration and a master's degree in Strategic Management from ULACIT. Mr. Bal is a practicing lawyer with wide institutional experience and private practice, consultant, consultant, mediator, litigant. Mr. Bal began his work experience at the law firm Icaza Gonzalez – Ruiz and Aleman, Lopez Morales and Chiari and at Bladex Bank. Within the public sector he has worked in AMPYME, ANAM and FUNDES.

Julieta M. Cordoba D. Ms. Cordoba is our Vice President of Administration and Finance. Ms. Cordoba holds a Degree in Industrial and Administrative Engineering from Santa Maria La Antigua Catholic University.

With more than 20 years of experience in the banking and financial industry, Ms. Cordoba has held several executive positions in different companies such as Grupo Grada as Treasury Manager, at which she was responsible for the handling, custody and use of cash and securities, intervening in the collection and payment operations, as well as the implementation of the financial policies. Ms. Cordoba worked for 10 years at BBVA Panama in different positions where she performed functions such as implementation of commercial campaigns, development of new products and services and other operational processes. Between 1995 and 2002, Ms. Cordoba served at the Treasury Office at Banco Disa. Ms. Cordoba was also Operations Officer for Data Server, S.A.

Carlos Arias. Mr. Arias is our Vice President of Maintenance since April 15th, 2021. Mr. Arias holds a degree in structural architecture and a master's degree in construction management both from the Universidad Santa Maria La Antigua; also holds a Professional Certificate in Project Management (PMP) from the Project Management Institute (2020). Mr. Arias has a Certificate of Project Management from the University of Louisville of Panama (2015) endorsed by the Project Management Institute. Within his professional experience has worked in multiple projects in the private sector as freelance architect and served in positions as Chief of Drawing Department for the project of the Second Bridge over the Panama Canal at Bilfinger Berger Panama, S.A. (2001-2004), Inspector Chief for the project of expansion of passenger terminal Phase II of Tocumen International Airport (2004-2007), Architectural Coordinator for the project of North Terminal at Tocumen International Airport (2007-2008); at M2 Consorcio acted as Construction Manager of the project design, construction, equipment and commissioning of the expansion and sustainable improvement of the water and sewage system (2012-2015) and Project Control Manager for the design and construction of the collectors of the Juan Diaz river basin and complementary works of the sanitation project of the Panama City and bay and the construction of the San Miguelito sewage system second phase (2015 – 2017); served as Technical Manager of the project study, design and construction of the Instituto Tecnico Superior Especializado (ITSE) for the Consorcio ITSE (2017-2019) and from 2019 to April 2021 served as Architectural Manager at Tocumen International Airport at the Vicepresidency of Engineering and Project Management.

Enrique G Villegas. Mr. Villegas is our Vice President of Engineering and Project Management. Mr. Villegas holds a degree in Structural Architecture and a master's degree in Project Management from Santa Maria La Antigua Catholic University. With a long history in the construction industry, Mr. Villegas has served as Project Manager at ADCO HABIT, Valuations Manager at AVINCO CHIRIQUÍ, and Manager and Owner of VIGA CORP.

Virginia Freire O. Ms. Freire is our Vice President of Human Resources. Ms. Freire holds a BA in Banking and Finance from Santa Maria La Antigua Catholic University and a graduate degree in Strategic Management and an MBA from the Latin American University of Science and Technology (ULACIT). Ms. Freire began her career in the Aviation industry in 1995 with Copa Airlines, where she worked for more than 25 years, holding different positions within the organization such as Manager of Organization and Methods, Financial Controller, Senior Administrative Manager, Senior Regional Manager, HR Director. Ms. Freire's last position at COPA was Director of International Airports, leading COPA's operations in 76 International Airports, guaranteeing the highest standards. At COPA, Ms. Freire was also responsible for the work environment of approximately 1,500 employees. Throughout her career at COPA, Ms. Freire accomplished and led diverse projects of reorganization, opening of new routes recognition plan for airports, among others.

Nicolás Vargas A. Mr. Vargas is our commercial Vice President. Mr. Vargas holds a Systems Engineering degree, a graduate degree in High Management, and a master's degree in Marketing from Latin University of Panama. Mr. Vargas also holds a Customer Focus Certificate from University of Barcelona. With more than 20 years of professional experience, Mr. Vargas has held different positions as sales manager in different industries and markets. In 2000, Mr. Vargas served as Channel Developer and Agency Manager at Miller. In 2008, Mr. Vargas was placed in Telefónica as Regional Manager. Mr. Vargas was Sales Manager at Distesa in 2014 and National Sales Manager at Digicel Company in 2017.

Irving J Ferguson G. Mr. Ferguson is our Vice President of Technology and Innovation. Mr. Ferguson holds a Computer Systems Engineering degree from University of Technology of Panama, a master's degree in Business Administration with an emphasis on Human Resources Management from the Latin American University of Science and Technology (ULACIT). Mr. Ferguson served as a consultant in TI management, strategic planning, project management and corporate governance – Trainer / Price Waterhouse Coopers – Consultant. Mr. Ferguson

served as Innovation & Technology Manager at Consorcio Sertracen, as Technology Manager at Cooperativa Profesionales, R.L. (Cooperativa de los Médicos), as Project Manager at Ricardo Pérez, S.A. (Toyota) and Solusoft, S.A. (Oracle), as Technology Manager at May's Zona Libre, S.A., and as Chief of Systems Development at the Electoral Tribunal of Panama. Mr. Ferguson is a professor at the Technological University of Panama in the Computer Audit masters' program and served as professor of Master of Equation and Higher Teaching at ULACIT.

Employees

As of March 31, 2021, we had approximately 1,514 employees spread across seven different operating vice-presidencies, which encompass the broad range of activities typical for a large commercial service airport. Approximately one-third of these employees perform airport security functions.

Substantially all of our employees, including the members of the Board of Directors, are unionized and covered by a collective bargaining agreement with the UTAP which was renewed in July 2017 and will remain in effect until July 2021. The agreement includes certain benefits, including (i) an annual increase, ranging from 3% to 5%, to the base salary of all employees, (ii) 150 scholarships to be granted every year, each for 10 months, to employees' children, half for US\$50.00 monthly and the other half for US\$60.00 every month, depending on the employee's salary and (iii) the implementation of a salary scale reflecting market standards to enable us to compete for and attract qualified personnel. The Board of Directors has retained the services of Icaza, Gonzalez-Ruiz & Aleman (IGRA), a Panamanian law firm specialized in union negotiations, to negotiate the future collective bargaining agreement.

According to the Panamanian Labor Code, Airport employees are subject to a particular regime governing strikes, which establishes an arbitration procedure that can be enforced by the relevant Panamanian Labor Authorities and that has the effect of immediately suspending a strike. We believe we maintain good relations with our labor force.

As is typical in major airports, personnel in charge of air traffic and the control tower are not employees of the Airport, but public employees of the CAA. The CAA is responsible for aircraft after they are no longer in contact with the Airport terminal or at parking stations. Furthermore, perimeter security for the Airport is the responsibility of the National Police.

Compensation

Compensation of our directors is set according to our bylaws. For the year ended December 31, 2020, aggregate accrued compensation to our board members and key management totaled US\$695,087.21.

COVID-19 and our Labor Force

We, in compliance with the ordinances relating to the state of emergency declared by the Panamanian government due to the COVID-19 pandemic, have implemented a Plan of Action for the prevention of the transmission of the virus among our employees, as follows:

- Creation of the Special Committee on Health and Hygiene for the Prevention and Care of COVID-19.
- Creation of the Biosafety Protocol to address and handle potential infections.
- COVID-19 education for our staff.
- Planning and implementation of a digital dialing system during the state of emergency to ensure a healthy space for our employees.
- Weekly nebulization of office areas.
- Signaling of all areas and transportation of workers.

- Temperature taking for our staff.
- Installation of antibacterial gel dispensers in different areas of buildings.
- Delivery of protective personal equipment to our employees.
- Staggered use of the cafeteria to avoid agglomerations.
- Implementation of remote working in non-operational areas and positions.
- As of March 9, 2021, we have vaccinated 890 employees, including at our regional airports.

We have had 360 employees recovered from COVID-19 and 4 unfortunately deceased.

In 2020, we suspended the employment contracts of 705 employees, in accordance with Panamanian law. To date, 361 employees remain with their employment suspended. In addition, we have offered voluntary retirement for 94 of our employees, of which 51% are senior citizens. We also have a voluntary retirement program. As of March 31, 2021, 152 employees have been approved and signed for voluntary retirement, mostly from suspended contract workers.

REGULATORY OVERVIEW

The Airport started operations in 1947. From its creation and up to 2003, the airport was managed by the CAA. On January 29, 2003, the Panamanian Legislative Assembly passed Law 23, establishing a regulatory framework for the management of airports and airfields in Panama. Pursuant to Law 23, the Government of Panama may establish companies to provide the “public service” of airports and airfields management, as subject to the Law of Corporations and the Code of Commerce.

Law 23 was amended by Law No. 71 of November 2009 (“Law 71”), passed by the Panamanian Legislative Assembly on November 9, 2009. Law 71 introduced certain changes to the corporate organization and governance of the airport management companies created pursuant to Law 23, including authorizing chief executive officers of these companies to retain external auditors and establishing a procedure for removal of chief executive officers.

Law 23 was further amended by Law No. 86 of December 2012 (“Law 86”), approved by the Panamanian National Assembly on December 3, 2012, Law No. 125 of December 2013, approved by the Panamanian National Assembly on December 31, 2013, Law 24 of October 2014, approved by the Panamanian National Assembly on October 28, 2014 and Law 66 of October 2017, approved by the Panamanian National Assembly on October 17, 2017. Law 86 modifies articles 19 and 20 of Law 23. It explicitly authorizes the companies created pursuant to Law 23 to issue bonds and sell them in Panama or internationally. Law 86 further authorizes these companies to establish liens over some of their assets as well as assign them or pledge them as guarantee to Panamanian or international financial creditors or agents, with the approval of their Board of Directors and of the Cabinet Council. It further authorizes the board of directors of the managing companies to waive prerogatives, guarantees and immunities granted by the procedural laws to Panama and its entities, including us, in respect of any assets assigned, transferred, or granted as guarantee in any manner to secure our obligations and in respect of any judicial enforcement thereof. On July 6, 2021, our Board of Directors waived these procedural privileges. Nevertheless, since such privileges are a matter of public policy, Panamanian courts may uphold such privileges regardless of such waiver. This law authorizes the companies created pursuant to Law 23 to manage the funds generated by its operations or received as the result of financing transactions through trusts or special funds created for that purpose. Law 86 also permits us and all airport management companies to incorporate subsidiaries to carry out commercial activities related to their aeronautical operations, but it forbids the sale or pledge of shares of such companies. Finally, Law 86 explicitly states that fees charged by aviation or non-aviation services are not considered taxes.

We are a corporation organized under the laws of Panama that was incorporated pursuant to the provisions of Law 23 and Cabinet Resolution No. 30 of April 9, 2003. The Airport is managed by us. We own all the assets and rights related to the Airport previously owned by the Government directly.

Our corporate purpose includes owning and managing the Airport, complying with international agreements entered into by Panama including rules and recommendations from the ICAO and complying with rules adopted by Panama regarding airport operations.

Our authorized capital is one million shares with a par value of US\$20.00 each. Pursuant to Law 23, 100% of our shares must be owned by Panama and will be under the custody of the Ministry of Economy and Finance.

All assets and liabilities owned by the Government prior to our creation were transferred to us free of charge, including all assets related to the Airport’s operation and development. According to Panamanian law, these assets and liabilities were classified and appraised by experts from the MEF and the *Contraloría General de la República* before they were transferred. Assets related to protection and security of air navigation were not transferred, as this is a core responsibility of the CAA.

As determined by the U.S. Federal Aviation Administration, we are currently in compliance with ICAO Standards and have been rated as a category 1 jurisdiction by IASA since April 2004. We also comply with additional regulations issued by the CAA.

Regulation of Rates and Fees

With regard to the setting of fees and rates for aeronautical and non-aeronautical services, Article 15 of Law 23 and our bylaws establish that our Board of Directors will set, as appropriate, rates and charges for airport aeronautical services to be provided to aircraft on land, including, but not limited to, the services of loading and unloading of passengers and cargo, passenger check-in counters and baggage and airline offices, subject to approval by the CAA. These rates and fees should preferably be based on the costs of the services provided, in accordance with CAA guidelines. Also, our Board of Directors is entitled to set the rates for non-aeronautical commercial services and minimum rents for the use of airport surfaces at the respective airports and airfields without prior approval by the CAA. It is a policy of our Board of Directors to include the costs of maintaining a robust financial profile for the Airport and meeting its financial covenants and obligations in our costs of services.

Passenger Exit Fee

The PEF is levied on departing international Origin/Destination Passengers for their use of Airport facilities. Revenue from the PEF constitutes our most significant source of operating revenue (21.5% and 26.6% of operating revenues for the years ended December 31, 2020 and 2019, respectively, and 14.8% of operating revenues for the three-month period ended March 31, 2021) and is directly related to the number of international Origin/Destination Passengers who depart from the Airport. All passengers that remain in Panama for at least 24 hours are considered Origin/Destination Passengers, while all others are considered Transit/Transfer Passengers. Transit/Transfer Passengers and passengers on domestic flights are not required to pay the PEF. Currently, the overwhelming majority of flights at the Airport are arriving from or departing to international locations. Official Panamanian delegations (with proper authorization) in the areas of sports, academics and culture and people with diplomatic passport are exempt from paying the PEF. Children under two years of age are charged US\$10.00 in respect to the PEF. Retired passengers (defined as female passengers over 55 years of age and male passengers over 60 years of age) who are also residents receive a 50% discount in respect of the PEF.

The PEF is currently set at US\$40.00 per international Origin/Destination Passenger at the Airport. In October 2009, the board of directors of the CAA increased the PEF from US\$20.00 to US\$40.00. We are not aware of any other plans to change the amount of the PEF, or to change the applicability of the PEF among the various categories of travelers.

While the PEF is paid by the passenger, it is included in the airline ticket price received by the airlines and then paid by the airlines to us, on a monthly basis following our receipt from the Airlines of a list of all passengers traveling on such airline during such period. The average period of time required by the Airlines to pay the PEF is seven calendar days from the day we send the corresponding invoice to the Airlines. Such invoice is issued by us following receipt of the boarding passes from the Airlines at the end of each month. Once we receive the boarding passes, we validate the information through an internal audit process (issuing reports to the Board of Directors on a periodical basis). If an airline fails to pay for the PEF in a timely manner (within seven days from the date the invoice was sent), a penalty is imposed on such airline by the Airport, which can amount to up to 10% over the amounts owed. If payments are not done within thirty days of the invoice's issuance, additional surcharges equal to 0.0059% of the amounts due are imposed. As a result, we should receive payment of the PEF by no later than two months on average after the passenger uses our facilities.

Historically, we have not had any major collection problems or delays in payment by the Airlines and have not imposed any major for late payments. Since October 2009, the PEF has been US\$40.00 per departing passenger, and since then, we have received from the airlines the full amount of US\$40.00. Pursuant to applicable law, 25% of each PEF, currently US\$10.00, must be sent by the Airport to the Panamanian Tourism Authority and US\$1.00 of the remaining PEF (US\$30.00) is later paid by the Airport to the National Commission for the Prevention of Crimes of Sexual Exploitation ("CONAPREDES"). The portions sent to the Panamanian Tourism Authority and CONAPREDES are not included in our revenue and do not form part of the Committed Revenues.

In order to modify the PEF or the Development Fee, our Board of Directors must approve the proposed modification, which must then be submitted to the CAA for its approval in accordance with Article 17 of Law 23.

Development Fee

In December 2015, the board of directors of the Civil Aeronautics Directorate issued Resolution No. 022, as amended, through which a special Airport development fee (the “Development Fee”) was authorized along with certain amendments to several other fees for airport services. The Development Fee, along with the changes to the existing fees, became applicable as of January 1, 2016. The Development Fee is currently set at US\$12.00 per international Origin/Destination Passenger at the Airport.

The Development Fee is levied on departing international Origin/Destination Passengers for their use of Airport facilities. Revenue from the Development Fee is directly related to the number of international Origin/Destination Passengers who depart from the Airport. Children under two years of age are exempt from the payment of the Development Fee. Retired passengers (defined as female passengers over 55 years of age and male passengers over 60 years of age) who are also residents receive a 50% discount on the Development Fee.

Similar to the PEF, the Development Fee is included in the airline ticket price received by the airlines and then paid by the airlines to us along with the PEF, with the same collection and penalty procedures described above for the PEF. No portion of the Development Fee is required to be paid to the Panamanian Tourism Authority or CONAPREDES, and all revenue earned from such fee is included in our aeronautical revenues upon receipt.

We are not aware of any plans to change the amount of the Development Fee, or to change the applicability of the Development Fee among the various categories of travelers. In order to modify the Development Fee, our Board of Directors must approve the proposed modification, which must then be submitted to the CAA for its approval in accordance with Article 17 of Law 23.

Aeronautical Services Rates and Fees (including the PEF)

Based on the provisions of Law 23 and our articles of incorporation, the approval process for these rates and fees is as follows. Our Chief Executive Officer submits for consideration of our Board of Directors any proposed fees and rates for aeronautical services to be charged at the Airport. These fees and rates should preferably be established based on the costs of services rendered. Our Board of Directors considers the proposal and, if approved, passes a resolution establishing the rates and fees for aeronautical services. The proposed increase must then be submitted for approval of the board of directors of the CAA. This submission includes a justification for the proposed increase and comparative fee and rate figures with respect to other airports. The board of directors of the CAA considers the fees and rates proposed by our Board of Directors and passes a resolution approving, rejecting or modifying them (in whole or in part). The resolution of the board of directors of the CAA is published in the Official Gazette.

The CAA has full discretion to reject or modify the proposed increase so long as it provides a justification. We are entitled to request reconsideration of this decision to the CAA or to initiate a legal challenge to their decision in Panamanian courts. However, consensus has always been reached in the past between us and the CAA before new fees and rates are proposed to the CAA’s board of directors. There is no legal term within which the board of directors of the CAA must reach a decision, although it is customary for the decision to be taken at the meeting where our proposal is presented.

The process described above applies for all aeronautical fees, including the PEF, the Development Fee, landing charges, boarding bridge charges, electricity and air conditioning, clubrooms and cargo charges. No other authorities, domestic or international, are formally consulted as part of the aeronautical services fees and rates setting process.

We typically notify the airlines before the new fees and rates are proposed and published, though we are not legally required to do so. Our practice has been to provide such advance notice to the airlines and, if applicable, to hold a meeting with them to discuss the proposed changes.

Non-Aeronautical Commercial Services Rates and Fees

The CAA does not regulate non-aeronautical commercial revenues or otherwise establish what non-aeronautical fees and rates we can charge. Our Chief Executive Officer submits for consideration of our Board of Directors the rates for non-aeronautical commercial services and the minimum rents from the use of airport property. Our Board of Directors passes a resolution approving the rates for non-aeronautical commercial services and the minimum rents for the use of airport property. Our Board of Directors has sole and final authority over the setting of non-aeronautical rates and fees.

Refrendo from Contraloría

According to Law No. 32 of 1984, the *Contraloría* is an independent institution of the Government (not overseen by the executive branch or by the National Assembly) created by the Constitution of Panama, whose mission is to oversee and regulate the management and disposition of the funds and assets of public entities and, among others, of corporations that are controlled by the Government, including us, as well as to examine the accounts related thereto. Therefore, all transfers of funds required pursuant to the terms of the Transaction Documents, such as transfers from the Operating Accounts to the Transaction Accounts (each as defined in “*Description of the Notes*”), require the prior examination and approval of the *Contraloría*, which occurs through a process that concludes with, what is known as *refrendo*.

Annual Operating Budget

We prepare our own annual operating and capital investment budget, which is not part of the budget of the Republic of Panama. Our annual budget has to be submitted for approval to the Cabinet Council and the National Assembly each year. The National Assembly may approve or reject our budget, but it may not make any amendments to it. In the event that the National Assembly does not approve our budget, the current fiscal year’s budget will enter into effect for the next fiscal year; however, all items in our proposed budget relating to the payment of our debt, labor and contractual obligations, including those for the financing of investments, will be automatically incorporated to the new budget. Historically, the National Assembly has approved our budget during the last quarter of the preceding year.

RELATED PARTY TRANSACTIONS

All transactions between us and Government entities are considered transactions between related parties. The material transactions that we have engaged in with related parties are described below.

In connection with our master capital expansion plan, in February 2013, we exercised our option to purchase 285 hectares of land adjacent to the Airport for US\$109.9 million pursuant to an option contract between us and Universidad de Panamá dated February 28, 2013. Subsequently, in January 2015, we received a proposal by the Universidad de Panamá requesting an amendment to the contract whereby we would purchase an additional six hectares of land for US\$6.0 million (increasing the total contract price to US\$115.9 million) and payment of past due interest at a rate of 4%, over a period of six years. As of December 31, 2020, we had paid US\$109.9 million and we believe we do not owe any interest under the agreement. Thus, the US\$6.0 million and 4% interest requested by Universidad de Panama have not been paid.

In 2014, we entered into an interinstitutional cooperation and execution agreement (*Convenio de Cooperación y Ejecución Interinstitucional – No.001/13*) with the Ministry of Security, in connection with the implementation of a project involving the supply and installation of a facial recognition systems at the Airport (*Suministro e Instalación del Reconocimiento Facial, Segunda Etapa*). The project was initially approved for an amount of US\$8,500,000, of which US\$5,000,000 were disbursed to the Ministry of Security for the purchase and installation of security cameras and equipment at the Airport. As of December 31, 2020, we had accounts payable under this agreement for an amount of US\$3,500,000. The approval process followed and complied with all the steps and formalities required in Panama for this kind of transactions, including the *Resolución de Gabinete* No. 35 issued on March 18, 2014.

In November 2015, we entered into a real estate sale agreement with the Ministry of Education, through which we sold approximately 10.6 hectares of land adjacent to the Airport for a total purchase price of US\$20.2 million. The land was acquired by the Ministry of Education for the construction and development project of the *Instituto Técnico Superior del Este*, a technical educational institute. The approval process followed and complied with all the steps and formalities required in Panama for this kind of transactions, including the *Resolución de Gabinete* No. 125 issued on November 17, 2015.

For additional information regarding our related party transactions, please see note 8 to our audited financial statements, attached to this Offering Memorandum.

DESCRIPTION OF THE TOCUMEN TRUST

Certain terms in this section are used as defined in “Description of the Notes—Certain Definitions in the Indenture.”

The Tocumen Trust was established in Panama pursuant to a trust agreement dated September 27, 2013 among Scotia Panama Trust Company, S.A. (formerly known as The Bank of Nova Scotia (Panama) S.A.), Prival Bank S.A. and us, the grantors (the “Original Trust Agreement”) in the Republic of Panama pursuant to Panamanian Law No. 1 of January 5, 1984 under the technical name of *Fideicomiso The Bank of Nova Scotia (Panama) S.A./FID-132*” to hold assets that constitute security for the benefit of the holders of the Existing Notes. The primary purpose of the Original Trust Agreement was to create a separate legal entity to hold certain committed revenues, to be managed by the Collateral Trustee, pursuant to certain terms and conditions.

Trusts are regulated in Panama by Law No. 1 of January 5, 1984 and Law No. 21 of May 10, 2017. These laws grant great flexibility to trusts per se, and facilitated their creation and management.

The Superintendency of Banks is the official entity responsible for supervising and safeguarding the adequate functioning of the trust business in the Republic of Panama.

We entered into the Trust Agreement on April 19, 2016 in order to expand the revenues to be transferred periodically by us to the Tocumen Trust to be held as Collateral and include additional secured creditors in the Tocumen Trust’s collateral structure, which will secure on a first priority, *pari passu* basis (i) the Existing Notes, (ii) the notes and (iii) future debt permitted to be incurred by us and intended to be secured by the Collateral with *Pari Passu* Priority (together with the Existing Notes and the notes, the “Collateral Secured Debt”); *provided* that the Designated Voting Party of the holders of such other Collateral Secured Debt shall have executed a joinder to the Intercreditor Agreement; *further provided*, in all cases, that each Debt Service Reserve Account and each Payment Account shall secure on a first priority basis only the Collateral Secured Debt in respect of which such Debt Service Reserve Account and Payment Account are established and maintained. The Trust Agreement will be further amended, in a specific manner, prior to the issue date. The specific amendment is mainly in order to (i) exclude a portion of our revenues as collateral (as described in the *Description of the Notes—Collateral*), (ii) modify the existing waterfall as described in “*Description of the Notes—Accounts and Priority of Payments—Flow of Revenues*”, and (iii) exclude and include specific trust accounts, and (iv) create certain flexibility with respect to the manner to replace the Collateral Trustee.

The Trust Agreement provides for the establishment and maintenance by the Collateral Trustee of the Collateral Trustee’s Transaction Accounts and the establishment and maintenance by us, in our own name, of the Issuer’s Operating Accounts. The Trust Agreement provides that the Collateral Trustee shall be authorized to open and maintain each Transaction Account with an Approved Account Bank. Only the Collateral Trustee shall be a signatory under the Transaction Accounts. Transfer and/or withdrawals on each Transaction Account shall be made by the Collateral Trustee in accordance with the priority order described in “*Description of the Notes—Accounts and Priority of Payments—Flow of Revenues*” and the instructions given by us in each Withdrawal Certificate, *provided* that, after the occurrence of and during the continuance of an Event of Default, our instructions may apply solely for transfers as described in “*Description of the Notes—Accounts and Priority of Payments—Flow of Revenues*,” and the Intercreditor Agent may issue supplementary instructions. Interest and other revenues generated by each Transaction Account shall be credited into the Trustee General Account.

The obligations secured by the Trust Agreement include, amongst others (the “Secured Obligations”):

- The timely and complete payment when due (whether on the original due date or the early date) of each and every amount owed, including but not limited to the payment of principal, current interest, delinquent interest, commissions, expenses, fees and any other amounts owed to the Secured Parties under any Collateral Secured Debt, according to the terms of the Relevant Documents, as well as those deriving from any modifications, reforms, supplements, extensions, renewals or replacements thereof;

- The timely and complete payment by us of all expenses and obligations incurred or which may be incurred in the future by the Collateral Trustee, its advising agents and the other Secured Parties to collect, either judicially or extra-judicially, the amounts owed under any Collateral Secured Debt, to ensure fulfillment of the relevant obligations and commitments or to defend the rights of the Secured Parties conferred under the Trust Agreement, including but not limited to attorney expenses, costs and other judicial expenses; and
- The timely and complete payment of any other sums we must pay to the Collateral Trustee or creditors pursuant to the Relevant Documents, as applicable.

The Trust is irrevocable, pure and simple, and it shall be extinguished when one of the following events occur: (i) all of the Secured Obligations are paid pursuant to what the Intercreditor Agent certifies to the Collateral Trustee, or (ii) if an Execution Order is issued in light of an Anticipated Event of Default by the Settlor of any of the obligations contracted for in any of the debt related documents, without the Anticipated Event of Default having been remedied within the term established in the respective debt document that gave rise to the Anticipated Event of Default, once (1) the Collateral Trustee has paid all the Secured Obligations, pursuant to the certification of the Intercreditor Agent; and (2) any judicial action of any other kind filed by the Collateral Trustee as a result of the Execution Order has been terminated; or (iii) any of the causes set forth in Article 33 of Law No. 1 of January 5, 1984 takes place.

Collateral

The Collateral will consist of a security interest in and to:

- Ninety-five percent (95%) of each of our Aeronautical Revenues and our Non-Aeronautical Revenues, that are transferred to the Trustee General Account upon us obtaining the *refrendo* of the *Contraloría*;
- The Collateral Trustee's Transaction Accounts and any amounts deposited therein, see "*Description of the Notes—Collateral—Accounts and Priority of Payments —Transaction Accounts*";
- Any other bank or investment accounts the Collateral Trustee may establish from time to time in fulfillment of its fiduciary duty;
- Moneys, assets and rights the Collateral may produce in the form of earnings on principal, interest, credits, indemnifications or other amounts; or that derive from such assets by reason of disposals, exchanges, transfers or for any other reason; and
- Any other moneys, assets or rights that may be transferred from time to time to the Collateral Trustee in order to form part of, or become incorporated into, the Collateral.

For the avoidance of doubt, none of the revenues or other assets of the Other Airports, Airport City or any Unrestricted Subsidiary will be included in the Collateral.

Collateral Secured Debt Certificates

Pursuant to the terms of the Transaction Documents, we are permitted to incur Collateral Secured Debt, *provided* that such incurrence is permitted by the Transaction Documents. After incurring any Collateral Secured Debt, and prior to including the holders of any Collateral Secured Debt as secured parties under the Trust Agreement, we shall notify the Collateral Trustee and the Intercreditor Agent, through the delivery of a certificate in substantially the form included as Exhibit A to the Trust Agreement (the "Collateral Secured Debt Certificate"), of the incurrence of the Collateral Secured Debt and of our intention to include the holders of such debt as Secured

Parties under the Trust Agreement. Such holders shall be deemed to be Secured Parties effective upon the date and time of execution of a joinder agreement to the Intercreditor Agreement or an Additional Intercreditor Agreement by the Designated Voting Party (as defined under the Intercreditor Agreement) of the corresponding Secured Party.

Withdrawal Certificates

Except as otherwise provided below, not later than the first Business Day after each Monthly Transfer Date, we will deliver to the Collateral Trustee, with a copy to the Indenture Trustee and the Intercreditor Agent, a certificate (the “Withdrawal Certificate”) setting forth instructions for the transfer of specific funds to be made by the Collateral Trustee from the Trustee General Account to the other Accounts in the order of priority set forth in “*Description of the Notes*.” Each Withdrawal Certificate will include: (i) an officer’s statement stating that both immediately prior to the transfer of funds and after giving effect to such transfers no Default or Event of Default shall have occurred and be continuing; (ii) the flows of funds to be transferred by the Collateral Trustee to the accounts indicated by us, together with reasonably detailed calculations of the amounts of such flows and the dates when such transfers are to be made from the Payment Accounts or from the Reserve Accounts to the accounts of the respective agents and creditors; (iii) if immediately prior to the transfer of funds no Default or Event of Default shall have occurred and be continuing, the information about the amounts to be deposited directly by us into the Issuer’s Operating Accounts, in the specific priority order as set forth in the Trust Agreement; and (iv) all other information as necessary for the Collateral Trustee to fulfill and comply with the instructions given in the Withdrawal Certificate.

The Collateral Trustee, Scotia Panama Trust Company, S.A. (formerly known as The Bank of Nova Scotia (Panama), S.A.), is a corporation organized under the laws of Panama, duly recorded with the Mercantile Section of the Public Registry at Micro-Jacket 566776, Document 1130136. The Collateral Trustee holds a trustee license granted by the Superintendence of Banks of Panama through Resolution FID No.-010-2010 issued on September 14, 2010. The Trustee’s contact information is:

SCOTIA PANAMA TRUST COMPANY, S.A. (FORMERLY KNOWN AS THE BANK OF NOVA SCOTIA
(PANAMA), S.A.)

Address: Torre de las Américas,

Torre A, Piso seis (6)

Panama City, Panama

Phone: (+507 282-7900)

Fax: (+507 282-7909)

P.O. Box: 0832-0231

Attention: Christy López

Email address: christy.lopez@pa.scotiabank.com

The Collateral Trustee engages in providing trustee related services, and has never been subject to any sanctions by its supervising entity.

The person in charge of the Trust Agreement on behalf of the Collateral Trustee is Mrs. Christy López.

We and our subsidiaries or affiliates have no pending obligations with the Collateral Trustee.

We are the Settlor of the Trust Agreement.

The Collateral that is subject to the Trust Agreement is our property.

The Settlor’s contact information is:

AEROPUERTO INTERNACIONAL DE TOCUMEN

Address: Vía José Domingo Díaz, Corregimiento de Tocumen

City of Panama, Panama

Phone: + 507-238-2899

P.O. Box 0838-02408

Att: Julieta Cordoba
E-mail: jcordoba@tocumenpanama.aero
c.c. President of the Board of Directors

The Trust Agreement is onerous and the Collateral Trustee shall collect an annual remuneration that shall be paid by the Settlor. The Trust Agreement sets forth that the Collateral Trustee may debit the annual remuneration amount (US\$45,000) directly from the Concentration Account.

The Trust Agreement sets forth that the Collateral shall constitute a separate patrimony from the personal assets of the Collateral Trustee and of the Settlor for all the legal effects, and, as a result, the assets that compose it may not be seized nor attached, except for obligations incurred in or damages caused with the execution of the Trust Agreement, or by third parties whenever such Collateral were transferred to the Trust Agreement or fraudulently retained in fraud and in prejudice of its rights.

The Collateral Trustee may not dispose of the Collateral in a form contrary or different to what is set forth in the Trust Agreement.

The Collateral Trustee is not obliged to grant a security interest of any kind for good administration in favor of the Settlor of any of the Secured Parties.

The Collateral Trustee has no power to authorize the substitution of Collateral.

The Collateral Trustee shall comply with the obligations set forth in the Trust Agreement in respect of the accumulation, distribution or disposition of the assets, rents and products of the Collateral.

There is no expense related to the Trust Agreement that must be paid by the Secured Parties.

Duties and Responsibilities of the Collateral Trustee

Under the terms of the Trust Agreement, which is governed by Panamanian law, the Collateral Trustee shall have the following duties and responsibilities:

- Maintain and manage the Collateral Trustee General Account, until such time as all Secured Obligations have been paid in their entirety;
- Open, maintain and manage, for the entire lifetime of each Collateral Secured Debt, the respective Reserve Account and Payment Account of the corresponding Collateral Secured Debt, within or outside the Republic of Panama, as set forth in the Trust Agreement, the Relevant Documents and the instructions received from us in the corresponding Certificate of Collateral Secured Debt, if any;
- Execute periodic transfers according to the instructions contained in the corresponding Collateral Secured Debt Certificates;
- Undertake the execution, administration and/or completion or partial disposition of the Collateral, in accordance with the instructions received from us or from the Intercreditor Agent, in order to safeguard the interests of the Secured Parties;
- Undertake transfers from the Payment Accounts and/or Reserve Accounts to the Agents and/or Creditors accounts, with the periodicity and for the amounts indicated by us in each Withdrawal Certificate;
- Send to us and to the Intercreditor Agent, a report including Tocumen Trust's balance sheet and income statement, as well as the final report on its administrative management, both annually and upon termination of the Trust Agreement;

- Within the first five (5) days of each month and in all cases subject to the Collateral Trustee having received it, send to the Intercreditor Agent a copy of the report identified in Exhibit E to the Trust Agreement, prepared and sent to the Collateral Trustee by us together with a copy of the movements of cash deposited to the Collateral Trustee General Account during the immediately preceding month;
- Deliver to us and the Intercreditor Agent, at our expense, the information, data and reports we request, notwithstanding the other obligations provided for in the Trust Agreement and the Law;
- Enter into the Intercreditor Agreement according to the written instructions sent thereto jointly by us and the Intercreditor Agent, substantially in the form attached as Exhibit B to the Trust Agreement;
- Enter into an Additional Intercreditor Agreement that may be necessary as required by us in accordance with our written instructions and substantially in the form attached as Exhibit B to the Trust Agreement;
- Deliver to the Intercreditor Agent, at our expense or, in the event we do not cover such expenses within three (3) Business Days after being so requested, at the expense of and charged to the Collateral, the information, data and reports it may request, notwithstanding the other obligations provided for in the Trust Agreement and the Law;
- Send to the SMV, on a quarterly basis, a certification of the assets and rights constituting the Collateral, with a copy to the Intercreditor Agent;
- Remit, at any time, any information required of it regarding its management as Collateral Trustee, or any other information required by Law, to the proper authorities;
- Retain the documents evidencing fulfillment of its duties as Collateral Trustee during the term of the Trust Agreement and until the final rendering of accounts has been approved;
- Act through legal representative(s) or attorney(s) in fact where necessary or appropriate, at its complete judgment and discretion, to execute its authority and responsibility as Collateral Trustee and as such, establish legal representatives to file and pursue to their conclusion any necessary legal actions against us, in the event of breach of our obligations in the Trust Agreement, or any other action or judicial or extrajudicial measure that might correspond to a creditor, or otherwise initiate and pursue to their conclusion any and all actions that might correspond to the owner or holder of any of the Collateral;
- Request from the Intercreditor Agent any reports, instructions and notifications it deems necessary to confirm the satisfaction of any Secured Obligation;
- Deduct from the Collateral those funds necessary to cover the expenses necessary for the execution (judicial or extrajudicial), administration, retention and/or disposal of the Collateral;
- Fulfill the obligations imposed by the Trust Agreement and applicable law; and
- Such other duties as are set forth in the Trust Agreement and the Law or as may be required pursuant to the Intercreditor Agreement.

Our Duties and Responsibilities as Issuer

Under the terms of the Trust Agreement, our main duties and responsibilities are to:

- Take all necessary measures so that the corresponding portion of the Committed Aeronautical Revenues and Committed Non-Aeronautical Revenues, other than Excluded Revenues, are deposited in the Collateral Trustee General Account on the dates required by the Trust Agreement;
- Contribute to any measures in order for the Collateral Trustee to be able to open the Transaction Accounts that require opening, and make the initial contributions for the opening of these accounts, if necessary;

- Prepare and deliver to the Collateral Trustee any Collateral Secured Debt Certificates as set forth in the Trust Agreement;
- Prepare and deliver to the Collateral Trustee any Withdrawal Certificate as set forth in the Trust Agreement and the Relevant Documents;
- Make reasonable best efforts each month to obtain the approval of the Comptroller General of the Republic of Panama for the timely transfer of the Committed Aeronautical Revenues and Committed Non-Aeronautical Revenues, other than Excluded Revenues, deposited in the Committed Revenues Account to the Collateral Trustee General Account;
- Provide to the Collateral Trustee, at the time and on the occasion required, the funds needed to address the obligations the Collateral Trustee incurs on behalf of the trust for its fulfillment, development, execution and settlement;
- Assume responsibility for the payment of all duties, taxes and/or special contributions, national or municipal, domestic or foreign, to be paid with respect to the Collateral, for which the Collateral Trustee may discount said payments from the funds deposited to the Collateral Trustee General Account;
- Present quarterly to the Intercreditor Agent, with a copy to the Collateral Trustee, a report from the Chief Executive Officer, or such person as is appointed to act on our behalf, certifying whether or not we have satisfied the obligations under the Relevant Documents, including (i) the obligations to perform, (ii) the obligations to refrain and (iii) the financial conditions of the relevant Debt. The report must also indicate whether any Event of Default has occurred, to the best of our knowledge;
- In the event the funds deposited in the Committed Revenues Account are insufficient to fund the Transaction Accounts at the required levels, transfer the required funds from the Airport General Account or from any other of our Operating Accounts to the corresponding Transaction Accounts; and
- Fulfill in its entirety any other obligation specified in the terms and conditions of the Collateral Secured Debt, the Relevant Documents, the Law and other applicable provisions.

Instructions

The Collateral Trustee will not be required to follow instructions from us or the Intercreditor Agent if, in his reasonable opinion, compliance with such instructions (i) would result in the violation of any laws, regulations, judicial order or orders from any authorities; (ii) would result in a violation of the terms and conditions of the Trust Agreement; (iii) would expose the Collateral Trustee to personal liability or could cause him any damage; or (iv) would require the Collateral Trustee to incur any expenses not covered by the Collateral at the time.

Additionally, if, at any time, the Collateral Trustee were to receive contradictory instructions from us and the Intercreditor Agent, he shall be required to seek further clarification from both parties. If such clarification does not come within five (5) Business Days, the Collateral Trustee shall follow the instructions from the Intercreditor Agent.

Additionally, if, at any time, the Collateral Trustee receives a notification of the occurrence of an Event of Default from the Intercreditor Agent, only the Intercreditor Agent will be allowed to give instructions to the Collateral Trustee, and we would not be permitted to either give instructions or issue a Withdrawal Certificate or a Collateral Secured Debt Certificate.

Resignation and Removal of Collateral Trustee

The Collateral Trustee may resign at any time, with or without cause, by providing thirty (30) Business Days' advance notice to us, the Intercreditor Agent and the other Designated Voting Parties. If no Enforcement Event has occurred that is then continuing, we shall have up to seventy-five (75) Business Days from the date of the Collateral Trustee's notice of resignation to appoint an Eligible Trustee as a replacement collateral trustee, with the

consent of the Intercreditor Agent (acting upon the direction of the Controlling Pari Passu Parties), and if we fail to appoint a replacement collateral trustee in such time, the original Collateral Trustee may appoint a replacement. If an Enforcement Event has occurred and is continuing under any Collateral Secured Debt, the Intercreditor Agent shall have seventy-five (75) Business Days' from the date of the Collateral Trustee's notice of resignation to appoint an Eligible Trustee as a replacement collateral trustee (without our consent) upon the direction of the Controlling Pari Passu Parties; provided, however, that if the Intercreditor Agent shall not have appointed the Eligible Trustee within such term, the resigning Collateral Trustee may appoint, with the written consent of the Intercreditor Agent, an Eligible Trustee as replacement trustee. The Collateral Trustee may be removed by the Intercreditor Agent pursuant to the terms of the Intercreditor Agreement (acting upon the direction of the Controlling Pari Passu Parties). Notwithstanding the foregoing, for one year following the issuance of the Notes, the Issuer will have the right to replace the Collateral Trustee without requiring the consent of the Intercreditor Agent, who shall implement any decision of the Issuer during that period, without requiring instruction from the Controlling Pari Passu Parties.

Supplement and Modification

The Trust Agreement shall only be modified by way of a written document signed between us and the Collateral Trustee on behalf of the holders of the Collateral Secured Debt who shall approve such modification. The approved amendments shall be valid and binding among all parties to the Trust Agreement, including all holders of the Existing Notes, holders of the notes and holders of any other Collateral Secured Debt. However, we, the Collateral Trustee and the Intercreditor Agent may, from time to time, establish procedures and rules for the implementation and administration of the Trust Agreement, which, as long as such procedures and rules do not contradict or alter the terms of the Trust Agreement, shall not constitute an amendment thereto. A change of the Intercreditor Agent shall not be deemed an amendment to the Trust Agreement. See "*Description of the Notes—Amendments of the Transaction Documents.*"

The firm responsible for auditing the Collateral Trustee is KPMG. Its commercial address is: Edificio KPMG (Calle 50 No. 54), Panamá, Rep. de Panamá. The person responsible for the relationship is Luis Venegas. His/her email address is: lvenegas@kpmg.com.

The resident agent of the Trust Agreement is the law firm VALLARINO, VALLARINO & GARCÍA-MARITANO. Its domicile is Calle Aquilino de la Guardia y Calle 50, Plaza Banco General Piso 24, Panama City, Republic of Panama. They countersigned the Trust Agreement.

Governing Law and Jurisdiction

The Trust Agreement is governed and interpreted in accordance with the laws of the Republic of Panama. The parties to the Trust Agreement agreed that any dispute regarding the agreement's validity, interpretation or execution that cannot be resolved by negotiation, will be submitted to binding arbitration in accordance with the Arbitration Rules of the International Chamber of Commerce, in Spanish, in Panama City.

DESCRIPTION OF THE NOTES

The Issuer will issue US\$ _____ in aggregate principal amount of notes, consisting of two series of notes: US\$ _____ aggregate principal amount of _____ % senior secured notes due _____ (the “_____ notes”) and US\$ _____ aggregate principal amount of _____ % senior secured notes due _____ (the “_____ notes”). The notes offered hereby will be issued pursuant to an indenture dated as of May 4, 2016, as amended and restated on May 13, 2016 (as may be further amended from time to time) (the “Amended and Restated Indenture”), as supplemented by (i) the first supplemental indenture dated as of May 3, 2018 (the “First Supplemental Indenture”), (ii) a second supplemental indenture dated as of November 7, 2018 (the “Second Supplemental Indenture”), (iii) a third supplemental indenture dated as of October 2, 2020 (the “Third Supplemental Indenture”), (iv) a fourth supplemental indenture to be entered into prior to the Panamanian Auction Date (the “Fourth Supplemental Indenture”), a fifth supplemental indenture to be entered into prior to the Panamanian Auction Date (the “Fifth Supplemental Indenture”), and a sixth supplemental indenture to be entered into prior to the Panamanian Auction Date (the “Sixth Supplemental Indenture”), together with the Amended and Restated Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, and the Fifth Supplemental Indenture, the “Indenture”), between the Issuer and Citibank, N.A., as indenture trustee (in such capacity, the “Indenture Trustee”), and as registrar, transfer agent and paying agent (in such capacity, the “Paying Agent”).

The following description of certain provisions of the notes, the Indenture and the other Transaction Documents is not complete and is qualified in its entirety by reference to the provisions of the notes, the Indenture and the other Transaction Documents. The noteholders will (as applicable) be entitled to the benefits of, be bound by and be deemed to have notice of all of the provisions of the notes, the Indenture and the other Transaction Documents, including the protections and rights of the Indenture Trustee and the Collateral Trustee. Copies of the Transaction Documents will be on file at the corporate trust office of the Indenture Trustee and may be inspected by noteholders during the Indenture Trustee’s normal business hours upon reasonable prior written request. When we refer to “notes” in this section, we mean the _____ notes and the _____ notes, in each case originally issued on the Issue Date and any additional notes of each same series which may be issued from time to time under the Indenture at a later date, unless otherwise stated.

General

The notes will constitute senior secured indebtedness of Aeropuerto Internacional de Tocumen, S.A., a *sociedad anónima* organized under the laws of the Republic of Panama (the “Issuer”) pursuant to Public Deed No. 2,018 of April 11, 2003 before the Fifth Notary Public of the Circuit of Panama, the security for which has been effected through the Issuer’s entry into the Trust Agreement and the Assignment Agreement under Panamanian law and the delivery of a Collateral Secured Debt Certificate by the Issuer. The Issuer is domiciled in Panama and duly recorded since April 15, 2003 in the Mercantile Section of the Panamanian Public Registry Office, at Microjacket 432290, Document 456104.

Principal and interest on the notes will be payable on each relevant Payment Date, with the final payments thereof being required to be made on the relevant Maturity Date. While the notes will constitute unconditional and unsubordinated obligations of the Issuer, it is expected that payments to noteholders of principal and interest on the notes will be made from funds on deposit in the Payment Accounts or, should such funds be insufficient for such purposes, from funds in the other Transaction Accounts; *it being understood* that, should the amounts in the Payment Accounts and the other Transaction Accounts be insufficient for any payment to noteholders, then the Issuer will be obligated to make such payments as and when due.

The Indenture will not be qualified under the Trust Indenture Act and noteholders will not be entitled to the protections provided under the Trust Indenture Act to holders of debt securities issued under an indenture that is so qualified. The notes will also have the benefit of, and will be subject to the terms of, the other Transaction Documents. The Transaction Documents set forth the terms of the agreements that will secure the obligations of the Issuer under the notes. The registered holder of a note will be treated as its owner for all purposes. Only registered holders will have rights under the Indenture.

The Indenture permits the Issuer to issue an unlimited amount of debt securities in different series from time to time. The specific terms of each of the series may differ from the notes offered hereby. The Indenture does not limit the number of other series of debt securities the Issuer may issue or the aggregate amount of any particular series. The Indenture does not require that the Issuer issue future issuances of debt securities under the Indenture. The Issuer will be free to employ other indentures or documentation containing provisions different from those included in the Indenture or applicable to one or more series of debt securities, in connection with future issuance of debt securities.

Ranking

The notes will constitute direct, unconditional senior secured obligations of the Issuer and will: (i) rank *pari passu* in right of payment with all other existing and future senior Debt of the Issuer (including the Existing Notes); (ii) rank senior in right of payment to any existing and future Debt of the Issuer that is expressly subordinated in right of payment to the notes; (iii) be effectively senior to all of the Issuer's existing and future senior unsecured Debt, to the extent of the value of the Notes Collateral that is subject to liens securing the notes; and (iv) be effectively subordinated to any future Debt of the Issuer that is secured by liens on assets that do not secure the notes, to the extent of the value of the assets securing such future Debt.

Issuance of Additional Notes

The Indenture provides that the Issuer may from time to time, without notice to or the consent of the noteholders, issue additional notes under the Indenture from time to time in one or more series; *provided* that such issuance, as with any issuance of Permitted Debt, complies with the limitations set forth under the covenant described in paragraph (a) of “*Negative Covenants*” below. Under the Indenture, we are permitted to issue additional notes, of the same series as the notes offered by this Offering Memorandum, which (other than the issuance date, the first payment date, the price thereof and (at least for a period) trading restrictions and CUSIP and/or other securities numbers) are identical to the then-existing notes (such additional notes of the same series as the notes offered hereby, the “Additional Notes”).

The notes of a series and any Additional Notes of that series will be treated as a single class for all purposes of the Indenture and the other Transaction Documents, including waivers and amendments; *provided, however*, that unless the Additional Notes are issued under a separate CUSIP number, the Additional Notes must be fungible with the notes of that series issued on the Issue Date for U.S. federal income tax purposes. For all purposes of the Indenture, the other Transaction Documents and this “*Description of the Notes*,” unless otherwise specified references to notes include any Additional Notes actually issued.

Each of the Issuer, the Indenture Trustee, the Intercreditor Agent and the Collateral Trustee are (without the need for any approvals, consents or instructions from any noteholders, but in accordance with all other provisions applicable thereto) authorized to join in the execution of any amendment (including an amendment and restatement) of any Transaction Document(s) to the extent required to provide for such increase in the Principal Balance of the notes.

Collateral

General

On September 27, 2013, the Issuer, Scotia Panama Trust Company, S.A. (formerly known as The Bank of Nova Scotia (Panama), S.A.), in its capacity as Collateral Trustee (the “Collateral Trustee”) and Prival Bank, S.A., in its capacity as paying, register and transfer agent for the Existing Notes (no longer a party thereto), entered into a trust agreement (the “Original Trust Agreement”) pursuant to which a trust was created (the “Tocumen Trust”) and the Issuer transferred to the Tocumen Trust, and committed to transfer to the Tocumen Trust in the future, certain revenues to secure the Existing Notes.

On April 19, 2016, the Collateral Trustee and the other parties to the Original Trust Agreement amended and restated the Original Trust Agreement (the “Amended and Restated Trust Agreement”), which will be amended by

the amendment to be entered into on or prior to the Panamanian Auction Date (the “Amendment to the Amended and Restated Trust Agreement”, together with the Amended and Restated Trust Agreement, the “Trust Agreement”). The assets and revenues subject to the Tocumen Trust as described below (the “Collateral”) secure the 2036 Notes, the 2048 Notes and the notes and will also secure future Debt permitted to be incurred by the Issuer and intended to be secured by the Collateral with Pari Passu Priority (together with the 2036 Notes, the 2048 Notes and the notes, the “Collateral Secured Debt”).

On April 19, 2016, the Issuer, the Intercreditor Agent, the Collateral Trustee and the Paying Agent for the 2013 Notes entered into the Intercreditor Agreement, which will be amended by the amendment to be entered into on or prior to the Panamanian Auction Date. On May 4, 2016, the indenture trustee of the 2036 Notes executed and delivered a joinder to the Intercreditor Agreement with respect to the 2036 Notes, which joinder was amended on May 13, 2016. On May 3, 2018, the indenture trustee of the 2048 Notes executed and delivered a joinder to the Intercreditor Agreement with respect to the 2048 Notes. Prior to the Panamanian Auction Date, the Indenture Trustee will enter into a joinder to the Intercreditor Agreement with respect to the notes, which joinder may be amended on or prior to the Issue Date, after which the obligations of the Issuer under the notes will be secured by a first priority Lien on the Collateral. Subject to the terms of the Trust Agreement and the Intercreditor Agreement; the Collateral will also secure on a first priority, *pari passu* basis (i) the Existing Notes and (ii) other Collateral Secured Debt, *provided* that the Designated Voting Party of the holders of such other Collateral Secured Debt shall have executed a joinder to the Intercreditor Agreement; *provided further*, in all cases, that (x) the COVID Recovery Account shall secure on a first priority basis only the Collateral Secured Debt (including the notes but excluding each series of Existing Notes) in respect of which such account is established and maintained; and (y) each Debt Service Reserve Account and each Payment Account shall secure on a first priority basis only the Collateral Secured Debt (including the notes but excluding each series of Existing Notes) in respect of which such accounts are established and maintained.

The Collateral will consist of a security interest in and to the Shared Collateral, as defined below, and the security interest in and to the COVID Recovery Account, each Debt Service Reserve Account and each Payment Account established and maintained for each Collateral Secured Debt pursuant to the Trust Agreement. The Shared Collateral (the “Shared Collateral”) will consist of a security interest in and to:

- (i) the Issuer’s Committed Revenues, that are transferred to the Trustee General Account upon the Issuer obtaining the *refrendo* of the *Contraloría*; and
- (ii) the Trustee General Account and any funds deposited therein.

The “Committed Revenues” consist of ninety-five percent (95%) of each of the Aeronautical Revenues and the Non-Aeronautical Revenues. For the avoidance of doubt, none of the following will be included in the Collateral: (x) revenues or other assets of any Unrestricted Subsidiary; and (y) the Uncommitted Revenues (i.e., (i) revenues from the Other Airports, revenues from Airport City and revenues from sales and/or transfer of all or part of the Airport City Land; (ii) revenues of finance subsidiaries or other special purpose entities that have incurred Project Finance Debt; (iii) the Exempt Governmental Taxes; and (iv) any other Aeronautical Revenues and Non-Aeronautical Revenues not comprising Committed Revenues). For the three months ended March 31, 2021, the Other Airports in the aggregate constituted 0.63% of the Issuer’s revenues, and are immaterial to our business. The Issuer currently has no Unrestricted Subsidiaries.

(a) Each Collateral Secured Debt (including the notes and each series of Existing Notes) will be secured by the Shared Collateral and by any Debt Service Reserve Account and any Payment Account established and maintained pursuant to the Trust Agreement specifically for the benefit of such Collateral Secured Debt, and any funds deposited in such accounts and (b) each Collateral Secured Debt (including the notes but excluding each series of Existing Notes) will be secured by the COVID Recovery Account established and maintained pursuant to the Trust Agreement specifically for the benefit of such Collateral Secured Debt, and any funds deposited in such account (in the case of the notes, the collateral described in clauses (a) and (b) collectively with the Shared Collateral, the “Notes Collateral”).

Administration of Collateral

The Trust Agreement and the Collateral will be administered by the Collateral Trustee for the benefit of the Collateral Trustee, the Indenture Trustee, the Intercreditor Agent, the noteholders, the holders of the Existing Notes and the holders of any other Collateral Secured Debt and their respective agents. By accepting a note, each holder of notes will be deemed to have:

- irrevocably appointed the Collateral Trustee to act as its agent under the Transaction Documents; and
- irrevocably authorized the Collateral Trustee to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Transaction Documents or other documents to which it is a party, together with any other incidental rights, powers and discretions; and (ii) execute each document to be executed by the Collateral Trustee on its behalf.

Application of Proceeds from the Collateral

Pursuant to the terms of the Trust Agreement and the Intercreditor Agreement, proceeds realized by the Collateral Trustee, the Indenture Trustee or the trustees or agents for any other series of Pari Passu Obligations from the sale, collection or other liquidation of the Shared Collateral will be applied:

- *first*, on a *pro rata* basis, to the payment of all reasonable and documented expenses incurred by the Intercreditor Agent, the Collateral Trustee, the Indenture Trustee and any other trustee or agent for any series of Pari Passu Obligations (in their respective capacities as such) in connection with such sale, collection or other liquidation, in each case pursuant to the terms of the Transaction Documents;
- *second*, on a *pro rata* basis, to the payment in full of all amounts constituting reasonable and documented fees and expenses (including, without limitation, the reasonable fees and disbursements of counsel), indemnities and other amounts (other than principal and interest) owed to the Intercreditor Agent, the Collateral Trustee, the Indenture Trustee and any other trustee or agent for any series of Pari Passu Obligations (in their respective capacities as such), in each case pursuant to the terms of the Transaction Documents;
- *third*, to the payment in full, on a *pro rata* basis, of all Pari Passu Obligations payable as of such time, in accordance with the terms of the applicable agreements or instruments governing the Pari Passu Obligations;
- *fourth*, to the payment in full of all interest or entitlement to fees or expenses or other charges that accrue on the Pari Passu Obligations after the commencement of any insolvency or liquidation proceeding with respect to the Issuer or any of its Restricted Subsidiaries, whether or not allowed or allowable in any such proceeding; and
- *fifth*, any surplus proceeds remaining after the payment, to the reasonable satisfaction of the Secured Parties, of the amounts set forth above, will be remitted to the Tocumen Trust by depositing such amount in the Trustee General Account to be applied in accordance with the Trust Agreement.

If the net proceeds of the Notes Collateral were not sufficient to repay all amounts due on the notes and the Indenture, the noteholders (to the extent not repaid from the proceeds of the Notes Collateral) would only have an unsecured claim against the remaining assets of the Issuer.

Release of Notes Collateral

The Liens on the Notes Collateral will be, automatically and without the need for any further action by any Person, released with respect to the notes:

- (i) in whole, upon the full and final payment and performance of all obligations of the Issuer with respect to the notes under the Indenture and the notes (other than contingent obligations that may arise in the future for indemnities or otherwise);
- (ii) in part, as to any property constituting Notes Collateral that is sold, transferred or otherwise disposed of by the Issuer in a transaction permitted by “—*Asset Sales*” and by the Transaction Documents (to the extent of the interest sold or disposed of);
- (iii) otherwise in accordance with, and as expressly provided for under, the Indenture or the other Transaction Documents;
- (iv) in whole or in part, with the consent of the noteholders of the requisite percentage of notes in accordance with the provisions described under “—*Amendments of the Transaction Documents*;”
- (v) in whole or in part, as applicable, as to all or any portion of any property constituting Notes Collateral that has been taken in any Condemnation Event; and
- (vi) in whole, upon legal defeasance, covenant defeasance or satisfaction and discharge of the notes as provided below under the captions “—*Defeasance of Indenture*” and “—*Satisfaction and Discharge*.”

Upon release of the Notes Collateral, the Indenture Trustee and the Collateral Trustee shall (and the Indenture Trustee shall instruct the Intercreditor Agent and/or the Collateral Trustee, as applicable, accordingly to) promptly take such actions as reasonably requested by the Issuer in order to reconvey to the Issuer the released Notes Collateral and, if necessary, the Collateral Trustee shall, at the Issuer’s expense, cause to be filed such documents or instruments (that are prepared by the Issuer and provided to the Collateral Trustee) as shall be necessary to provide for the release by the Collateral Trustee of the released Notes Collateral. In connection with any such reconveyance or filing, the Indenture Trustee or the Collateral Trustee, as applicable, shall receive and be fully protected in conclusively relying upon an Opinion of Counsel and an Officer’s Certificate and such other documents as prescribed by the Indenture or the other Transaction Documents.

Accounts and Priority of Payments

The Trust Agreement will provide for the establishment of, deposits into and withdrawals from the Accounts, as described below.

Operating Accounts

The Issuer will establish and maintain in its own name the following accounts held or to be held at *Banco Nacional de Panama* or any other reasonably acceptable Panamanian state bank:

- (i) the Revenue Collection Account;
- (ii) the O&M Account;
- (iii) the Major Maintenance and CapEx Reserve Account;
- (iv) the Airport General Account; and
- (v) such other accounts as the Issuer shall from time to time require and establish and maintain for the operations of the Airport, the Other Airports, Airport City and any Unrestricted Subsidiaries.

Transaction Accounts

The Collateral Trustee has established and maintains in its own name the following accounts, held at an Approved Account Bank in Panama:

- (i) the Trustee General Account;
- (ii) one or more Debt Service Reserve Accounts;
- (iii) one or more Payment Accounts; and
- (iv) the COVID Recovery Account.

COVID Recovery Account

As set forth in the Trust Agreement, the Issuer will transfer to the COVID Recovery Account on the Issue Date the remaining net proceeds from the sale of the notes pursuant to clause (a)(v) of “Affirmative Covenants — Use of Proceeds” below. No later than one Business Day prior to any Business Day on which (a) O&M Costs are due and payable and the monies on deposit in or credited to the O&M Account are not anticipated to be adequate to pay such O&M Costs, or (b) the relevant portion of interest and principal payments under each applicable Collateral Secured Debt are due and payable and the monies on deposit in or credited to the applicable Payment Account are not adequate to pay such relevant portion of the interest and principal payments under each applicable Collateral Secured Debt, the Issuer may (and the Collateral Trustee shall, if instructed in writing by the Issuer) withdraw funds from the COVID Recovery Account and transfer to the O&M Account or the applicable Payment Account, as applicable, in an amount sufficient to cause the balance in such Account (when taken together with all other amounts deposited therein or credited thereto at such time) to equal the amount of such O&M Costs then due and payable and the relevant portion of the interest and principal payments under each applicable Collateral Secured Debt then due and payable, as applicable.

Notwithstanding anything to the contrary set forth herein, no other uses of the amounts on deposit in the COVID Recovery Account are permitted until the restricted payment test in paragraph (b)(iii) (as if the release referred to in this sentence constitutes a Restricted Payment) of the “—*Negative Covenants*” is met, at which point all funds then on deposit in the COVID Recovery Account may, at the Issuer’s sole discretion, be transferred to the Revenue Collection Account and the COVID Recovery Account may, at the Issuer’s sole discretion, be closed.

Flow of Revenues

As set forth in the Trust Agreement, the Issuer will sign a transfer order or check for the purpose of transferring the Committed Revenues on deposit in the Revenue Collection Account to the Trustee General Account by no later than the 21st day of the following month (such date, a “Programmed Transfer Order Date”), and more often at its discretion, and use its reasonable best efforts to secure the *Contraloría’s refrendo* applicable thereto, and as soon as reasonably possible thereafter, transfer the Committed Revenues (the date such Committed Revenues are actually received in the Trustee General Account being an “Effective Monthly Transfer Date”) in accordance with the following paragraph.

Except as otherwise provided below, on each Effective Monthly Transfer Date, the Issuer will deliver to the Collateral Trustee, with a copy to the Intercreditor Agent, a certificate (the “Withdrawal Certificate”) setting forth instructions for the transfer of specific funds to be made by the Collateral Trustee from the Trustee General Account to the other Accounts in the order of priority as set forth below. Except as otherwise provided below, not later than the first Business Day after each Effective Monthly Transfer Date or on such day in which the Trustee General Account reflects the available funds in its balance (the date of such transfer, “Disposition Date”), the Collateral Trustee shall transfer funds on deposit in the Trustee General Account in the following order of priority and in accordance with instructions set forth in the Withdrawal Certificate:

- (i) *first*, to pay, where applicable, upon request, and on a *pro rata* basis, (i) the commissions, fees (including fees of counsel), additional taxes, expenses and indemnifications for the Agents and any tax that must be charged to said payments, which the Issuer must pay for any reason to the Collateral Trustee or to the Intercreditor Agent or any Designated Voting Party, including any

professional fees the Collateral Trustee must pay for administration, advising or any other reason to fulfill its functions and obligations under the Trust Agreement;

- (ii) *second*, after the application of funds provided in clause (i) above, into the O&M Account, until the balance in such account equals an amount that, together with amounts then on deposit in the O&M Account, is equal to the sum of (i) the next three months of O&M Costs as budgeted in the Annual Operating Budget *and* (ii) the relevant portion of Tax Payments payable by the Issuer to the Government on the next scheduled tax payment date. The “relevant portion” for such Tax Payments will be equal to (A) the total amount of Tax Payments due on the next scheduled tax payment date, *less* the amounts then on deposit in the O&M Account (excluding any amounts on deposit therein for the payment of O&M Costs), *divided by* (B) the number of Programmed Transfer Order Dates prior to the next scheduled tax payment date, including such Programmed Transfer Order Date, *less one*; *provided* that such denominator shall be equal to one on the last Programmed Transfer Order Date prior to each scheduled tax payment date. The Issuer may (i) direct the Collateral Trustee in the Withdrawal Certificate to deposit additional funds in the O&M Account such that the amount to be deposited therein is equal to an amount that, together with the amounts then on deposit in the O&M Account (excluding any amounts on deposit therein to make Tax Payments), is up to 120% of the next three months of O&M Costs as budgeted in the Annual Operating Budget, *plus* any amounts solely for the purpose of addressing any Specified Force Majeure Event; *and* (ii) increase the amount to be deposited into the O&M Account for Tax Payments on any Disposition Date; *provided* that all amounts required to be deposited into each Payment Account and each Debt Service Reserve Account on such Disposition Date shall have been so deposited into each such account;
- (iii) *third*, after the application of funds provided in clauses (i) and (ii) above, on a *pro rata* basis, into each Payment Account in an amount equal to the relevant portion of the interest and principal payments under each applicable Collateral Secured Debt due on the next scheduled payment date. The “relevant portion” for each Collateral Secured Debt shall be equal to (A) the total amount of interest and principal payments under such Collateral Secured Debt due on the next scheduled payment date, *less* the amounts then on deposit in the relevant Payment Account (*provided* that, upon any acceleration but, prior to the delivery of any Remedies Direction by the Intercreditor Agent to the Collateral Trustee upon the direction of the Controlling Pari Passu Parties or the applicable Designated Voting Party for any such Collateral Secured Debt following the conclusion of the Standstill Period, the total amount of interest and principal payments shall equal the scheduled interest and scheduled principal payment and not such accelerated amount) *divided by* (B) the number of Programmed Transfer Order Dates prior to the next scheduled payment date, including such Programmed Transfer Order Date, *less one*; *provided* that such denominator shall be equal to one on the last Programmed Transfer Order Date prior to each scheduled payment date. The Issuer may increase the amount to be deposited in any Payment Account on any Disposition Date; *provided* that all amounts required to be deposited into each other Payment Account and each Debt Service Reserve Account on such Disposition Date shall have been so deposited into each such account;
- (iv) *fourth*, after the application of funds provided in clauses (i) through (iii) above, on a *pro rata* basis, into each Debt Service Reserve Account, until the balance in each such account equals the applicable Debt Service Reserve Requirement;
- (v) *fifth*, after the application of funds provided in clauses (i) through (iv) above, into the Major Maintenance and CapEx Reserve Account, until the balance in such account equals the aggregate amount expected to be paid by the Issuer in respect of Sustaining CapEx during the six months immediately subsequent to such Effective Monthly Transfer Date; *and*
- (vi) *sixth*, so long as no Event of Default or Default shall have occurred and be continuing, any amounts not transferred in accordance with clauses (i) through (v) above shall be transferred to the Airport General Account; *provided, however*, that if there are insufficient funds in the Trustee General Account to make the transfers specified in clauses (i) through (v) above, the Issuer shall

complete such transfers in accordance with the priority of payments set forth above from amounts held in the Airport General Account;

provided that, if no Event of Default or any other Enforcement Event shall have occurred and be continuing on such Effective Monthly Transfer Date, the Issuer shall be permitted to: (x) transfer to the Trustee General Account for distribution in accordance with this flow of revenues on such Effective Monthly Transfer Date only such amounts as specified in clauses (i) and (iv) above, and the Withdrawal Certificate may set forth instructions for the transfer of funds on deposit in the Trustee General Account solely with respect to such transfers specified in clauses (i) and (iv) above and (y) transfer directly to the Issuer's Operating Accounts such amounts in accordance with the priority of payments set forth above.

Notwithstanding the foregoing, no later than one Business Day prior to any Business Day on which (a) O&M Costs or Tax Payments are due and payable and the monies on deposit in or credited to the O&M Account are not anticipated to be adequate to pay such O&M Costs or Tax Payments, as applicable, (b) the relevant portion of interest and principal payments under each applicable Collateral Secured Debt are due and payable and the monies on deposit in or credited to the applicable Payment Account plus the applicable Debt Service Reserve Account are not adequate to pay such relevant portion of the interest and principal payments under each applicable Collateral Secured Debt, (c) the monies on deposit in or credited to any Debt Service Reserve Account are less than the applicable Debt Service Reserve Requirement, or (d) the monies on deposit in or credited to the Major Maintenance and CapEx Reserve Account are less than the amount expected to be paid by the Issuer in respect of Sustaining CapEx during the six months immediately subsequent to such date, the Issuer may (and the Collateral Trustee shall, if instructed in writing by the Issuer) withdraw funds from any Account and transfer to the O&M Account, the applicable Payment Account, the applicable Debt Service Reserve Account and the Major Maintenance and CapEx Reserve Account, as applicable, in an amount sufficient to cause the balance in such Account (when taken together with all other amounts deposited therein or credited thereto at such time) to equal the amount of such O&M Costs and Tax Payments then due and payable, the relevant portion of the interest and principal payments under each applicable Collateral Secured Debt then due and payable, the then applicable Debt Service Reserve Requirement for such Collateral Secured Debt, and the amount expected to be paid by the Issuer in respect of Sustaining CapEx during the next six months, as applicable, *provided* that (i) any such withdrawal is made in accordance with the priority of payments set forth in the preceding paragraph and, for the avoidance of doubt, to the extent any and all higher priority Accounts (as enumerated in the preceding paragraph) reflect minimum available funds in their balance in the amounts described in clauses (a) through (f) above, and (ii) amounts in each Debt Service Reserve Account may only be so transferred to the extent they exceed the aggregate of the then applicable Debt Service Reserve Requirement in such Debt Service Reserve Account and the amount then required to be on deposit in the corresponding Payment Account.

Further, notwithstanding the foregoing, (x) Exempt Governmental Taxes shall be transferred directly to the Government in the ordinary course of operations and (y) all other Uncommitted Revenues shall be transferred to the Airport General Account or to any other account as determined by the Issuer in its sole discretion.

Trust Agreement

The Tocumen Trust was created pursuant to the Original Trust Agreement, amended and restated pursuant to the Amended and Restated Trust Agreement, and further amended pursuant to the Amendment to the Amended and Restated Trust Agreement (collectively, the "Trust Agreement"). Pursuant to the Trust Agreement, the Issuer has undertaken to deposit the Collateral in the Tocumen Trust in the amounts and with the frequency as described therein. The Trust Agreement and the rights and obligations of the parties thereunder are governed by the laws of the Republic of Panama.

Transaction Accounts

Each of the Transaction Accounts will be managed by the Collateral Trustee in accordance with the rules and mechanics set forth in the Trust Agreement. The Trust Agreement provides that the Collateral Trustee shall be authorized to open and maintain each Transaction Account with an Approved Account Bank. Only the Collateral Trustee shall be a signatory under the Transaction Accounts. Transfer and/or withdrawals on each Transaction Account shall be made by the Collateral Trustee in accordance with the priority order described above and/or the

instructions given by the Issuer in each Withdrawal Certificate or as otherwise instructed by the Issuer in accordance with the provisions set forth under the headings “—*Accounts and Priority of Payments—COVID Recovery Account*” and “—*Accounts and Priority of Payments—Flow of Revenues*,” provided that, after the occurrence of and during the continuance of an Event of Default, the Issuer’s instructions may apply solely for transfers pursuant to clauses (b) to (d) under the heading “—*Accounts and Priority of Payments—Flow of Revenues*,” and the Intercreditor Agent may issue Remedies Directions or other instructions (acting at the direction of the Controlling Pari Passu Parties or a Designated Voting Party acting in accordance with the provisions of the Intercreditor Agreement). Interest and other revenues generated by each Transaction Account shall be credited into such Transaction Account.

Security Interest

The Tocumen Trust grants the holders of Collateral Secured Debt, a first priority lien on the assets in the Tocumen Trust. The signatures of the Collateral Trustee and the Issuer to the Trust Agreement were authenticated by a notary public in Panama. Upon the execution and delivery of the Amendment to the Trust Agreement, the authentication by a notary public of the signature of the parties thereto, and the *refrendo* by *Contraloría* of the Amendment to the Trust Agreement, the Trust Agreement will grant the holders of Collateral Secured Debt, including the notes, a first priority lien on the assets in the Tocumen Trust.

Duration of the Tocumen Trust

The Tocumen Trust is an irrevocable, pure and simple trust subject to the laws of the Republic of Panama and extinguishable only pursuant to the terms of the Trust Agreement. See “—*Description of the Tocumen Trust*.”

Duties and Responsibilities of the Collateral Trustee

Under the terms of the Trust Agreement, the Collateral Trustee shall have, among others, the following duties and responsibilities:

- establish and maintain the Transaction Accounts;
- implement the payment waterfall in accordance with the terms of the notes and the other Collateral Secured Debt as instructed by the Issuer or the Intercreditor Agent, as applicable;
- take any action to protect and extend the security interest of the Tocumen Trust to any Collateral Secured Debt; and
- take any and all actions required pursuant to the Intercreditor Agreement.

Resignation and Removal of the Collateral Trustee

The Collateral Trustee may resign at any time, without cause, by providing thirty calendar days’ advance notice to the Issuer and the Intercreditor Agent. If no Enforcement Event has occurred that is then continuing, the Issuer shall have up to seventy-five (75) Business Days from the date of the Collateral Trustee’s notice of resignation to appoint a successor trustee as a replacement collateral trustee for the Tocumen Trust (a “Successor Trustee”) with the consent of the Intercreditor Agent (acting upon the direction of the Controlling Pari Passu Parties). If the Collateral Trustee resigns and an Enforcement Event has occurred that is then continuing, the Intercreditor Agent shall have up to seventy-five (75) Business Days from the date of the Collateral Trustee’s notice of resignation to appoint a Successor Trustee without the consent of the Issuer. If the Intercreditor Agent fails to appoint a Successor Trustee in such time, the resigning Collateral Trustee may appoint a Successor Trustee with the consent of the Intercreditor Agent (acting upon the direction of the Controlling Pari Passu Parties). Notwithstanding the foregoing, for one year following the issuance of the Notes, the Issuer will have the right to replace the Collateral Trustee without requiring the consent of the Intercreditor Agent, who shall implement any decision of the Issuer during that period, without requiring instruction from the Controlling Pari Passu Parties.

If the Collateral Trustee resigns and an Enforcement Event has occurred and is continuing under the Existing Notes, the notes or any other Collateral Secured Debt, the Intercreditor Agent (acting at the direction of the Controlling Pari Passu Parties) shall have seventy-five (75) Business Days from the date of the Collateral Trustee's notice of resignation to appoint a Successor Trustee (without the consent of the Issuer); *provided, however*, that if the Intercreditor Agent (acting at the direction of the Controlling Pari Passu Parties) shall not have appointed the replacement trustee within such term, the resigning trustee may appoint a Successor Trustee.

From the time the Successor Trustee accepts the outgoing Collateral Trustee's appointment, the Successor Trustee shall succeed to the outgoing Collateral Trustee and shall have all the rights, powers, privileges and duties previously corresponding to the outgoing Collateral Trustee, and the outgoing Collateral Trustee shall be released from the duties and obligations required under the Security Documents.

The Collateral Trustee's resignation will not be effective until the appointment of a Successor Trustee and until the Successor Trustee becomes party to the Intercreditor Agreement and executes an instrument, acceptable to the Intercreditor Agent (acting upon the direction of the Controlling Pari Passu Parties), assuming the rights and obligations of the Collateral Trustee under the Security Documents.

If one hundred and five (105) calendar days have passed from the date of the Collateral Trustee's notice of resignation to the Issuer and the Intercreditor Agent and a Successor Trustee has not been appointed in accordance with the terms of the Trust Agreement, the Collateral Trustee may put the Collateral at the disposal of a court of competent jurisdiction.

The Collateral Trustee may be removed by the Intercreditor Agent (acting upon the direction of the Controlling Pari Passu Parties) at any time without cause and without requiring the consent of the Issuer. The Collateral Trustee may be removed, in the event that no Enforcement Event has occurred and is continuing, by the Issuer, with the prior written consent of the Intercreditor Agent (acting upon the instruction of the Controlling Pari Passu Parties), under the following circumstances:

- (i) the Collateral Trustee closes its offices in Panama City or its authorization to provide the services of Collateral Trustee are otherwise revoked;
- (ii) the Collateral Trustee is inspected or investigated by the Superintendency of Banks;
- (iii) the Collateral Trustee is dissolved, becomes insolvent or is otherwise subject to certain bankruptcy or liquidation proceedings;
- (iv) if in the reasonable opinion of the Issuer, the Collateral Trustee has, by either act or omission committed gross negligence or fraud in the fulfillment of its obligations under the Trust Agreement; or
- (v) if in the opinion of the Issuer, fifteen (15) Business Days following the request to review and adjust its service fees, the Collateral Trustee's requested fee increase is deemed excessive.

Notwithstanding the foregoing, within one year following the settlement of the notes, the Issuer will have the right, upon delivery of written notice to the Intercreditor Agent, to designate a qualified financial institution to replace the Collateral Trustee. If the Issuer so directs, the Intercreditor Agent will take all steps necessary to replace the Collateral Trustee with such designated financial institution, without the need to request further instruction from the Controlling Pari Passu Parties.

Upon the removal of the Collateral Trustee by the Intercreditor Agent (acting upon the instruction of the Controlling Pari Passu Parties), the Intercreditor Agent (acting upon the instruction of the Controlling Pari Passu Parties) shall appoint a Successor Trustee, which shall be reasonably acceptable to the Issuer, unless an Enforcement Event has occurred and is continuing, in which case no approval by the Issuer shall be required. Upon the removal of the Collateral Trustee by the Issuer, in accordance with the provisions of the Trust Agreement, the Issuer shall, with the written consent of the Intercreditor Agent (acting upon the instruction of the Controlling Pari Passu Parties),

appoint a Successor Trustee; provided that, if an Enforcement Event has occurred and is continuing, the Intercreditor Agent (acting upon the instruction of the Controlling Pari Passu Parties) shall appoint a Successor Trustee and no approval of the Issuer shall be required.

No removal of the Collateral Trustee will become effective until the appointment of a Successor Trustee and until the Successor Trustee becomes a party to the Intercreditor Agreement and executes an instrument, acceptable to the Intercreditor Agent (acting upon the direction of the Controlling Pari Passu Parties), assuming the rights and obligations of the Collateral Trustee under the Security Documents.

Amendment, Supplement and Modification

The Trust Agreement shall only be modified by way of a written document signed between the Issuer and the Collateral Trustee (acting pursuant to the instructions given by the Intercreditor Agent). The approved amendments shall be valid and binding among all parties to the Trust Agreement, including all holders of the Existing Notes, noteholders and holders of any other Collateral Secured Debt. Modifications of the Trust Agreement will require approval of the holders of Pari Passu Obligations. See “—*Intercreditor Agreement—Modifications.*”

Governing Law and Jurisdiction

The Trust Agreement is governed and interpreted in accordance with the laws of the Republic of Panama. Any disagreement or disputes arising from the Trust Agreement shall be subject to arbitration pursuant to International Chamber of Commerce Rules of Arbitration, in the Spanish language. The arbitral tribunal shall be in Panama City.

Intercreditor Agreement

On April 19, 2016, the Issuer, the Intercreditor Agent, the Collateral Trustee and the Paying Agent for the 2013 Notes entered into the Intercreditor Agreement, which will be amended by the amendment to be entered into on or prior to the Panamanian Auction Date. On May 4, 2016, the indenture trustee of the 2036 Notes entered into a joinder to the Intercreditor Agreement with respect to the 2036 Notes, which joinder was amended on May 13, 2016. On May 3, 2018, the indenture trustee of the 2048 Notes entered into a joinder to the Intercreditor Agreement with respect to the 2048 Notes. Prior to the Panamanian Auction Date, the Indenture Trustee will enter into a joinder to the Intercreditor Agreement with respect to the notes, which joinder may be amended on or prior to the Issue Date, after which the obligations of the Issuer under the notes will be secured by a first priority Lien on the Collateral. Subject to the terms of the Trust Agreement and the Intercreditor Agreement, the Collateral will also secure on a first priority, *pari passu* basis (i) the Existing Notes and (ii) other Collateral Secured Debt, *provided that* the Designated Voting Party of the holders of such other Collateral Secured Debt shall have executed a joinder to the Intercreditor Agreement; *provided further*, in all cases, that the COVID Recovery Account, each Debt Service Reserve Account and each Payment Account shall secure on a first priority basis only the Collateral Secured Debt in respect of which such COVID Recovery Account, Debt Service Reserve Account and Payment Account are established and maintained. The Intercreditor Agreement is governed by the laws of the State of New York.

The notes and the Existing Notes will be secured by a Lien on the Collateral pursuant to the Trust Agreement. See “—*Collateral—General.*” In addition, any future Collateral Secured Debt will be secured by a Lien on the Collateral pursuant to the Trust Agreement, *provided that* the Designated Voting Party of the holders of such future Collateral Secured Debt shall have executed a joinder to the Intercreditor Agreement. Notwithstanding anything to the contrary in this paragraph, the COVID Recovery Account, each Debt Service Reserve Account and each Payment Account shall secure on a first priority basis only the Collateral Secured Debt in respect of which such COVID Recovery Account, Debt Service Reserve Account and Payment Account are established and maintained. By their acceptance of a note, each noteholder will be deemed to have authorized the Intercreditor Agent, the Collateral Trustee and the Indenture Trustee to enter into a joinder to the Intercreditor Agreement and the other Transaction Documents.

Pari Passu Benefits

Pursuant to the terms of the Intercreditor Agreement, each of the Intercreditor Agent, the Collateral Trustee and each Designated Voting Party (for itself and on behalf of each party on whose behalf it enters into the Intercreditor Agreement) will agree that (a) the Shared Collateral is for the joint benefit of the holders of the Secured Parties, (b) the rights of payment from Shared Collateral of the holders of Pari Passu Obligations shall be as set forth in the Intercreditor Agreement, (c) that it will not accept any Lien on any Shared Collateral for the benefit of any Secured Party other than pursuant to the Security Documents and (d) it will be bound by the terms of the Intercreditor Agreement. In addition, each of the holders of Pari Passu Obligations will agree that it will not contest or support any other Person in contesting, in any proceeding (including any insolvency or liquidation proceeding), the perfection, priority, validity or enforceability of a Lien held by or on behalf of any of the holders of Pari Passu Obligations in all or any part of the Collateral, or the provisions of the Intercreditor Agreement.

Under the Intercreditor Agreement, the noteholders will be represented by the Indenture Trustee and the holders of Existing Notes and any other Collateral Secured Debt will be represented by their respective Designated Voting Parties. The Intercreditor Agreement will provide for the priorities and other relative rights among the noteholders, the holders of Collateral Secured Debt, including, among other things, that:

- (1) notwithstanding the date, time, method, manner or order of (a) grant, attachment or perfection of any of the Liens on the Shared Collateral or (b) the incurrence or creation of any Collateral Secured Debt, the Liens securing any Collateral Secured Debt shall be of equal priority to the Liens securing all other Collateral Secured Debt; and
- (2) the obligations in respect of the notes and any other Collateral Secured Debt may be refinanced, extended, renewed, defeased, restructured, refunded, replaced or repaid from time to time, in each case, to the extent permitted by the Indenture and any other agreement or instrument governing such other Collateral Secured Debt without affecting the Lien priority or relative rights of the holders of such obligations.

Under the Intercreditor Agreement, each Designated Voting Party will agree that (i) none of the holders of Pari Passu Obligations may institute any suit or assert in any suit, bankruptcy, insolvency or other proceeding any claim against the Collateral Trustee or any other holder of Pari Passu Obligations seeking damages from or other relief by way of specific performance, instructions or otherwise with respect to any Shared Collateral, (ii) neither the Collateral Trustee nor any other Secured Party shall be liable for any action taken or omitted to be taken by the Collateral Trustee, or other Secured Party with respect to any Shared Collateral in accordance with the provisions of the Intercreditor Agreement or any other Security Document, (iii) it will not challenge or question in any proceeding the validity or enforceability of any Pari Passu Obligations or any Relevant Document or the validity, attachment, perfection or priority of any Lien under any Security Document or the validity or enforceability of the priorities, rights or duties established by or other provisions of the Intercreditor Agreement or any other Security Document; (iv) it will not take or cause to be taken any action the purpose or intent of which is, or could be, to interfere, hinder or delay, in any manner, whether by judicial proceedings or otherwise, any sale, transfer or other disposition of the Shared Collateral by the Collateral Trustee in accordance with the Trust Agreement, (v) except as provided in the Intercreditor Agreement, it shall have no right to direct the Collateral Trustee or any other Secured Party to exercise any right, remedy or power with respect to any Shared Collateral, (vi) it will not seek, and hereby waives any right, to have any Shared Collateral or any part thereof marshalled upon any foreclosure or other disposition of such Shared Collateral and (vii) it will not attempt, directly or indirectly, whether by judicial proceedings or otherwise, to challenge the enforceability of any provision of the Intercreditor Agreement or any other Security Document; *provided* that nothing in the Intercreditor Agreement will be construed to prevent or impair the rights of the Collateral Trustee or any other Secured Party to enforce the Intercreditor Agreement or the right to take any action permitted hereby.

No Secured Party in respect of any Collateral Secured Debt shall have any obligation to share amounts on deposit in, or proceeds in respect of, the COVID Recovery Account, any Debt Service Reserve Account or any Payment Account established in respect of such Secured Party's Collateral Secured Debt, and each such Secured Party may enforce any rights or remedies available to it in respect of the COVID Recovery Account, any Debt Service Reserve Account or any Payment Account under the Security Documents (other than the Intercreditor Agreement) to the extent permitted by, and in accordance with, the Security Documents (other than the Intercreditor Agreement), regardless of obtaining the consent of any other Secured Party under the Intercreditor Agreement, such

enforcement to be carried out by the Collateral Trustee at the direction of the Intercreditor Agent (acting at the direction of (a) in the case of any Debt Service Reserve Account or Payment Account, the Designated Voting Party of the Collateral Secured Debt to which such Debt Service Reserve Account or Payment Account relates and (b) in the case of the COVID Recovery Account, the Designated Voting Parties of the notes and any future Collateral Secured Debt representing holdings of Pari Passu Obligations (other than the Existing Notes), that at such time hold (or represent) more than 50% of the aggregate principal amount of the then Outstanding Collateral Secured Debt (other than the Existing Notes)), in accordance with the Security Documents.

Direction of the Intercreditor Agent

Each Designated Voting Party (for itself, for each party on whose behalf it enters into the Intercreditor Agreement and any Person claiming through it and as Designated Voting Party on behalf of any other Secured Party), will agree that no Secured Party shall, except in accordance with the provisions of the Intercreditor Agreement take any Enforcement Action and that each decision made in accordance with the terms of the Intercreditor Agreement shall be binding upon each Secured Party and each other party to the Transaction Documents.

Except as otherwise set forth in the Intercreditor Agreement, where, in accordance with the Intercreditor Agreement or any other Security Document, any direction or other decision of the Intercreditor Agent is requested or required, other than as otherwise provided in the Intercreditor Agreement, the giving of such direction, or the making of such other decision by the Intercreditor Agent will be determined by Intercreditor Vote.

Upon the request of the Intercreditor Agent, if necessary in connection with the taking of any action under the Intercreditor Agreement by the Intercreditor Agent, each Designated Voting Party will be required to notify the Intercreditor Agent in writing, as of any time that the Intercreditor Agent may specify in such request, of (a) the aggregate principal amount of Collateral Secured Debt outstanding under its respective Relevant Document(s) as of such date and (b) such other information as the Intercreditor Agent may reasonably request. Any calculation of the principal amount of outstanding Collateral Secured Debt by the Intercreditor Agent shall be based solely upon the information provided by each Designated Voting Party as described in this paragraph or in an Intercreditor Vote, and the Intercreditor Agent will be entitled to conclusively rely upon information provided by a Designated Voting Party in connection with the determination of the principal amount of outstanding Collateral Secured Debt of the Secured Parties in respect of its respective Collateral Secured Debt.

Upon receiving notice from the Intercreditor Agent of an action requiring an Intercreditor Vote, each Designated Voting Party shall provide a certificate to the Intercreditor Agent setting forth its vote in respect of the matters set forth in such notice on or prior to the last day of the relevant Decision Period and setting forth the aggregate principal amount of outstanding Collateral Secured Debt represented by such Designated Voting Party that voted for or against the decision. Further to the foregoing, and to the extent the Indenture does not otherwise expressly provide the manner in which the Indenture Trustee should act in respect of such Intercreditor Vote, the Indenture Trustee shall notify the noteholders of such vote and request instructions from the noteholders as to such Intercreditor Vote. In respect of Global Notes, the Indenture Trustee shall be fully protected in providing such notice to DTC in accordance with the applicable procedures at DTC (including by sending all such notices to legalandtaxnotices@dtcc.com, provided that the Indenture Trustee may, in its discretion, cause such notice to be processed through the DTC's Automated Tender Offer Program ("ATOP") procedures or any successor thereto). The Indenture Trustee will have no responsibility or liability for the terms or requirements of any such systems or procedures offered by DTC, or any unavailability thereof.

Other than in cases where the Controlling Pari Passu Parties have delivered a determination on such Intercreditor Vote to the Intercreditor Agent, if a Designated Voting Party fails to provide a certificate to the Intercreditor Agent setting forth its vote within the specified Decision Period, then the Intercreditor Agent shall notify such Designated Voting Party on or before the close of business on the next Business Day following the last day of the Decision Period of such Designated Voting Party's failure to provide such certificate and request that it provide such certificate no later than 11:00 a.m. on the date that is 30 days after the expiration of the Decision Period, or, if such date is not a Business Day, the Business Day immediately thereafter (such date, the "Final Voting Date"); *provided* that the Intercreditor Agent shall not be held liable for any failure by it to provide such notice to such Designated Voting Party; *provided further* that if the Designated Voting Party in respect of such Collateral

Secured Debt does not provide such certificate by the Final Voting Date, the aggregate principal amount of the Collateral Secured Debt represented by such Designated Voting Party shall be excluded, solely for the purpose of such Intercreditor Vote, from both (i) the calculation of aggregate principal amount of then outstanding Collateral Secured Debt and (ii) the determination whether the requisite percentage constituting the Controlling Pari Passu Parties is met for such Intercreditor Vote.

The Collateral Trustee shall refrain from taking any action to exercise any rights with respect to any Collateral unless it is instructed to do so by the Intercreditor Agent. The Intercreditor Agent shall refrain from taking any action in directing the Collateral Trustee unless it is instructed to do so by the Controlling Pari Passu Parties through an Intercreditor Vote or otherwise in accordance with the procedures set forth in the Intercreditor Agreement; *provided* that the Intercreditor Agent may, at the direction of any Designated Voting Party and without need for instruction from the Controlling Pari Passu Parties, agree to any corrections as are ministerial in nature or are necessary to correct an error or inconsistency and reflective of the clear intent of the parties and do not involve a material change; *it being understood* that the Intercreditor Agent shall be entitled to rely on a certificate from the applicable Designated Voting Party and the advice of counsel.

The Intercreditor Agent may provide the Designated Voting Parties of the Pari Passu Obligations with a request for instructions in writing from the holders of the Pari Passu Obligations as to enforcement actions to be taken, setting forth procedures for providing such instructions. Each such Designated Voting Party agrees to cooperate fully with the Intercreditor Agent to administer any solicitation of instructions from the holders of Pari Passu Obligations and to take all action as reasonably requested by the Intercreditor Agent in connection therewith. If the Intercreditor Agent has not received instructions from the Controlling Pari Passu Parties in accordance with the immediately preceding paragraph above, then the Intercreditor Agent shall not exercise any rights or remedies or perform any other discretionary action or duty unless and until the Controlling Pari Passu Parties instruct the Intercreditor Agent in writing to take such action.

Defaults and Remedies

Promptly after any Designated Voting Party obtains knowledge of either (i) the occurrence of any Enforcement Event under any Relevant Document to which it is a party, or (ii) that any Enforcement Event under any Relevant Document to which it is party has ceased to exist, such Designated Voting Party shall notify the Intercreditor Agent in writing thereof (such notice, an “Enforcement Event Notice”). Upon receipt by the Intercreditor Agent of any such Enforcement Event Notice or of any notice from the Issuer issued pursuant to the terms of the Intercreditor Agreement, it shall promptly send copies thereof to each Designated Voting Party, the Collateral Trustee and the Issuer; *provided* that the failure to give such notice to the Issuer shall not affect the validity of the Enforcement Event Notice.

After the occurrence of an Enforcement Event, the Intercreditor Agent is authorized pursuant to and in accordance with the terms of the Intercreditor Agreement to instruct the Collateral Trustee to make payments from the Collateral to the Intercreditor Agent, the Collateral Trustee and the Designated Voting Parties, solely in such capacities, in the proportions and amounts indicated by the Intercreditor Agent, in compliance with the provisions set forth in the Intercreditor Agreement.

In the event of any discrepancy between the instructions provided by the Intercreditor Agent and those sent by the Issuer, the Collateral Trustee must consult with the parties involved. If the instructions have not been clarified within five (5) Business Days after the Collateral Trustee provides notice of the discrepancy, the Collateral Trustee must proceed in accordance with the Intercreditor Agent’s instruction.

At any time after the occurrence and during the continuance of an Enforcement Event, the Designated Voting Party representing the Secured Parties of the Collateral Secured Debt in respect of which an Enforcement Event has occurred and is continuing may serve a notice (such notice, a “Remedies Notice”) on the Intercreditor Agent which describes the Enforcement Event with respect to which such Designated Voting Party is seeking to pursue remedies as well as the various remedies (the “Proposed Remedies”) that such Designated Voting Party wishes the Intercreditor Agent to pursue.

If the Intercreditor Agent receives any Remedies Notice from any Designated Voting Party and if such Designated Voting Party has not by notice to the Intercreditor Agent withdrawn such notice prior to the end of the third (3rd) Business Day after the day on which the Intercreditor Agent receives such Remedies Notice, the Intercreditor Agent will promptly after such third (3rd) Business Day provide each Designated Voting Party with a copy of such Remedies Notice (provided that if the Remedies Notice was initiated or otherwise signed or consented to by the Controlling Pari Passu Parties, the Intercreditor Agent shall provide each Designated Voting Party with a copy of such notice no later than the next Business Day following the day on which the Intercreditor Agent receives such notice) and inform them of the date (such date, which shall be no later than two (2) Business Days following the last day of the Decision Period corresponding to such Remedies Notice or such earlier date specified in writing by the Controlling Pari Passu Parties, the “Remedies Commencement Date”) on which the Intercreditor Agent would issue a Remedies Direction to pursue the Proposed Remedies if so directed in accordance with the following sentence. Unless the Remedies Notice was executed by the Controlling Pari Passu Parties, the Intercreditor Agent shall submit such Remedies Notice to an Intercreditor Vote requesting instructions as to whether the Intercreditor Agent should (i) issue a Remedies Direction to the Collateral Trustee instructing the Collateral Trustee to exercise the Proposed Remedies in accordance with the Trust Agreement, (ii) issue a Remedies Direction instructing the Collateral Trustee to exercise other remedies in accordance with the Trust Agreement or (iii) take no action with respect to the Enforcement Event specified in such Remedies Notice.

The Intercreditor Agent shall only give effect to any instructions as to the matters described in clauses (i) or (ii) of the immediately preceding sentence if they are contained in a Remedies Notice or a Remedies Instruction executed by the Controlling Pari Passu Parties, or in a Remedies Direction approved by the Controlling Pari Passu Parties in the Intercreditor Vote described in the immediately preceding sentence.

If, following the delivery of a Remedies Notice by a Designated Voting Party and on or prior to the corresponding Remedies Commencement Date, the Controlling Pari Passu Parties elect to exercise remedies and provide to the Intercreditor Agent written instruction regarding the exercise of remedies, which may be in the form of a response to an Intercreditor Vote or otherwise and which direction may include an instruction to exercise the Proposed Remedies or an instruction to exercise other remedies (a “Remedies Instruction”), then the Intercreditor Agent shall issue a Remedies Direction in accordance with the Intercreditor Agreement, *provided* that the Enforcement Event which is the subject of such Remedies Notice has not previously been cured or waived. Other than where the Controlling Pari Passu Parties elect to exercise the Proposed Remedies contained in a Remedies Notice delivered to the Intercreditor Agent, each Remedies Instruction shall specify the particular action or actions that the Controlling Pari Passu Parties propose that the Intercreditor Agent direct the Collateral Trustee to take.

If the Controlling Pari Passu Parties elect not to exercise remedies following delivery of a Remedies Notice by a Designated Voting Party, then, on the expiration date of the Decision Period or the Final Voting Date, as applicable, a 120-day standstill period (the “Standstill Period”) shall commence during which period no Secured Party, other than the Controlling Pari Passu Parties, shall be entitled to take any Enforcement Action in connection with such Enforcement Event and the Intercreditor Agent shall distribute a notice to such effect to each Designated Voting Party. At the expiration of the Standstill Period, if such Enforcement Event shall still be continuing, the Designated Voting Party representing the Secured Parties of the Collateral Secured Debt in respect of which such Enforcement Event has occurred and is continuing may serve a second remedies notice (a “Repeat Remedies Notice”) on the Intercreditor Agent which describes the Enforcement Event with respect to which such Designated Voting Party is seeking to pursue remedies, states that the Standstill Period has concluded and specifies the date (which shall be no earlier than the third (3rd) Business Day after the date of such Repeat Remedies Notice) and the particular action or actions (provided that any such remedies shall apply only in respect of the holders of Collateral Secured Debt represented by such Designated Voting Party) that such Designated Voting Party proposes that the Intercreditor Agent direct the Collateral Trustee to take (such date, the “Non-Controlling Party Enforcement Date”). No later than the third (3rd) Business Day following its receipt of a Repeat Remedies Notice, the Intercreditor Agent shall distribute a copy of such Repeat Remedies Notice to each Designated Voting Party, and the Intercreditor Agent shall on the Non-Controlling Party Enforcement Date deliver a Remedies Direction to the Collateral Trustee, with a copy to the Issuer, instructing the Collateral Trustee to exercise the remedies provided in such Repeat Remedies Notice (provided that the relevant Security Documents permit such remedy); *provided, however*, that the Non-Controlling Party Enforcement Date shall be stayed and shall not occur and shall be deemed not to have occurred and the Intercreditor Agent shall disregard such Repeat Remedies Notice and withdraw any related Remedies Direction (1) at any time the Controlling Pari Passu Parties have commenced and are pursuing any Enforcement Action with

respect to such Enforcement Event or (2) at any time the Issuer is subject to any Insolvency or Liquidation Proceeding.

During the period prior to the commencement of the taking of any remedies with respect to any Enforcement Event, no Secured Party shall be entitled to take any Enforcement Action in connection with such Enforcement Event, nor shall, subject to the two immediately preceding paragraphs, any Secured Party instruct the Intercreditor Agent to take any Enforcement Action in connection with such Enforcement Event. None of the Secured Parties shall have any independent power to enforce or to exercise any rights, discretions or powers in respect of the Collateral except through the Collateral Trustee acting upon the instructions of the Intercreditor Agent.

A Designated Voting Party may serve only one Remedies Notice with respect to any specific Enforcement Event within any thirty (30)-day period, except if such Remedies Notice was initiated or otherwise signed and consented to by the Controlling Pari Passu Parties, and each Remedies Notice served by such Designated Voting Party shall specify the Enforcement Events relating to the Relevant Documents governing the Collateral Secured Debt represented by such Designated Voting Party in existence on the date such Remedies Notice is served. The applicable Designated Voting Party may amend or withdraw a Remedies Notice at any time after service on the Intercreditor Agent in accordance with the terms of the Intercreditor Agreement, and shall immediately rescind any Remedies Notice if the applicable Enforcement Event has been cured, waived or ceased to exist.

Intercreditor Agent's Obligations

The Intercreditor Agent shall, subject to the terms of the Intercreditor Agreement:

- (i) promptly provide each Designated Voting Party with a copy of any material notice or document which it, in its capacity as Intercreditor Agent, receives from or delivers to (i) the Issuer, (ii) the Collateral Trustee, (iii) any Designated Voting Party or (iv) any Governmental Authority;
- (ii) act as Intercreditor Agent under the Intercreditor Agreement in accordance with any instructions given to it by the Controlling Pari Passu Parties; and
- (iii) if so instructed by the Controlling Pari Passu Parties, refrain from exercising any right, power or discretion vested in it as the Intercreditor Agent under the Intercreditor Agreement (other than any right, power or discretion provided to the Intercreditor Agent for its own benefit).

Resignation or Removal of the Intercreditor Agent

Subject to the appointment and acceptance of a successor Intercreditor Agent in accordance with the provisions described in the third paragraph under this “—*Resignation or Removal of the Intercreditor Agent*,” the Intercreditor Agent, by giving notice thereof to each of the other parties to the Intercreditor Agreement, may resign at any time.

The Controlling Pari Passu Parties may request at any time that the Intercreditor Agent be removed with or without cause by giving not less than thirty (30) days' prior written notice to that effect to the Intercreditor Agent; *provided* that no such removal shall be effective until a successor for the Intercreditor Agent is appointed in accordance with the next succeeding paragraph.

Upon any resignation or removal, the Controlling Pari Passu Parties shall have the right, subject (so long as no Enforcement Event has occurred and is continuing) to the prior consent of the Issuer (not to be unreasonably withheld, conditioned or delayed), to appoint a successor Intercreditor Agent, and if no such successor Intercreditor Agent shall have been so appointed and shall have accepted such appointment within thirty (30) days after the retiring Intercreditor Agent's giving of notice of resignation or the removal of the retiring Intercreditor Agent, as applicable, then the retiring Intercreditor Agent may, on behalf of the holders of Pari Passu Obligations petition a court of competent jurisdiction for the appointment of a successor Intercreditor Agent, which shall be an Eligible Agent. Upon the acceptance of any appointment as Intercreditor Agent in accordance with the provisions of this paragraph by any successor Intercreditor Agent, such successor Intercreditor Agent shall thereupon succeed to and

become vested with all the rights, powers, privileges and duties of the retiring Intercreditor Agent, and the retiring Intercreditor Agent shall be discharged from its duties and obligations under the Intercreditor Agreement.

Modifications

No Modification shall be agreed to by any Secured Party or granted or withheld, no instruction shall be given to the Intercreditor Agent under or with respect to the Intercreditor Agreement or any Modification and no discretion shall be exercised by any Secured Party under or with respect to the Intercreditor Agreement, unless, in each case, an Intercreditor Vote is taken in accordance with the procedures set forth in the Intercreditor Agreement and the Controlling Pari Passu Parties authorize the Intercreditor Agent or the relevant Secured Parties to agree to such Modification, provide the Intercreditor Agent with such instruction or authorize the Intercreditor Agent or the relevant Secured Parties to exercise such discretion, as the case may be. The Issuer's consent shall be required for Modifications of the Intercreditor Agreement. Any Modification for the purpose or having the effect of (i) releasing Shared Collateral, (ii) changing the application of proceeds of Shared Collateral as set forth in the Intercreditor Agreement, (iii) making any amendment to the definition of "Controlling Pari Passu Parties," "Modification" or with respect to the voting mechanics under the Intercreditor Agreement and (iv) changing the provisions in relation to the Accounts, including the application of funds into and from such Accounts as set forth in the Trust Agreement shall, in each case, require all of the Designated Voting Parties to authorize the Intercreditor Agent or the relevant Secured Parties to agree thereto.

Except as otherwise set forth in the Intercreditor Agreement, the Trust Agreement may only be modified with the signed written consent of the Issuer, the Collateral Trustee and the Controlling Pari Passu Parties (acting through the Intercreditor Agent). The Intercreditor Agent, acting upon the instruction of any Designated Voting Party, shall notify the Collateral Trustee regarding any Modifications requested by any Designated Voting Party to the Trust Agreement.

The Intercreditor Agent shall, at the request of any Designated Voting Party and without the need for a prior determination through an Intercreditor Vote, agree to such Modifications (i) in regard to ambiguities, inconsistencies, errors, matters or questions arising under this Agreement or the other Security Documents that (x) are necessary or desirable to reflect the clear intent of the parties, (y) will not be inconsistent with this Agreement (for example, errant cross-references and misspelled defined terms) and (z) will not materially adversely affect the interests of any of the Secured Parties (the Intercreditor Agent being entitled to rely on a certificate from the related Designated Voting Party and the advice of counsel and having all of the rights provided to it under Article 2 of the Intercreditor Agreement) or (ii) to convey, transfer, assign, mortgage or pledge any Property to the Collateral Trustee as additional Collateral for the Secured Parties.

Collateral Secured Debt

Pursuant to the terms of the Transaction Documents, the Issuer is permitted to incur Collateral Secured Debt, *provided* that such incurrence is permitted by paragraph (a) under "*Negative Covenants*" and the other Transaction Documents. Upon the delivery of a Collateral Secured Debt Certificate by the Issuer in the form attached to the Trust Agreement to the Intercreditor Agent and to the Collateral Trustee (a "Collateral Secured Debt Certificate"), the Intercreditor Agent shall, and shall direct the Collateral Trustee to, take any such action necessary to allow such Collateral Secured Debt to be secured by the Collateral.

Additional Intercreditor Agreements

The Indenture shall provide that, at the written request of the Issuer, in connection with the incurrence by the Issuer of any future Collateral Secured Debt or any Refinancing Debt in respect of Collateral Secured Debt, the Indenture Trustee shall enter into with the Designated Voting Party of the holders of such Collateral Secured Debt or Refinancing Debt, as applicable, a joinder to the Intercreditor Agreement or an amended and restated intercreditor agreement (an "Additional Intercreditor Agreement") on substantially the same terms as the Intercreditor Agreement (or terms more favorable to noteholders) including substantially the same terms with respect to the limitation on enforcement and release of the Collateral, priority and release of the Liens securing the notes; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Indenture Trustee, the Intercreditor Agent or the Collateral Trustee or adversely affect the rights, duties, liabilities or immunities of the

Indenture Trustee, the Intercreditor Agent or the Collateral Trustee under the Indenture, the Trust Agreement or the Intercreditor Agreement.

The Indenture shall also provide that, at the written direction of the Issuer and without the consent of the noteholders, the Indenture Trustee shall from time to time enter into one or more amendments to the Intercreditor Agreement or any Additional Intercreditor Agreements to (A) cure any ambiguity, omission, defect or inconsistency of the Intercreditor Agreement or any Additional Intercreditor Agreements, (B) increase the amount of Collateral Secured Debt covered by the Intercreditor Agreement or any Additional Intercreditor Agreements that may be incurred by the Issuer that is subject to the Intercreditor Agreement or any Additional Intercreditor Agreements; (C) further secure the notes, or (D) make any other such change to the Intercreditor Agreement or an Additional Intercreditor Agreement that does not adversely affect the noteholders in any material respect.

The Issuer shall not otherwise direct the Indenture Trustee to enter into any amendment to the Intercreditor Agreement or an Additional Intercreditor Agreement without the consent of the Majority Noteholders, except as otherwise permitted under this covenant, and the Issuer may only direct the Indenture Trustee to enter into any amendment to the extent that such amendment does not impose any personal obligations on the Indenture Trustee or adversely affect the rights, duties, liabilities or immunities of the Indenture Trustee under the Indenture, the Intercreditor Agreement or an Additional Intercreditor Agreement.

In relation to the Intercreditor Agreement or an Additional Intercreditor Agreement, the Indenture Trustee shall consent on behalf of the noteholders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the notes thereby; *provided, however*, that such transaction would comply with the covenant described under paragraph (b) of “—*Negative Covenants*.”

Each noteholder, by accepting a note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or an Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein). A copy of the Intercreditor Agreement or Additional Intercreditor Agreements shall be made available for inspection during normal business hours on any Business Day upon prior written request at the corporate trust offices of the Indenture Trustee.

Payments on the Notes

Payments of interest, principal and Redemption/tender Premium (if applicable) on the notes of each series of notes will be paid to each noteholder on a *pro rata* basis; *it being understood* that, with respect to any tenders described in “—*Redemption of the Notes*” below, the Issuer’s purchase of any notes (or beneficial interests therein) participating in such tender will be made on a *pro rata* basis only among such participating notes (or beneficial interests therein).

All payments by (or on behalf of) the Issuer under the Transaction Documents (other than payments to the Collateral Trustee) will be required to be delivered to the Indenture Trustee by no later than 10:00 a.m. (New York City time) on the date when due; *provided* that: (a) funds available for application in the Payment Accounts at or prior to 12:00 noon (New York City time) on the Business Day before the date on which such amounts are due will be considered to have been timely delivered to the Indenture Trustee but only to the extent such funds have been received by the Indenture Trustee from the Collateral Trustee by 10:00 a.m. (New York City time) on the date when such payment is due and (b) such payments relating to the Issuer’s purchase of any notes (or beneficial interests therein) pursuant to any tender offer described in “—*Redemption of the Notes*” below will be delivered to the participating Investors in the manner described in such tender offer. Any such payment received by the Indenture Trustee after such time will be considered to have been paid on the following Business Day and, with respect to any payment of principal on the notes, additional interest will be immediately payable by the Issuer with respect thereto. If a Payment Date is a Legal Holiday, payment shall be made on the next succeeding day that is not a Legal Holiday, with the same force and effect as if made on the date for such payment, and no interest shall accrue for the intervening period. If a Record Date is a Legal Holiday, the Record Date shall not be affected.

Interest

Interest on the notes will accrue from _____, 20____ at the interest rate and will be payable semi-annually in arrears on each relevant Payment Date, commencing on _____, 20____. The interest with respect to each note will be payable on each relevant Payment Date, to the applicable noteholder of record in the Register at 5:00 p.m. (New York City time) on each _____ and _____ preceding such Payment Date, as applicable (the “Record Date”). The “interest” payable on the notes on a Payment Date will be equal to the sum of: (a) the product of: (i) the interest rate, (ii) the average daily Principal Balance during the period from and including the preceding Payment Date (or, in the case of the first Payment Date, the Issue Date) (but not including any principal amount repaid on such beginning date) to, but excluding, such Payment Date and (iii) the number of days (based upon a month of 30 days) in the related Interest Period *divided by 360; it being understood* that should any Redemption Price that is paid for a redemption of the notes include any accrued and unpaid interest, then the calculation of the amount of interest payable on the next Payment Date will be adjusted to reflect such previous payment of accrued interest, (b) the amount of any interest accrued and payable on the notes but not paid on any prior Payment Date and (c) to the extent permitted by Applicable Law, the product of: (i) the interest rate, (ii) the amount determined pursuant to clause (b) and (iii) the number of days in the related Interest Period (based upon a month of 30 days) *divided by 360*. The Indenture Trustee will have no obligation to calculate or verify the calculation of any interest payable on the Notes.

Principal

On each relevant Payment Date, commencing on _____, 20____, the noteholders of record as of the preceding Record Date will be entitled to receive a principal payment equal to the semi-annual amortization amount corresponding to such Payment Date set forth in the table below (for each Payment Date, as such may be decreased as a result of a redemption or cancellation or partial payment of a Default Payment as described in “—*Redemption of the Notes*” or “—*Purchase of Notes by the Issuer*” below or increased as a result of the issuance of Additional Notes as described in “—*Issuance of Additional Notes*” above, its “Semi-Annual Amortization Amount”; *it being understood* that any Payment Date’s amortization amount resulting from such decrease or increase for any Payment Date will be rounded upwards to the next US\$0.01). The final such payment is scheduled (and required) to be paid on the relevant Maturity Date.

The semi-annual amortization schedule for the US\$ _____ principal amount of _____ notes offered hereby is set forth below:

Payment Dates	Semi-Annual Amortization Amount
	US\$

The Maturity Date of the _____ notes is _____.

The semi-annual amortization schedule for the US\$ _____ principal amount of _____ notes offered hereby is set forth below:

Payment Dates	Semi-Annual Amortization Amount
	US\$

The Maturity Date of the _____ notes is _____.

Additional Amounts

All payments to be made by (or on behalf of) the Issuer to noteholders under the Transaction Documents in respect of principal, interest or Redemption/tender Premium, will be made free and clear of, and without any deduction or withholding for or on account of, any Taxes on or after the Issue Date imposed, levied, collected, withheld or assessed by (or on behalf of) any taxing authority in Panama or in any other jurisdiction in which the Issuer or the Tocumen Trust is organized or resident for tax purposes or from or through which payments are made

(each such taxing jurisdiction, a “Relevant Taxing Jurisdiction”) unless such Taxes are required by any such taxing authority to be deducted or withheld.

If any such Taxes are required by Applicable Law to be deducted or withheld with respect to any such payment, then the Issuer, subject to the exceptions described below, will pay to the Indenture Trustee (for the benefit of the applicable recipient of such payment) (or, with respect to any redemption or tender offer as described in “—*Redemption of the Notes*” below, in the manner described in such tender offer or redemption) such additional amounts (“Additional Amounts”) as may be necessary so that such recipient will receive the full amount otherwise payable in respect of such payment had no such Taxes (including any Taxes payable in respect of such Additional Amounts) been required to be so deducted or withheld. Notwithstanding the preceding sentence, no such Additional Amounts will be payable with respect to any payment under the Transaction Documents:

- (a) in the case of any Tax assessed or imposed by any taxing authority of any jurisdiction to the extent that such Tax would not have been assessed or imposed but for any present or former connection between the applicable recipient of such payment (or between a fiduciary, settlor, beneficiary or member of such recipient, if such recipient is an estate, a trust or a partnership) and such jurisdiction, including such recipient (or such fiduciary, settlor, beneficiary or member) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein other than its participation in the transactions effected by the Transaction Documents and the receipt of payments thereunder;
- (b) for any estate, inheritance, gift, personal property, sales, value added, transfer or other similar Tax;
- (c) to the extent that any such Taxes would not have been imposed but for the failure of the applicable recipient of such payment to comply with any certification, identification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection of such recipient with the jurisdiction imposing such Tax to the extent: (i) such compliance is required by Applicable Law as a precondition to exemption from, or reduction in the rate of deduction or withholding of, such Taxes (including U.S. Internal Revenue Service Forms W- 8BEN, W-8BEN-E, W-8IMY, W-8ECI, W-8EXP, 6166 and W-9 or any successor form, as applicable) and (ii) at least 30 days before the first Payment Date with respect to which the Issuer shall apply this clause (c), the Issuer shall have notified such recipient in writing that such recipient will be required to comply with such requirement;
- (d) where such Taxes are imposed on or in respect of any note pursuant to sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 (the “Code”), any successor law or regulation implementing or complying with, or introduced in order to conform to, such sections or any intergovernmental agreement or any agreement entered into pursuant to section 1471(b)(1) of the Code;
- (e) in respect of any Taxes that would not have been so withheld or deducted if the note had been presented for payment (to the extent presentation is required) within 30 days after the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received on or prior to such due date, the date on which, the full amount having been so received, notice to that effect has been given to the noteholders in accordance with the Indenture (except to the extent that the noteholder would have been entitled to Additional Amounts had the note been presented for payment on the last day of such 30-day

period);

- (f) in respect of any Taxes that are payable otherwise than by deduction or withholding from payments on the notes;
- (g) in respect of any Taxes that would not have been so imposed if the noteholder had presented the note for payment (where presentation is required) to another reasonably available paying agent; or
- (h) due to any combination of the circumstances described in clauses (a) through (g),

nor will any Additional Amounts be paid with respect to any payment to a recipient who is a fiduciary or partnership or any person other than the sole beneficial owner of such payment to the extent that such payment would be required to be included in the income, for tax purposes, of a beneficiary or settlor or with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to such Additional Amounts had such beneficiary, settlor, member or beneficial owner been in the place of such recipient.

Notwithstanding the foregoing paragraph, the limitations on the obligation of the Issuer to pay Additional Amounts as set forth in clause (c) above will not apply if a certification, identification, information, documentation or other reporting requirement described in such clause would be materially more onerous (in form, in procedure or in the substance of information disclosed) to the applicable recipient than comparable information or other reporting requirements imposed under United States tax law, regulation and administrative practice (such as U.S. Internal Revenue Service Forms W- 8BEN, W-8BEN-E, W-8IMY, W-8ECI, W-8EXP, 6166 and W-9 or any successor form).

The Issuer will pay when due any present or future stamp, transfer, court or documentary taxes or any other excise or property taxes, charges or similar levies imposed with respect to the initial execution, delivery or registration of the notes or any other document or instrument relating thereto.

Upon request of a recipient, the Issuer will provide to such applicable recipient evidence of the payment of Taxes, reasonably satisfactory to the recipient, in respect of which the Issuer has paid any Additional Amounts.

Any reference in this Offering Memorandum, the Indenture or the notes to principal, interest or any other amount payable in respect of the notes by the Issuer will be deemed also to refer to any Additional Amounts, unless the context requires otherwise, that may be payable with respect to that amount under the obligations referred to in this subsection.

The Issuer's obligation to pay Additional Amounts will survive the final payment of principal and interest on the notes and the sale or transfer of the notes (or beneficial interests therein) by any noteholder.

Redemption of the Notes

Upon the redemption of the notes (or any portion thereof) (whether such redemption is a voluntary redemption permitted by or a mandatory redemption required by the terms of the Indenture, including a redemption upon acceleration as a result of an Event of Default), the Issuer will pay all accrued and unpaid Interest, Additional Amounts (if any), Redemption/tender Premium (if applicable) and all amounts then due and payable to noteholders by the Issuer under the Transaction Documents (including any fees, expenses, indemnities or other amounts payable to the Indenture Trustee and/or the Collateral Trustee). In addition, under certain circumstances described below, the Issuer will be required to make a tender offer with respect to some or all of the notes.

Should any Redemption Price that is paid for a redemption of the notes include any accrued and unpaid Interest, then the calculation of the amount of interest payable on the next Payment Date will be adjusted to reflect such previous payment of accrued Interest.

The Indenture Trustee shall select the notes to be redeemed on a *pro rata* basis, by lot or by such other method acceptable to the Indenture Trustee and in the case of Global Notes (as defined below), in accordance with applicable DTC procedures.

For so long as the notes are admitted to listing on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and the rules of the SGX-ST so require, the Issuer will cause notices of redemption to be published as provided under “—Notices; Meetings of Noteholders—Notices.”

Mandatory Redemption

The Issuer will be required to make an offer to noteholders to repurchase or redeem the notes at the Redemption Price and, to the extent required, any other Collateral Secured Debt, within 180 days of any of the following events: (a) as a result of (i) any Casualty Event in respect of which any net cash proceeds are received by the Issuer or (ii) any Condemnation, in which case the Issuer shall apply 100% of the net cash proceeds from insurance, indemnification, condemnation or otherwise (provided such net cash proceeds exceed US\$75,000,000 in the aggregate), if not otherwise applied or committed within the period set forth in paragraph (d) under “—*Negative Covenants*” to replace or restore any affected property or assets or repay the notes or other Collateral Secured Debt; (b) in the event of any loss of or material adverse modification of the right to operate the Airport by the Issuer in respect of which net cash proceeds are received by the Issuer, to the extent of such net cash proceeds; (c) to the extent of available funds, upon the notes or such Collateral Secured Debt being declared immediately due and payable as a result of an Event of Default, following notice duly given to the Issuer; and (d) with the net cash proceeds of any sale or disposition of Airport assets in excess of US\$75,000,000 in any fiscal year, if not otherwise applied or committed within the period set forth in paragraph (d) under “—*Negative Covenants*” to invest in new assets or repay Debt.

Optional Redemption

At any time and from time to time, the Issuer may, by delivery of a notice to the noteholders (with a copy to the Indenture Trustee) at least 10 days (but no earlier than 60 days, except that redemption notices may be delivered more than 60 days prior to a Redemption Date if the notice is issued in connection with a defeasance of the notes or a satisfaction and discharge of the Indenture) before the selected Redemption Date and by delivery of the Redemption Price (including the Optional Redemption Premium) to the Indenture Trustee on or before such Redemption Date, redeem the notes of any series of notes (or a portion thereof) in whole or in part on such Redemption Date; *provided* that such Redemption Date must be a Business Day. If any such redemption is for less than the entire amount of the notes of a series of notes, then the reduction in the Principal Balance of the notes will be applied to reduce the remaining scheduled Semi-Annual Amortization Amounts on a *pro rata* basis for such series of notes and the Issuer will provide a notice to the Indenture Trustee containing such reduced Semi-Annual Amortization Amounts. At the Issuer’s written request, the Indenture Trustee shall give the notice of redemption to Holders in the Issuer’s name and at its expense; *provided, however*, that the Issuer has delivered to the Indenture Trustee, at least three Business Days prior to the giving of such notice (or such shorter period as the Indenture Trustee may allow), an Officer’s Certificate requesting that the Indenture Trustee give such notice and setting forth the information to be stated in such notice. Any notice of redemption will specify the Redemption Date, the applicable Redemption Price to be payable to the noteholders and the place(s) of payment of such amounts.

A notice of redemption pursuant to this section will be irrevocable other than with respect to any conditions to which the redemption of the notes may be subject. At the Issuer’s option, a notice of redemption may be conditioned on the satisfaction of one or more conditions. If so conditioned, such a notice of redemption shall state that, in the Issuer’s discretion, the Redemption Date may be delayed until such time as any or all of such conditions shall be satisfied (or waived by the Issuer in its discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all of such conditions have not been satisfied (or waived by the Issuer in its discretion) by the Redemption Date, or the Redemption Date so delayed.

The “Optional Redemption Premium” means, with respect to any optional redemption described in the preceding paragraph for which payment of the applicable Redemption Price is made: (a) on or prior to the date that is prior to the Maturity Date for the applicable series of notes, an amount equal to the Make-Whole Premium, and (b) thereafter, there shall be no Optional Redemption Premium.

The Indenture Trustee shall have no obligation to determine or verify the calculation of any Redemption Price or any applicable reductions in the Semi-Annual Amortization Amounts.

Prior to 10:00 a.m. (New York City time) on the relevant Redemption Date, the Issuer will deliver to the Indenture Trustee the applicable Redemption Price. Following receipt by the Indenture Trustee of the Redemption Price in connection with such an optional redemption of the notes, the noteholders will be entitled to receive on the selected Redemption Date an amount in U.S. Dollars equal to the sum of: (a) the Principal Balance of the applicable notes (or, in the case of a partial redemption, the portion thereof to be redeemed), (b) all accrued and unpaid interest (if any) on such redeemed principal amount to, but excluding, the Redemption Date, (c) any unpaid Additional Amounts, (d) the Optional Redemption Premium on the notes (or, in the case of a partial redemption, the portion thereof to be redeemed), if any, and (e) all other amounts (if any) then due and payable to the noteholders under the Transaction Documents, in each case as calculated by the Issuer. If such Redemption Price (or a portion thereof) is made by (or on behalf of) the Issuer, then the Indenture Trustee will apply such amounts to make such payment to the applicable noteholders; *it being understood* that such payments to the applicable noteholders might not occur until the Business Day after the Redemption Date and no additional interest or other amounts will accrue as a result of any such delay.

Optional Redemption for Changes in Taxes

If, as a result of any amendment to or other change in (or change in the official interpretation of) the Applicable Laws of any Relevant Taxing Jurisdiction, which amendment or other change is first announced and takes effect on or after the Issue Date (or, if Additional Notes have been issued pursuant to “—*Issuance of Additional Notes*” above, on or after the latest date of such issuance), the Issuer is required (or, in the case of a successor, on or after the date such successor assumes the obligations under the notes), after taking all reasonable measures to avoid this requirement, to pay Additional Amounts, then the Issuer may elect to redeem all, but not less than all, of the notes of any series of notes at any time by giving at least 10 days’ but not more than 90 days’ notice thereof to the noteholders (with a copy to the Indenture Trustee) (including the selected Redemption Date, which must be a Business Day); *provided* that no such notice may be given before the date that is 90 days before the earliest date on which such Additional Amounts would first begin to accrue. Concurrently with the delivery of any such notice of redemption, the Issuer will be required to deliver to the Indenture Trustee: (x) an opinion of nationally recognized counsel, which opinion is in form and substance reasonably acceptable to the Indenture Trustee, to the effect that the Issuer is or will be required to pay such Additional Amounts as a result of such amendment or other change and that all governmental requirements necessary for the Issuer to effect the redemption have been, or will be (on or before the Business Day before the Redemption Date), complied with and (y) an Officer’s Certificate, signed in the name of the Issuer by any two of its executive officers or by its attorney in fact in accordance with its bylaws, stating that the Issuer is entitled to redeem the notes pursuant to their terms and setting forth a statement of facts showing that the condition or conditions precedent to the right of the Issuer to so redeem have occurred or been satisfied; *it being understood* that the failure to deliver such an opinion of counsel and certificate will make such notice of redemption void *ab initio*. At the Issuer’s written request, the Indenture Trustee shall give such notice of redemption in the Issuer’s name and at its expense; *provided, however*, that the Issuer has delivered to the Indenture Trustee, at least three Business Days prior to the giving of such notice (or such shorter period as the Indenture Trustee may allow), in addition to the corresponding opinion of counsel and certificate above, an Officer’s Certificate requesting that the Indenture Trustee give such notice and setting forth the information to be stated in such notice. Any notice of redemption will specify the Redemption Date, the applicable Redemption Price to be payable to the noteholders and the place(s) of payment of such amounts.

A notice of redemption pursuant to this section will be irrevocable other than with respect to any conditions to which the redemption of the notes may be subject. At the Issuer’s option, a notice of redemption may be conditioned on the satisfaction of one or more conditions. If so conditioned, such a notice of redemption shall state that, in the Issuer’s discretion, the Redemption Date may be delayed until such time as any or all of such conditions shall be satisfied (or waived by the Issuer in its discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all of such conditions have not been satisfied (or waived by the Issuer in its discretion) by the Redemption Date, or the Redemption Date so delayed.

On or before the Business Day before the indicated Redemption Date, the Issuer will deliver to the Indenture Trustee the Redemption Price for the redemption of the notes. Following receipt by the Indenture Trustee of such

Redemption Price, the noteholders will be entitled to receive on the selected Redemption Date an amount in U.S. Dollars equal to the sum of: (a) the Principal Balance of the notes, (b) all accrued and unpaid interest (if any) on the notes to but excluding the Redemption Date, (c) all unpaid Additional Amounts and (d) all other amounts (if any) then due and payable to the noteholders under the Transaction Documents, in each case as calculated by the Issuer. No Redemption/tender Premium would be payable by Issuer with respect to any such redemption. If such Redemption Price (or a portion thereof) is made by (or on behalf of) the Issuer, then the Indenture Trustee will apply such amounts to make such payment to the applicable noteholders; *it being understood* that such payments to the applicable noteholders might not occur until the Business Day after the Redemption Date and no additional interest or other amounts will accrue as a result of any such delay.

Change of Control

Except to the extent that it would violate Applicable Law, by no later than 30 days after the date on which a Change of Control occurs, the Issuer will (unless, before the end of such period, it has delivered to the noteholders (with a copy to the Indenture Trustee) a notice of optional redemption with respect to the redemption of all of the notes as described in “—Redemption of the Notes—Optional Redemption” or “—Redemption of the Notes—Optional Redemption for Changes in Taxes” above or if, immediately after the closing of any such Optional Redemption, there would be fewer than remaining until the relevant Maturity Date) send to the noteholders (with a copy to the Indenture Trustee) a notice (a “Change of Control Notice”) offering to purchase the notes (and/or beneficial interests therein) on a selected date that is no earlier than 30 days and no later than 60 days (or such additional time as may be required by Applicable Law) after the date of such Change of Control Notice, which selected date must be a Business Day, and, so long as the rules of the SGX-ST so require, publish the Change of Control Notice on the website of the SGX-ST. At the Issuer’s written request, the Indenture Trustee shall give the Change of Control Notice in the Issuer’s name and at its expense; *provided, however*, that the Issuer has delivered to the Indenture Trustee, at least three Business Days prior to the giving of such notice (or such shorter period as the Indenture Trustee may allow), an Officer’s Certificate requesting that the Indenture Trustee give such notice and setting forth the information to be stated in such notice. Any Change of Control Notice must advise each noteholder in sufficient detail as to how to tender its notes (or beneficial interests therein) should it elect to accept such offer. In connection with any such purchase offer, the Issuer will comply with Rule 14e-1 under the Exchange Act and, to the extent applicable, any other Applicable Laws. To the extent that the provisions of any Applicable Law or Rule 14e-1 conflict with the provisions of this covenant, the Issuer will comply with such Applicable Law or Rule 14e-1, as applicable, and will not be deemed to have breached its obligations under this covenant by virtue of such conflict or its compliance with such Applicable Law or Rule 14e-1, as applicable.

Upon the Issuer’s delivery to the noteholders of a Change of Control Notice, each noteholder will have the right to tender in the offer all or any portion of such noteholder’s notes (or beneficial interests therein); *provided* that, unless such noteholder tenders all of its notes (or beneficial interests therein), a noteholder may not so tender its notes (or beneficial interests therein) if such would leave it holding notes (or beneficial interests therein) with an original face value of less than the Minimum Denomination. On the selected purchase date, the Issuer will: (a) subject to the next paragraph, accept (except to the extent such acceptance would violate Applicable Law) for purchase all of the notes (and/or beneficial interests therein) that have been tendered in (and not withdrawn from) such offer, and (b) pay each applicable noteholder for its tendered notes (and/or beneficial interests therein) a purchase price equal to 101% of the portion of the Principal Balance represented thereby *plus* all accrued and unpaid interest (if any) thereon to, but excluding, the purchase date *plus* any applicable Additional Amounts. Any such notes (and/or beneficial interests therein) so purchased by the Issuer will be promptly cancelled by the Indenture Trustee in the manner described in “—Cancellation” below.

In any such tender, a noteholder may elect to condition its tender of the notes (or beneficial interests therein) to the condition that a minimum percentage (selected by such noteholder) of the outstanding Principal Balance of the notes has been tendered in (and not withdrawn from) the offer; *it being understood* that, in determining whether such percentage has been achieved, the notes (or beneficial interests therein) of such noteholder and other noteholders that have so conditioned their tenders with the same or a higher percentage will not be considered to have been tendered. If the Issuer purchases only a portion of an outstanding note in connection with a repurchase offer following a Change of Control, the Issuer will, promptly upon cancellation of such original note, issue in the name of the holder thereof a new note in a principal amount equal to the portion thereof not purchased. The unpurchased portion of any note will not be less than the Minimum Denomination.

There is no assurance that the Issuer would be able to make payments for all notes (or beneficial interests therein) tendered and accepted in such an offer, whether due to the lack of sufficient funds or otherwise. While the Issuer may seek to obtain financing in order to make such payments, it may not be able to do so and its failure to make such payments when due would constitute an Event of Default.

One of the events that may result in a Change of Control is the disposition of “all or substantially all” of the Issuer’s Property under certain circumstances. The meaning of this term is subjective, based upon the facts and circumstances of the subject transaction and has not been interpreted under New York State law (which will be the governing law of the Indenture) to represent a specific quantitative test. As a consequence, in certain circumstances there may be uncertainty in ascertaining whether a particular transaction involves a disposition of “all or substantially all” of the Property of the Issuer. In the event that noteholders believe that such a Change of Control has occurred and the Issuer contests such election, there can be no assurance as to how a court interpreting New York State law would interpret the phrase.

Asset Sales

If an Asset Sale occurs, then under certain circumstances the Issuer will be required to make an offer to purchase some or all of the notes (or beneficial interests therein) and, to the extent required, any other Collateral Secured Debt. See paragraph (d) of “*Negative Covenants*” below.

There is no assurance that the Issuer would be able to make payments for all notes (or beneficial interests therein) to be redeemed, whether due to the lack of sufficient funds or otherwise. While the Issuer may seek to obtain financing in order to make such payments, it may not be able to do so and its failure to make such payments when due could constitute an Event of Default.

Insurance Proceeds

Should any Property that constitutes Airport assets of the Issuer be lost, damaged, destroyed or otherwise affected and the Issuer receives payment (whether in one or a series of payments) with respect thereto under any insurance that it or any other person maintains (an “Insurance Payment”), then, if such Insurance Payment, after deducting any amounts thereof required to be paid to (or reserved for the purpose of making payment to) parties other than the Issuer in connection with such loss or other event, is at least US\$5,000,000 (or its equivalent in any other currency), the amount of such Insurance Payment must (by no later than the 270th day after the receipt of such Insurance Payment (the “Insurance Proceeds Application Period”)) be applied by the Issuer to either: (a) repay Debt (other than Subordinated Debt and Contingent Liabilities) of the Issuer without refinancing (and, with respect to any such Debt under an arrangement that permits future disbursements or other incurrences of Debt thereunder, with a corresponding permanent reduction in the amount of Debt available to be incurred thereunder) or (b) repair or replace the affected Property of the Issuer; *provided* that such Insurance Payment will be maintained in cash or Cash Equivalents pending such application; and *provided further* that a binding commitment to repay Debt or to repair or replace such affected Property shall be treated as a permitted application of such Insurance Payment from the date of such commitment so long as the Issuer enters into such commitment with the good faith expectation that such Insurance Payment will be applied to satisfy such commitment within 180 days of the end of such Insurance Proceeds Application Period (an “Acceptable Commitment”) and such Insurance Payments are actually applied in such manner within the later of the date that the Insurance Proceeds Application Period expires and 180 days after the date of the Acceptable Commitment and, in the event any Acceptable Commitment is later cancelled or terminated for any reason before the Insurance Payments are applied in connection therewith, then such Insurance Payments shall constitute Remaining Insurance Payment Amounts if the Insurance Proceeds Application Period has expired.

To the extent that at least US\$75,000,000 (or its equivalent in any other currency) of such Insurance Payment has not been so applied within the indicated period (any such unapplied amount at the end of such period, the “Remaining Insurance Payment Amount”), then by no later than such 270th day or the 180 days after the Acceptable Commitment, as applicable, the Issuer will (unless, before the end of such period, it has delivered to the Indenture Trustee a notice of optional redemption with respect to the redemption of all of the notes and, if required, other Collateral Secured Debt as described in “*Optional Redemption*” or “*Optional Redemption for Changes in Taxes*” above or if, immediately after the closing of such tender offer, there would be fewer than remaining

until the relevant Maturity Date) be required to send to the noteholders (with a copy to the Indenture Trustee) a notice (an “Insurance Payment Notice”) for the redemption of notes (and/or beneficial interests therein) having an outstanding Principal Balance equal to the Remaining Insurance Payment Amount; *provided* that, to the extent any other Collateral Secured Debt shall be required to be redeemed by the Issuer with the Remaining Insurance Payment Amount, the Issuer shall be required to apply only the percentage of the Remaining Insurance Payment Amount equal to the *pro rata* portion of the notes of all such Collateral Secured Debt to redeem the notes (“Mandatory Redemption Pro Rata Portion”). At the Issuer’s written request, the Indenture Trustee shall give the Insurance Payment Notice in the Issuer’s name and at its expense; *provided, however*, that the Issuer has delivered to the Indenture Trustee, at least three Business Days prior to the giving of such notice (or such shorter period as the Indenture Trustee may allow), an Officer’s Certificate requesting that the Indenture Trustee give such notice and setting forth the information to be stated in such notice. Any Insurance Payment Notice must also indicate a selected date for such redemption that is no earlier than 30 days and no later than 60 days (or such additional time as may be required by Applicable Law) after the date of such notice, which selected date must be a Business Day. In connection with any such purchase offer, the Issuer will comply with Rule 14e-1 under the Exchange Act and any other Applicable Laws.

On the selected redemption date, the Issuer will (a) redeem an amount representing a portion of the Principal Balance equal to the Remaining Insurance Payment Amount or the Mandatory Redemption Pro Rata Portion of the Remaining Insurance Payment Amount, as applicable; *provided* that in the event that less than all of the notes (or beneficial interests therein) are to be redeemed, selection of notes for redemption shall be made by DTC in accordance with its applicable procedures in the case of any notes represented by a Global Note and otherwise on a *pro rata* basis, by lot, or by such other method the Indenture Trustee shall deem fair and appropriate, subject to the requirements of the principal securities exchange or market, if any, on which the notes are then listed (so long as the Indenture Trustee has actual knowledge of such listing), and (b) pay each applicable noteholder for its redeemed notes (and/or beneficial interests therein) a purchase price equal to 100% of such portion of the Principal Balance *plus* all accrued and unpaid Interest (if any) thereon to, but excluding, the payment date *plus* any applicable Additional Amounts. No Redemption/tender Premium would be payable by the Issuer with respect to any such redemption. Any such notes (and/or beneficial interests therein) so redeemed by the Issuer will be promptly cancelled by the Indenture Trustee in the manner described in “— *Cancellation*” below.

Cancellation

Any notes (or beneficial interests therein) that are acquired by the Issuer or its Subsidiaries will be cancelled. In order to effect such cancellation, the Issuer will, by no later than 30 days after its acquisition of such notes (or beneficial interests therein), send to the Indenture Trustee a notice that it owns such notes (or beneficial interests therein) (including, to the extent applicable, indicating the amounts of each Global Note so acquired) and that the indicated principal amount thereof is to be cancelled (which ownership the Issuer will evidence to the reasonable satisfaction of the Indenture Trustee). In addition, if the Issuer holds any definitive notes, then (with such notice) such notes will be required to be delivered to the Indenture Trustee for cancellation. Upon receipt of any such notice and reasonably satisfactory evidence, the Indenture Trustee will promptly cause such principal amount to be cancelled (including, if applicable, to accept any instructions at the Depositary; *it being understood* that the Issuer may need to arrange for interests in a Global Note to be delivered “free for cancellation”) in accordance with its standard procedures. Upon any such cancellation, the remaining scheduled Semi-Annual Amortization Amounts of the notes will be reduced on a *pro rata* basis and the calculation of interest (and other calculations under the Transaction Documents) will take into effect such cancellation.

Notwithstanding the preceding paragraph, any notes (or beneficial interests therein) that are acquired by the Issuer in the manner described in “—*Change of Control*,” “—*Asset Sales*” or “—*Insurance Proceeds*” above will be promptly cancelled by the Indenture Trustee in accordance with its standard procedures. By no later than the selected purchase or redemption date, the Issuer will notify the Indenture Trustee of the portion of the Principal Balance of the notes that it will be so purchasing or redeeming (and, to the extent applicable, the amounts of each Global Note being so purchased or redeemed) and immediately after such purchase or redemption will provide to the Indenture Trustee reasonably satisfactory evidence of the consummation of such purchase or redemption. Upon receipt of evidence reasonably satisfactory to the Indenture Trustee as to the consummation of such purchase or redemption, the Indenture Trustee will promptly cause the applicable amount of the Principal Balance to be cancelled (including, if applicable, to accept any instructions at the Depositary) in accordance with its standard

procedures. Upon any such cancellation, the remaining scheduled Semi-Annual Amortization Amounts of the notes will be reduced on a *pro rata* basis and the calculation of interest (and other calculations under the Transaction Documents) will take into effect such cancellation.

If, at any time from or after the commencement of the Panamanian Public Auction and on or prior to the closing date, the Initial Purchasers shall, in accordance with the terms of the Purchase Agreement, deliver a notice to the Issuer, in the form attached to the Purchase Agreement (a “Repurchase Notice”), such delivery shall constitute a “Repurchase Event.” Upon the occurrence of a Repurchase Event, the Issuer will be required to repurchase the Panamanian Notes, representing the debt securities, at the price specified in the Purchase Agreement (the “Repurchase Price”). The Panamanian Notes shall then be cancelled in accordance with the terms set forth in the Purchase Agreement and the Indenture.

Payments; Registration of Transfer

The Issuer will appoint the Indenture Trustee as registrar, a paying agent and a transfer agent for the notes.

The Indenture Trustee will be responsible for (among other things): (a) accepting notes for exchange and registration of transfer, (b) ensuring that payments in respect of the notes are duly paid to the applicable noteholders to the extent that funds are available to the Indenture Trustee therefor, (c) transmitting notices to the noteholders and from the noteholders to the Issuer (in each case, solely as required by the Indenture), (d) maintaining at its office a register (the “Register”) in which, subject to such reasonable requirements as it may prescribe, it will provide for the registration of the Notes and registration of transfers and exchanges of the notes and (e) accepting notes for exchange and registration of transfer.

Payments and Paying Agents

Payments on a note are payable only to the person in whose name such note is registered at the applicable Record Date; provided that the final payment of principal in respect of any note will be made only against surrender of such Note at the corporate trust office of the Indenture Trustee (or such other location or process as the Indenture Trustee will notify the noteholders). Payments to a noteholder will be made by electronic funds transfer in immediately available funds to an account maintained by such noteholder with a bank having electronic funds transfer capability or, if such valid transfer instructions have not been provided by a noteholder to the Indenture Trustee by the New York Business Day before the applicable date of payment, by check sent by first-class mail to the address of such noteholder appearing on the Register as of the relevant Record Date. Unless such designation for payment by electronic funds transfer is revoked, any such designation made by a noteholder with respect to a note will remain in effect with respect to any future payments in respect of such note. The Issuer will pay any wiring or similar administrative costs that are imposed in connection with making payments by wire transfer.

The Issuer will pay through the Paying Agent principal, Interest, Additional Amounts, if any, and Redemption/tender Premium (if applicable) on the notes in global form (the “Global Notes”) registered in the name of, or held by, the Depositary or its nominee in immediately available funds to the Depositary or its nominee, as the case may be, as the registered holder of such Global Note in accordance with the payment procedures of the Depositary or its nominee.

The Indenture Trustee will initially be designated as paying agent for payments with respect to the notes. The Issuer may at any time designate additional co-paying agents or rescind the designation of any co-paying agent.

The Indenture will provide that all money or other amounts received by the Indenture Trustee, the Collateral Trustee or any other co-paying agent under or in connection with the Transaction Documents will, until used or applied as provided in the Indenture, be held in trust for the purposes for which they were received.

Upon the written request of a noteholder (or a person that was a noteholder but no longer is), the Indenture Trustee will deliver to such person any information reasonably requested by such person (and freely deliverable and available to the Indenture Trustee) to enable such person to prepare its tax return.

Affirmative Covenants

Pursuant to the Indenture, unless the Majority Noteholders otherwise agree in writing, the Issuer will agree to the following:

- (a) Use of Proceeds. The Issuer will use the net proceeds from the sale of the notes issued on the Issue Date (after payment of taxes, commissions, fees and other transaction expenses and costs of issuance) for the following purposes: (i) *first*, to finance the purchase of the Existing Notes pursuant to the Tender Offer and to pay the expenses of such Tender Offer; (ii) *second*, to fund the Payment Account for the notes; (iii) *third*, to fund the Debt Service Reserve Account for the notes; (iv) *fourth*, to repay outstanding bank debt; and (v) *fifth*, the remainder will be transferred to the COVID Recovery Account. We will allocate amounts currently on deposit in the Payment Accounts and Debt Service Reserve Accounts for the Existing Notes (taking into consideration the purchase of Existing Notes pursuant to the Tender Offer) to fund the Payment Accounts and the Debt Service Reserve Accounts for the notes, and will use our existing cash balances to fill any shortfall in such accounts and to ensure that at least U.S.\$100 million are transferred to the COVID Recovery Account. If we offer additional notes as authorized by the SMV Resolution, we may use the net proceeds thereof for the purposes set forth in this Offering Memorandum (or as otherwise specified in the corresponding offering memorandum for the issuance of such additional notes).
- (b) Existence; Conduct of Business. Subject to paragraph (g) of “—*Negative Covenants*” below, the Issuer will (and will cause each of its Restricted Subsidiaries to) maintain, renew and keep in full force and effect its legal existence and the continued operation and maintenance of the Airport.
- (c) Compliance with Applicable Law. The Issuer will (and will cause each of its Restricted Subsidiaries to) comply in all material respects with all Applicable Laws, including to ensure compliance in all material respects with all governmental authorizations required for the ownership, maintenance and operation of the Airport.
- (d) Maintenance and Preservation of Assets. The Issuer will obtain and maintain in force good and valid title and/or rights to such properties as are necessary for the maintenance and operation of the Airport and the use of its Property, assets and revenues, except as would not reasonably be expected to have a Material Adverse Effect.
- (e) Payment of Taxes and other Obligations. The Issuer will (and will cause each of its Restricted Subsidiaries to) timely pay, discharge and otherwise satisfy (or cause to be paid, discharged or otherwise satisfied): (i) all material Taxes imposed upon it (whether on its income, its profits or otherwise) and all utility and other governmental charges incurred by it in the ownership, operation, maintenance, use and occupancy of its Properties and (ii) all of its material contractual and other obligations of whatever nature, in each case except where the amount or validity thereof is being contested in good faith and (to the extent required by Applicable Law and/or applicable accounting principles) the amount thereof is fully reserved for. In addition, the Issuer will either pay directly or promptly (upon request of the Collateral Trustee) reimburse the Tocumen Trust for any Taxes payable by the Tocumen Trust and will pay all annual registration and listing fees with the SMV and LATINEX.
- (f) Insurance. The Issuer will (and will cause each of its Restricted Subsidiaries to): (i) maintain all insurance in the ordinary course of business required under Applicable Law and maintain all other insurance that is generally accepted as customary in regard to Property and business of like character, with financially sound and recognized insurers with the following ratings: (x) “Good” by A.M. Best Company or (y) if no Panamanian insurer maintains the rating set forth in clause (x), a rating at least equal to the highest insurance rating maintained by any Panamanian insurance company with adequate capital, and (ii) make all premium and other payments due in respect of such insurance promptly when due and take such other action as may be necessary to cause such insurance to be in full force and effect at all times.
- (g) Books and Records; Inspection Rights. The Issuer will (and will cause each of its Restricted Subsidiaries to): (i) maintain internal accounting, management information and cost control systems adequate to ensure

compliance with Applicable Law and (ii) maintain books, accounts and records in compliance with all Applicable Law and, with respect to financial statements, in accordance with applicable accounting principles. The Issuer will permit reasonable examinations of its assets and properties by the Majority Noteholders once per calendar year; *provided* that such examinations shall only take place following the provision of written notice in advance to the Issuer at reasonable times.

- (h) Notices of Certain Events. The Issuer will promptly (and in any event within three (3) Business Days with respect to clauses (i) and (iii) below and ten (10) Business Days otherwise, in each case after the Issuer obtains actual knowledge of such event) provide the Indenture Trustee (for the Indenture Trustee to deliver to each noteholder) and the Collateral Trustee: (i) notification of an Event of Default or Default, (ii) if one or more of such events described in clause (i) of this paragraph has/have actually occurred (including events that have since been cured), notice specifying all such events and what actions have been taken and/or will be taken with respect to such events, (iii) notice of any event, occurrence or circumstance that has had a Material Adverse Effect and (iv) notice of the initiation of any material proceeding in, by or before any court, other Governmental Authority or arbitrator relating to any Material Project Contract.

(i) Reporting.

- (1) As soon as available, and in any event within 75 days after the end of each of the first three fiscal quarters of each fiscal year of the Issuer and 120 days after the end of each fiscal year of the Issuer, the Issuer will provide to the Indenture Trustee, and to any noteholder upon request, copies of its unaudited IFRS (with respect to a fiscal quarter) or audited IFRS (with respect to a fiscal year) Financial Statements, in each case in English and, in the case of reports delivered after the end of each fiscal year, accompanied by an audit report of an independent auditor and a presentation of the Issuer's financial condition and results of operations; *provided* that any such Financial Statements will be deemed to have been delivered on the date on which the Issuer has posted such Financial Statements in a legible and accessible manner on its website on the internet (it being understood that the Issuer will: (x) promptly notify the Indenture Trustee in writing that the Issuer has posted such Financial Statements on such website and (y) maintain such Financial Statements on its website in a legible and accessible manner for at least two years from the date of such notice to the Indenture Trustee).
- (2) Concurrently with the delivery of the Financial Statements required under clause (i) of this paragraph (i) of these “—*Affirmative Covenants*,” the Issuer will deliver to the Indenture Trustee, and to any noteholder upon request, an Officer's Certificate setting forth the calculation of (A) the Debt Service Coverage Ratio for the most recent Calculation Period and (B) the projected Debt Service Coverage Ratio for the Calculation Period ending on the next payment date, which calculations, in each case, shall set forth in reasonable detail the components of such Debt Service Coverage Ratio; *provided* that the Issuer may elect to make such calculations publicly available on its website (it being understood that in such case, the Issuer will either (x) deliver the corresponding Officer's Certificate to the Indenture Trustee, and to any noteholder upon request referencing the calculations made publicly available on such website, or (y) make publicly available on such website the corresponding Officer's Certificate setting forth such calculations). For the avoidance of doubt, the projected Debt Service Coverage Ratio calculation in clause (ii)(B) of this paragraph (i) shall be based on the Issuer's reasonable expectation and shall not be required to be validated by the opinion of an Independent Consultant.
- (3) Concurrently with the delivery of the Financial Statements required under clause (i) of this paragraph (i) of these “—*Affirmative Covenants*,” the Issuer will deliver to the Indenture Trustee, and to any noteholder upon request, traffic information for such recently ended quarter or annual period (which annual period information shall also include separate information for the fourth quarter of such annual period), setting forth passenger traffic information for such quarter or annual period (including geographic data); *provided* that the Issuer will be deemed to have furnished such information to the

Indenture Trustee and the noteholders if it has made such information publicly available on its website; *provided further* that if such information is not available at such time for any given quarter or annual period, it shall be provided by the Issuer in the immediately subsequent quarter.

- (4) Within 10 days after such filing, the Issuer will deliver to the Indenture Trustee, and to any noteholder upon request, copies (including electronic copies) of each material public filing made by the Issuer and/or any of its Restricted Subsidiaries with the SMV, LATINEX and/or any other securities exchange or securities regulatory agency or authority; *provided* that the Issuer will be deemed to have furnished such reports to the Indenture Trustee and the noteholders if it has made such reports publicly available on its website.
- (j) Annual Operating Budget. Commencing with the Annual Operating Budget for the fiscal year ending December 31, 2021, the Issuer will make available on its website (i) a copy of the Annual Operating Budget not later than five (5) Business Days after the publication thereof in the *Gaceta Oficial* of Panama and (ii) a translation into English of the Annual Operating Budget not later than ten (10) Business Days after the publication thereof in the *Gaceta Oficial* of Panama; *provided* that if, in any year, the Annual Operating Budget is not approved by the National Assembly of Panama by the date that is 15 days prior to the commencement of the forthcoming fiscal year, the Issuer will deliver to the Indenture Trustee the draft annual operating budget (the “Draft Operating Budget”) for the forthcoming fiscal year that has been approved by the Issuer’s Board of Directors and submitted for approval to the National Assembly of Panama by no later than 10 days prior to the commencement of the forthcoming fiscal year.
- (k) Preservation of Collateral; Further Assurances. The Issuer will undertake all actions that are necessary to: (A) establish, maintain, preserve, protect and perfect the Tocumen Trust’s and the Collateral Trustee’s Liens (and the priority thereof) on the Collateral in full force and effect at all times, (B) preserve and protect the Collateral and protect and enforce the Issuer’s rights and title and the rights of the Tocumen Trust and the Collateral Trustee thereto, (C) enable the Collateral Trustee, on behalf of the holders of *Pari Passu* Obligations, to exercise and enforce its rights, powers, remedies and privileges under the Transaction Documents, (D) cause to be filed in the appropriate jurisdictions in Panama all necessary financing statements, and any amendments and continuation statements with respect thereto, necessary in order to reflect the transactions effected by the Transaction Documents and promptly to provide the Collateral Trustee confirmation of all such filings (for example, if the Issuer should change its name, then an amendment to the existing applicable financing statement and a new financing statement in the new corporate name should be filed) and (E) reasonably promptly execute and deliver all further documents, and take all further action, that may be necessary or that the Collateral Trustee may reasonably request in order to protect the Collateral Trustee’s right, title and interest in, to and under the Collateral.
- (l) Rating Agencies. The Issuer will obtain and maintain international ratings from at least two Rating Agencies and will pay any monitoring fees of such Rating Agencies in respect of the notes and provide at least two Rating Agencies (at the Issuer’s sole expense) such reports, records and documents as each shall reasonably request to monitor or affirm the rating(s) assigned by it to the notes; *provided, however*, that in the event that any such Rating Agency (i) ceases to exist, (ii) ceases to issue ratings of the type issued in respect of the notes as of the Issue Date or (iii) refuses or otherwise declines to provide a rating for the notes (other than due to the Issuer’s failure to (A) provide such Rating Agency with such reports and other information or documents as it shall reasonably request to monitor and continue to assign ratings to the notes, (B) pay customary fees to such Rating Agency in connection therewith or (C) take any other action reasonably requested by such Rating Agency in connection therewith) (and, in each of cases (i) through (iii) above, the Issuer is unable to substitute such Rating Agency), the failure by the Issuer to obtain or maintain such rating shall not constitute an Event of Default or Default; *it being understood* that the Issuer will not request either Rating Agency then rating the notes to stop rating the notes and/or the Issuer unless an additional Rating Agency has been engaged to rate the notes and/or the Issuer, as applicable.
- (m) Maintenance of Priority of the Notes. The Issuer shall ensure that its payment obligations in respect of the notes shall constitute its direct, unconditional senior secured obligations and shall rank at least *pari passu* in

priority of payment with all other existing and future senior Debt of the Issuer (other than obligations mandatorily preferred by the Applicable Laws of Panama generally).

- (n) Rule 144A Information. For so long as any of the notes are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will furnish, upon the request of any noteholder, such information as is specified in Rule 144A(d)(4) under the Securities Act: (i) to such noteholder, and (ii) to a prospective purchaser of such note (or a beneficial interest therein) who is a QIB designated by such noteholder, in each case in order to permit compliance by such noteholder (or prospective purchaser) with Rule 144A in connection with the resale of such note (or beneficial interest therein) in reliance upon Rule 144A unless, at the time of such request, the Issuer is subject to the reporting requirements of Section 12 or 15(d) of the Exchange Act or is included in the list of foreign private issuers that claim exemption from the registration requirements of Section 11(g) of the Exchange Act (and therefore is required to furnish the SEC certain information pursuant to Rule 12(g)3-2(b) thereunder).
- (o) Listing. The Issuer has registered the notes with the SMV and has listed the notes on LATINEX, and the Issuer will use commercially reasonable efforts to maintain such listing. If the Issuer is unable to maintain its listing having used all commercially reasonable efforts or if the maintenance of such listing is determined by the Issuer to be unduly burdensome or impractical, use commercially reasonable efforts to obtain and maintain a quotation or listing of the notes on such other stock exchange or exchanges or securities market or markets as the Issuer decides and will give notice of the identity of such other stock exchange or exchanges or securities market or markets to the Indenture Trustee and to the noteholders.
- (p) Operation and Maintenance; Maintenance and Preservation of Assets. The Issuer will use, operate, maintain, service, repair and preserve the Airport (i) in good working order and condition and in accordance with the Material Project Contracts, prudent industry practices, insurance requirements set forth in the Indenture and the Annual Operating Budget and (ii) in a manner that is designed to promote the conditions set forth in any warranty provisions provided by any manufacturer, supplier, vendor or licensor of any equipment or process incorporated into the Airport (whether in such manufacturer’s, supplier’s, vendor’s or licensor’s operating manuals or otherwise) are not violated, except in each case as would not reasonably be expected to cause a Material Adverse Effect.
- (q) Compliance with Material Project Contracts. The Issuer shall perform and observe in all material respects all of its covenants and obligations contained in the Material Project Contracts such that all Material Project Contracts remain at all times in full force and effect, except to the extent that failure to do any of the foregoing could not reasonably be expected to have a Material Adverse Effect, and shall take all reasonable and necessary action to prevent the termination or cancellation of each Material Project Contract (except for its expiration in accordance with its terms and not as a result of a breach or default thereunder or its termination as a result of a breach or default by the Issuer’s counterparties thereunder).
- (r) Minimum Projected Debt Service Coverage Ratio. In the event that, at any time:
 - (1) the minimum projected Debt Service Coverage Ratio for the next four Calculation Periods (which, for the avoidance of doubt, shall be based on the Issuer’s reasonable expectation and shall not be required to be validated by the opinion of an Independent Consultant) falls below 1.25:1.00, the Issuer will promptly take reasonable measures to increase the projected Debt Service Coverage Ratio above 1.25:1.00, including but not limited to all actions necessary or advisable to increase the Aeronautical Revenues, including (x) the submission through its General Manager of a proposed increase of the passenger exit fee rate for consideration by its Board of Directors, (y) to the extent such proposed increase is approved by its Board of Directors, the further submission of such proposed increase to the CAA for consideration by the CAA’s Board of Directors and (z) any other actions necessary or advisable in connection with the process described in clauses (x) and (y); or
 - (2) the Debt Service Coverage Ratio for the Calculation Period ended on the most recent payment date falls below 1.25:1.00, the Issuer will promptly undertake a review of the facts and circumstances resulting in such decrease in order to determine the advisability of taking

reasonable measures to increase the Debt Service Coverage Ratio above 1.25:1.00, including but not limited to all actions necessary or advisable to increase the Aeronautical Revenues, including the actions specified in subsection (i);

provided that, in each case, no such actions shall be required (A) if taking such action would have a Material Adverse Effect on the Issuer's total revenues, as confirmed by an Independent Consultant with customary experience in the airport industry, (B) if the facts, events or circumstances resulting in the relevant decrease in projected Debt Service Coverage Ratio is capable of being cured, corrected or otherwise remedied within ninety (90) days, the Issuer is proceeding with diligence and in good faith to such cure, correction or remedy and such actions have not had, and would not reasonably be expected to have, a Material Adverse Effect or (C) if the facts, events or circumstances resulting in the relevant decrease in projected Debt Service Coverage Ratio was caused by an event of *force majeure*, the impact of which on the Issuer's revenues is temporary and such revenues are reasonably expected to fully recover once such event of *force majeure* has subsided.

- (s) Termination of Registration and Listing. The Issuer will terminate the registration and listing of the notes upon repayment in full of the notes promptly thereafter and file with the SMV and/or LATINEX all documents required for this purpose.
- (t) Reporting and Payment to Regulatory, Stock Exchange and Clearing Agency. The Issuer will deliver, pay or notify, as applicable, to LATINEX and the SMV the following: (i) within the three months following the closing of each fiscal year, the Issuer's audited financial statements together with its annual report (*informe anual de actualización del emisor*), for the previous fiscal year; (ii) within two months following the closing of each quarter, the Issuer's unaudited quarterly financial statements together with its quarterly report (*informe de actualización trimestral*) within the timeframes prescribed by Applicable Law, for the previous fiscal quarter; (iii) notification of any material events of importance to noteholders (*hechos relevantes*); (iv) pay the annual supervision fee and any applicable fees and expenses; and (v) pay any applicable fees and expenses to LatinClear.

Other than the delivery of notices of Events of Default or Default received under paragraph (h) above, the Indenture Trustee shall have no duty to review or analyze reports or other information delivered to it. Delivery of such reports, information and documents to the Trustee pursuant to the above is for informational purposes only, and the Indenture Trustee's receipt thereof shall not constitute actual or constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of its covenants hereunder (as to which the Indenture Trustee is entitled to certificates). The Indenture Trustee shall not be obligated to monitor or confirm, on a continuing basis or otherwise, the Issuer's compliance with the covenants or with respect to any reports or other documents filed with any website, or participate in any conference calls.

Negative Covenants

Pursuant to the Indenture, the Issuer will agree to the following:

- (a) Debt. The Issuer will not (and will not permit any of its Restricted Subsidiaries to) incur, create, assume, permit, guaranty, endorse or be liable, directly or indirectly (including receiving any disbursements or other Incurrences of Debt under revolving loans or other arrangements permitting therefor), with respect to ("Incur") any Debt, including as a result of any acquisition of another person and/or any Property of another person, except that the Issuer and the Restricted Subsidiaries may Incur the following (collectively, the "Permitted Debt"):
 - (1) at any time and from time to time, additional Debt, which may be secured by, and entitled to the benefit of the Collateral and the other Transaction Documents with respect to the Collateral, and which shall rank equally and ratably on a *pari passu* basis with the notes provided the following conditions are met: (A) no Default or Event of Default shall have occurred and be continuing at the time of, and after giving effect to, the Incurrence of such Debt and (B) the Issuer has obtained confirmation from at least one Rating Agency that the notes shall remain Investment Grade or, if the notes are then rated below

Investment Grade, that the then effective rating will not decrease, after giving effect to the additional Permitted Debt;

- (2) at any time and from time to time, additional Debt secured by, and entitled to the benefit of the Uncommitted Revenues, provided no Default or Event of Default shall have occurred and be continuing at the time of, and after giving effect to, the Incurrence of such Debt;
- (3) Debt under the Transaction Documents;
- (4) Debt existing on the Issue Date (including the Existing Notes);
- (5) Refinancing Debt with respect to Debt existing on the Issue Date (including the Existing Notes) or Incurred in compliance with the Indenture;
- (6) unsecured Debt Incurred from either Affiliates or non-Affiliates (x) that is created under or evidenced by an instrument containing provisions evidencing the subordination of such Debt to the notes and the other obligations under the Transaction Documents, which shall specify that there shall be no cross-acceleration or voting rights granted to such subordinated Debt holders, (y) all payments in respect of which shall only be permitted subject to satisfaction of the conditions under paragraph (b) under this “—*Negative Covenants*” and (z) the Issuer has obtained confirmation from at least one Rating Agency that the notes shall remain Investment Grade, after giving effect to such additional subordinated Debt (“Permitted Subordinated Debt”);
- (7) interest rate or currency hedging obligations entered into in the ordinary course of business and not for speculative purposes;
- (8) obligations to pay dividends on Capital Stock that have been declared; *provided* that such declaration was in compliance with paragraph (b) under this “—*Negative Covenants*”;
- (9) Debt represented by letters of credit in order to provide security for workers’ compensation claims, payment obligations in connection with self-insurance or similar requirements in the ordinary course of business;
- (10) Debt arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds in the ordinary course of business in an aggregate amount not to exceed US\$10,000,000 at any time outstanding, such amount to be adjusted every six months to reflect the impact of inflation from January 1, 2016, as determined on the basis of inflation rates calculated and published by the National Statistics and Census Institute (*Instituto Nacional de Estadística y Censo*) of the *Contraloría*;
- (11) Contingent Liabilities with respect to any Debt of the Issuer or any of its Restricted Subsidiaries that is otherwise permitted by this paragraph;
- (12) Debt in connection with bids, performance or surety bonds (or similar obligations) Incurred in the ordinary course of business;
- (13) the Incurrence by the Issuer or any of its Restricted Subsidiaries of intercompany Debt between or among the Issuer or any of its Restricted Subsidiaries;
- (14) Project Finance Debt incurred by finance subsidiaries or other special purpose entities; and

- (15) Debt in an amount not to exceed at the time of incurrence the greater of (a) US\$100,000,000 or (b) 35% of CFADS for the two Calculation Periods most recently ended.

For purposes of determining compliance with this “Debt” covenant, in the event that an item of proposed Debt (or any portion thereof) meets the criteria of more than one of the categories described in clauses (i) through (xiv) above, the Issuer, in its sole discretion, will be permitted to classify such item of Debt (or any portion thereof) on the date of its Incurrence, or later reclassify all or a portion of such item of Debt, in any manner that complies with this covenant and will only be required to include the amount and type of such Debt in one of the above clauses.

- (b) Restricted Payments. The Issuer will not (and will not permit any of its Restricted Subsidiaries to) declare or make any Restricted Payment other than to the Issuer or from a Restricted Subsidiary of the Issuer to either a Wholly-Owned Subsidiary of the Issuer that is a Restricted Subsidiary or such payor’s direct parent unless each of the following conditions has been satisfied:
- (1) the Restricted Payment occurs within 45 days following the end of any of the Issuer’s first three fiscal quarters or within 90 days following the end of the Issuer’s fiscal year;
 - (2) no Event of Default or Default has occurred and is continuing;
 - (3) on and as of the most recent payment date with respect to such Restricted Payment: (x) the Debt Service Coverage Ratio for the most recently ended Calculation Period prior to but not including such payment date is greater than 1.25:1.00; and (y) the Issuer certifies that it reasonably expects the minimum projected Debt Service Coverage Ratio for the Calculation Period for the next payment date to be not less than 1.25:1.00, and in each case with appropriate supporting documentation;
 - (4) prior to the payment of such Restricted Payment, the Issuer shall have delivered to the Indenture Trustee and the Collateral Trustee written notice from an authorized officer certifying that: (x) as of the applicable payment date, and after giving effect to such Restricted Payment, no Event of Default or Default will have occurred and be continuing; and (y) such Restricted Payment complies in all respects with the applicable requirements set forth in the Transaction Documents; and (z) such Restricted Payment complies with all Applicable Law;
 - (5) the Issuer shall not make Restricted Payments from amounts on deposit in the Major Maintenance and CapEx Reserve Account; *provided* that any amounts in the Major Maintenance and CapEx Reserve Account may be transferred to the Payment Accounts to the extent required to make payments or prepayments of Debt; and
 - (6) if at the time such Restricted Payment is proposed to be paid there shall be outstanding any Debt Incurred pursuant to clause (a)(xv) under “— *Negative Covenants*,” the principal amount of such Debt shall not be greater than 35% of CFADS for the two Calculation Periods most recently ended.

Notwithstanding the above:

- (1) this paragraph does not prohibit the Issuer or any of its Restricted Subsidiaries from making the payment of any dividend on Capital Stock within 90 days after the date on which such dividend was declared so long as such dividend would have been permitted to have been paid on such declaration date and the Issuer or such Restricted Subsidiary (as applicable) believed in good faith that such would be permissible to be payable hereunder on such date of payment notwithstanding this sentence;
- (2) this paragraph does not prohibit the Issuer or any of its Restricted Subsidiaries from making or committing to making any payments funded by Uncommitted Revenues to

third parties that invest (under public private partnerships, concessions, joint ventures or other contractual arrangements) in the acquisition or construction of Airport fixed assets, plant or equipment; and

- (3) the Issuer may apply the proceeds of the notes in the manner provided in paragraph (a) under “—Affirmative Covenants.”

The Issuer will not permit any of its Restricted Subsidiaries to enter into any Contractual Obligation restricting such Restricted Subsidiaries’ ability to make Restricted Payments to the Issuer, to a Wholly-Owned Subsidiary of the Issuer that is a Restricted Subsidiary and/or to such Restricted Subsidiary’s direct parent.

- (c) Negative Pledge. The Issuer will not (and will not permit any of its Restricted Subsidiaries to) create, assume or permit to exist any Lien upon any of its Properties (including the Collateral), whether owned on the Issue Date or thereafter acquired, or any of its Capital Stock, other than Permitted Liens.
- (d) Limitation on Asset Sales. The Issuer will not (and will not permit any of its Restricted Subsidiaries to) convey, sell, lease, assign, transfer or otherwise dispose of any of its Property or business, whether owned on the Issue Date or thereafter acquired, with a Fair Value of over US\$5,000,000 (or its equivalent in any other currency) (an “Asset Sale”), unless (x) it receives consideration at the time of such Asset Sale in an amount at least equal to the Fair Value (with respect to any Property or business so disposed of (whether consummated in a single transaction or a series of related transactions) by the Issuer or a Restricted Subsidiary) of the Property disposed of, at least 75% of which consideration must be in the form of cash, Cash Equivalents or other Property or business substantially similar to the Property or business so disposed of and (y) if the Fair Value of the assets to be sold is at least US\$30,000,000, the Issuer must, by no later than the time of consummation of such Asset Sale, deliver to the Indenture Trustee an opinion of an Independent Consultant as to the Fair Value, *provided* that the requirement to deliver a fairness opinion of an Independent Consultant pursuant to this clause (y) shall not apply if the Issuer obtains an opinion given pursuant to applicable procurement laws in Panama regarding the determination of the sale price for any such Asset Sale; *provided, further*, that the following will not be considered to be an Asset Sale: (i) sales or other disposals for Fair Value of obsolete, worn out or defective Property or Property no longer used in connection with the operation of the Issuer’s or the applicable Restricted Subsidiary’s business, (ii) sales, leases or other disposals of tangible Property (or rights therein) in the ordinary course of business, including leases of gates and other tangible Property to airlines, (iii) Property transferred from a Wholly-Owned Subsidiary of the Issuer that is a Restricted Subsidiary to the Issuer or between two Wholly-Owned Subsidiaries of the Issuer, each of which are Restricted Subsidiaries, (iv) sales by the Issuer or a Restricted Subsidiary thereof at Fair Value of cash, Cash Equivalents or its own Capital Stock and (v) disposals as permitted by paragraph (b) and (g) under this “—*Negative Covenants.*”

Except as provided in the following paragraph, with respect to any Asset Sale (whether consummated in a single transaction or a series of related transactions) other than a sale of assets that constitute assets of Airport City (including Airport City Land) or the Other Airports, the Net Cash Proceeds of such Asset Sale must (by no later than the 270th day after such Asset Sale (the “Asset Sale Proceeds Application Period”)) be applied by the Issuer or its applicable Restricted Subsidiary (as applicable) to: (A) invest in new assets of the Issuer or such applicable Restricted Subsidiary, (B) repay Debt (other than Subordinated Debt and Contingent Liabilities) of the Issuer or such applicable Restricted Subsidiary without refinancing (and, with respect to any Debt under an arrangement that permits future disbursements or other incurrences of Debt thereunder, with a corresponding permanent reduction in the amount of Debt available to be incurred thereunder) and/or (C) be deposited in the Revenue Collection Account; *provided* that such Net Cash Proceeds will be maintained in cash or Cash Equivalents pending such application; and *provided, further* that, in the case of clause (B), a binding commitment to repay Debt shall be treated as a permitted application of the proceeds of such Asset Sale from the date of such commitment so long as the Issuer enters into such commitment with the good faith expectation that such proceeds shall be applied to satisfy such commitment within 180 days of the end of such Asset Sale Proceeds Application Period and such proceeds are actually applied in such manner within the later of the date that the Asset Sale Proceeds Application Period expires and 180 days after

the date of the Acceptable Commitment and, in the event any Acceptable Commitment is later cancelled or terminated for any reason before the proceeds of such Asset Sale are applied in connection therewith, then such proceeds shall constitute Remaining Asset Sale Amounts to the extent any Asset Sale Proceeds Application Period has expired.

To the extent that at least US\$75,000,000 (or its equivalent in any other currency) of such Net Cash Proceeds has not been so applied within the indicated period (any such unapplied amount at the end of such period, the “Remaining Asset Sale Amount”), then by no later than such 270th day the Issuer will make an offer (a “Remaining Asset Sale Amount Offer”) to all noteholders (and, if any other Collateral Secured Debt contains provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the Remaining Asset Sale Amount, absent a waiver of such provisions, the Issuer will make a Remaining Asset Sale Amount Offer to the holders of such Collateral Secured Debt, in accordance with the governing such Collateral Secured Debt) to purchase the maximum principal amount of notes and such other Collateral Secured Debt that may be purchased in an amount equal to the Remaining Asset Sale Amount. The offer price for the notes and other Collateral Secured Debt, if any, in any Remaining Asset Sale Amount Offer will be equal to 100% of the aggregate principal amount outstanding of the notes or other Collateral Secured Debt, as applicable, *plus* accrued and unpaid interest to, but excluding, the date of purchase and will be payable in cash. If the aggregate principal amount of notes and other Collateral Secured Debt tendered into any Remaining Asset Sale Amount Offer exceeds the amount of Remaining Asset Sale Amount, the notes and such other Collateral Secured Debt will be accepted for purchase on a *pro rata* basis on the basis of the aggregate accreted value or principal amount of tendered notes and other Collateral Secured Debt (*provided* that the selection of such Collateral Secured Debt shall be made pursuant to the terms of such Pari Passu Obligations). In connection with any such Remaining Asset Sale Amount Offer, the Issuer will comply with Rule 14e-1 under the Exchange Act and, to the extent applicable, any other Applicable Laws.

To the extent that the provisions of any Applicable Law or Rule 14e-1 conflict with the provisions of this covenant, the Issuer will comply with such Applicable Law or Rule 14e-1, as applicable, and will not be deemed to have breached its obligations under this covenant by virtue of such conflict or its compliance with such Applicable Law or Rule 14e-1, as applicable.

- (e) Investments; Subsidiaries. The Issuer will not make or own any Investments in any person except Permitted Investments, unless it shall have complied with paragraph (b) of this “*Negative Covenants*.”
- (f) Limitation on Affiliate Transactions. The Issuer will not (and will not permit any of its Restricted Subsidiaries to), directly or indirectly, enter into or permit to continue any activity, business, arrangement or other transaction with (including the purchase, sale, lease or exchange of Property with, the making of any Investment in, the rendering of any service to, the incurrence of any Debt from or the purchasing of any service from) any Affiliate thereof unless such activity, business, arrangement or other transaction is:
 - (1) on terms at least as favorable to the Issuer (or such Restricted Subsidiary) as would reasonably be expected to have been obtainable by the Issuer (or such Restricted Subsidiary) in comparable arm’s-length transactions with un-Affiliated persons of adequate financial and technical capability to perform the transaction; *provided* that with respect to any such transaction (or series of related transactions) that involves aggregate payments or transfers of Property or services with a Fair Value exceeding: (A) US\$15,000,000 (or its equivalent in any other currency), the Issuer must deliver to the Indenture Trustee evidence that such transaction was approved in advance by a majority of the members (including a majority of the disinterested members) of the Board of Directors (or similar body) of the Issuer and/or such Restricted Subsidiary (as applicable), and (B) US\$30,000,000 (or its equivalent in any other currency), the Issuer must deliver to the Indenture Trustee an opinion of an Independent Consultant as to the fairness of such transaction to the Issuer or such Restricted Subsidiary from a financial perspective, *provided* that the requirement to deliver a fairness opinion of an Independent Consultant pursuant to this clause (B) shall not apply if the Issuer obtains an opinion

given pursuant to applicable procurement laws in Panama regarding the determination of the price or consideration for any such transaction;

- (2) pursuant to any of the Transaction Documents or a Material Project Contract in effect on the date of the Indenture;
- (3) for the payment of reasonable fees and other compensation paid to, and any indemnity provided on behalf of, officers, directors, employees, consultants or agents of the Issuer or any of its Restricted Subsidiaries as determined in good faith by the Issuer or its applicable Restricted Subsidiary;
- (4) a Restricted Payment permitted by paragraph (b) of this “—*Negative Covenants*” section;
- (5) a Permitted Investment permitted by paragraph (e) of this “—*Negative Covenants*” section;
- (6) pursuant to any agreement, arrangement or commitment in effect as of the Issue Date or as thereafter amended or replaced in any manner that, taken as a whole, is not more disadvantageous to the Issuer in any material respect than such agreement as it was in effect on the Issue Date;
- (7) pursuant to any ordinary course agreement or arrangement with the Government of Panama or any of its agencies, autonomous entities or majority owned subsidiaries other than, in each case, (A) any Subsidiary of the Issuer and/or (B) any entity that is a party to a management agreement, joint venture agreement, partnership or members agreement, shareholders’ agreement or similar agreement or arrangement with the Issuer or any of its Subsidiaries, *provided* that, in each case, any such agreement or arrangement complies with all applicable laws in Panama governing transactions among government entities and is fair to the Issuer or such applicable Restricted Subsidiary in the reasonable determination of the Board of Directors or senior management of the Issuer;
- (8) a transaction entered into by a Person prior to the time such Person becomes a Subsidiary of the Issuer or is merged or consolidated into the Issuer or a Restricted Subsidiary (*provided* that such transaction is not entered into in contemplation of such event); or
- (9) between or among Wholly-Owned Subsidiaries that are Restricted Subsidiaries of the Issuer.

For the purpose of this paragraph, the holder (whether directly or indirectly) of Capital Stock representing 10% or more of the Capital Stock of a person will be considered to be an “Affiliate” of such person. For avoidance of doubt, transactions with the Government of Panama shall not be subject to this paragraph (f).

- (g) Merger, Consolidation. The Issuer will not, and will not agree to, enter into or consummate any merger with or into, consolidation with or sale, assignment, spin-off (*escisión*) or other disposal (directly or indirectly) of all or substantially all of its Property (whether in a single transaction or a series of related transactions) to, any person unless (in each case subject to any applicable requirements of paragraphs (e) and (f) of this “—*Negative Covenants*”):

- (1) (A) with respect to any merger or consolidation, the Issuer is the surviving company, or (B) such person is a corporation or other legal entity organized under the laws of Panama and assumes in writing all of the Issuer’s rights and obligations under the Transaction Documents and the Issuer (or such successor person) delivers to the Indenture Trustee an Officer’s Certificate (with respect to items (2) and (3) below) and one or more Opinion(s) of Counsel to the effect that: (1) such assumption is sufficient for each Transaction Document to which the Issuer is a party to constitute a legal, valid and binding obligation

of such person, enforceable against it (subject to customary bankruptcy and similar exceptions) in accordance with its terms, (2) following such assumption the Collateral Trustee will continue to have a perfected security interest in the Collateral on behalf of the noteholders and the other holders of Collateral Secured Debt in the manner contemplated by the Transaction Documents, and (3) such merger with or into, consolidation with or sale, assignment, spin-off (*escisión*) or other disposal (directly or indirectly) of all or substantially all of its Property and, if required in connection with such transaction, any amendments or instruments entered into in connection therewith, comply with the applicable provisions of the notes and the Indenture and that all conditions precedent in the Indenture relating to the transaction have been complied with; *it being understood* that, if such conditions in this clause (B) are satisfied, then, upon receipt of written direction from the Issuer, the Indenture Trustee, the Collateral Trustee and the assuming person will (notwithstanding anything else in the Transaction Documents to the contrary, without requiring the consent of the Majority Noteholders or other person) as promptly as reasonably possible amend (or amend and restate) each of the applicable Transaction Documents solely to the extent necessary to reflect such assuming person as the successor to the Issuer thereunder,

- (2) such surviving entity will continue to own, operate and maintain the Airport and retain all revenues associated with the Airport, in compliance with all material governmental authorizations, licenses, consents, registrations or approvals required in Panama or by the Applicable Laws of Panama or any other applicable jurisdiction,
- (3) the Indenture Trustee shall have received evidence, upon which it may conclusively rely, that such merger, consolidation, sale, assignment, spin-off (*escisión*) or conveyance will not result in either Rating Agency then rating the notes withdrawing or reducing its rating with respect to the notes (determined after giving effect to such merger, consolidation, sale, assignment or conveyance) to below the lower of such Rating Agency's initial and then-current (i.e., before such merger, consolidation, sale, assignment or conveyance) ratings on the notes,
- (4) no Event of Default or Default will be expected to exist at any time after, and no Default Payment will be payable immediately after, giving effect to such proposed merger, consolidation, sale, assignment, spin-off (*escisión*) or conveyance, and
- (5) as certified to the Indenture Trustee by an Independent Consultant, immediately after such transaction: (A) the Consolidated Net Worth of the Issuer or such surviving entity is at least equal to the Consolidated Net Worth of the Issuer immediately before such merger, consolidation, sale, assignment or conveyance and (B) the Issuer or such surviving entity would, on a *pro forma* basis as of the date of such merger, consolidation, sale, assignment, spin-off (*escisión*) or conveyance, be able to incur at least US\$1 in Debt under paragraph (a) of this “—*Negative Covenants*.”

For the avoidance of doubt, compliance with this paragraph does not alter the obligations (if any) of the Issuer (or a surviving person) under “—*Change of Control*.”

- (h) Nature of Business. The Issuer will not (and will not permit any of its Restricted Subsidiaries to) engage in any business other than: (i) the business of owning, operating and maintaining the Airport and businesses reasonably related thereto and (ii) managing or otherwise operating Airport City and the Other Airports and businesses reasonably related thereto (such businesses in clause (i) and (ii) each, a “Permitted Business”). The Issuer will not (and will not permit any of the Issuer's Restricted Subsidiaries to) operate, own, administer and/or manage any business other than a Permitted Business.
- (i) Limitation on Designation of Unrestricted Subsidiaries. At the Issue Date, the Issuer will have no Subsidiaries. Upon the formation of any Subsidiary, such Subsidiary shall be a Restricted

Subsidiary unless designated as an Unrestricted Subsidiary pursuant to the procedures described under this paragraph (i) of “—*Negative Covenants*.” The Board of Directors of the Issuer may designate any Subsidiary (including any newly formed or newly acquired Subsidiary) of the Issuer as an Unrestricted Subsidiary under the Indenture (a “Designation”) only if: (1) such Designation is for the purpose of such designating an Unrestricted Subsidiary to operate and maintain a Permitted Business (other than the business of owning, operating and maintaining the Airport (including its cargo operations)); (2) no Event of Default shall have occurred and be continuing at the time of or after giving effect to such Designation; and (3) the Issuer would be permitted to make, at the time of such Designation, an Investment under clause (b) of the definition of Permitted Investments, without regard for the annual maximum; *provided* that this clause (3) shall not apply to any designation of an Unrestricted Subsidiary for purposes of operating and maintaining Airport City or the Other Airports.

- (j) Limitation on Capital Improvement Projects. The Issuer will not, and will not permit any of its Restricted Subsidiaries to, make any Investments relating to capital improvement projects for Airport City or Other Airports, except that the Issuer will be permitted to include up to an amount for Sustaining CapEx projects and Expansion CapEx for Airport City and the Other Airports that, together with any Investment under clause (b) of the definition of “Permitted Investments,” shall not exceed US\$15,000,000 per year (or its equivalent in any other currency, and such amount to be adjusted every six months to reflect the impact of inflation from January 1, 2016, as determined on the basis of inflation rates calculated and published by the National Statistics and Census Institute (*Instituto Nacional de Estadística y Censo*) of the *Contraloría*) except to the extent that Investments over US\$15,000,000 (as adjusted for inflation) are in compliance with the restricted payment test in paragraph (b) of the “—*Negative Covenants*.”
- (k) Alternative Operator. The Issuer will not contract, sub-contract, assign, sell or otherwise transfer all or any part of the operations of the Airport (except for the Airport’s cargo operations, car parking services, retail operations, food and beverage services and duty-free operations) to any other Person, and shall at all times remain the sole operator of the Airport, except that the Issuer may hire a third-party manager to operate the Airport (an “Alternative Operator”), so long as (i) the Issuer will remain subject to the continuing oversight control of the *Contraloría*, (ii) the Alternative Operator shall have managed at least two airports with total passenger traffic in excess of ten million passengers annually for each of such two airports under management in each of the immediately preceding two calendar years, (iii) (x) if the notes are then rated Investment Grade, the notes shall continue to be rated Investment Grade confirmed by one of the Rating Agencies then rating the notes or (y) if the notes are not then rated Investment Grade, then the then-current rating shall be reaffirmed by at least one of the Rating Agencies then rating the notes and (iv) the base compensation payable to the Alternative Operator on a current basis shall not exceed the average of O&M Costs for the last two years, indexed for inflation (*provided* that such average may be adjusted based on increases in size of the Airport if such adjustments are confirmed as reasonable by the opinion of an Independent Engineer), and any excess or bonus compensation for the Alternative Operator shall be paid only after payments of principal and interest on the notes.

Events of Default

Upon the occurrence of an Event of Default, the Notes may be subject to mandatory redemption, in whole but not in part, subject to the terms of the Intercreditor Agreement. Pursuant to the Indenture, each of the following events, acts, occurrences or conditions will constitute a default (each, an “Event of Default”):

- (i) Failure to Make Payments. The Issuer shall have failed to make any payment, monetary transfer or deposit required to be made by it under the Transaction Documents and such failure shall have continued unremedied for at least five (5) Business Days; *it being understood* that the failure of the Indenture Trustee or the Collateral Trustee to apply funds delivered to it by (or on behalf of) the Issuer (or available from the Transaction Accounts) to make payments on behalf of the Issuer will not constitute such a failure by the Issuer.

- (ii) [Reserved].
- (iii) Breach of Covenant. Except as specifically provided in another Event of Default, the Issuer shall have failed to observe or perform any of its covenants specified in “—*Affirmative Covenants*” or “—*Negative Covenants*” above or any other agreement in the Transaction Documents and such failure shall continue unremedied for at least 30 days after written notice thereof to the Issuer from the Indenture Trustee or to the Issuer and the Indenture Trustee from noteholders of at least 25% in aggregate principal amount of the notes then outstanding; *provided* that if the Issuer is taking action reasonably likely to cure such failure, an Event of Default pursuant to this paragraph (c) will accrue only if such failure remains unremedied for 60 days.
- (iv) Failure of Notes Collateral. At any time, the Collateral Trustee shall fail to have a perfected first priority Lien on all or any part of the Notes Collateral purported to be granted thereto pursuant to the Trust Agreement and the Assignment Agreement, except to the extent that such failure is remediated within 30 days after an authorized officer of the Issuer obtains actual knowledge of such failure.
- (v) Governmental Authorizations. Any governmental authorization, license, consent, registration or approval required in or by the Applicable Laws of Panama or any other applicable jurisdiction: (i) to enable the Issuer lawfully to enter into and perform its obligations under the Transaction Documents, (ii) to enable the Issuer to own, operate and maintain the Airport and its business and/or generate revenues and/or (iii) to enable the Indenture Trustee and/or the Collateral Trustee to exercise the rights expressed to be granted to it in the Transaction Documents, shall cease to be in full force and effect in any respect, the effect of any of which, alone or in the aggregate, shall have already had or could reasonably be expected to have a Material Adverse Effect; *it being understood* in respect of each of the foregoing clauses that such clause does not cover notarizations, certified translations, registrations or any other normal-course formality for admissibility in evidence in Panama of the Transaction Documents.
- (vi) Destruction or Abandonment of Airport; Cessation of Operations. All or any substantial part of the Airport is destroyed, abandoned or becomes permanently inoperative, or suffers an actual or constructive loss or damage, which actual or constructive loss or damage is not restored and for which insurance proceeds are not applied to the repair and restoration within the time frame required for the delivery of an Insurance Payment Notice as set forth in “—Insurance Proceeds,” or the Issuer ceases to operate the Airport as an international airport for any reason.
- (vii) Bankruptcy; Insolvency. If the Issuer or any of its Significant Subsidiaries that are Restricted Subsidiaries is at any time subject to bankruptcy, insolvency, reorganization, liquidation or suspension of payment rules and, pursuant to such rules, at any time makes a general assignment for the benefit of creditors; or any proceeding shall be instituted by any Person against the Issuer or any of its Significant Subsidiaries that are Restricted Subsidiaries seeking to adjudicate it as a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it, either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its Property) shall occur.
- (viii) Cross-Defaults. The Issuer and/or any of its Restricted Subsidiaries shall default (as principal or guarantor or other surety) in the payment of any principal of, interest on, or premium, guaranty fees or other fees payable with respect to any credit-enhancement for, any Debt, which Debt is outstanding in the principal amount of at least US\$50,000,000 in the aggregate (or its equivalent in any other currency), and such default shall have continued for more than the applicable period of

grace, or (ii) any other event shall occur or condition shall exist referred to in clause (g) in respect of any such Debt (or obligation) that results in the acceleration of the Issuer's and/or any of its Restricted Subsidiaries' obligation to pay (or purchase or defease) such Debt (or obligation) (or the Issuer and/or any of its Restricted Subsidiaries is obligated to purchase (or cause to be purchased or defeased) such Debt (or obligation)).

- (ix) Judgment Defaults. Any court, other Governmental Authority or arbitrator shall enter against the Issuer or any of its Restricted Subsidiaries a decree, order, arbitration award, final judgment or tax claim and any such event, alone or in the aggregate, shall have already had or could reasonably be expected to have a Material Adverse Effect; *it being understood* that any decree, order, arbitration award, final judgment or tax claim for the payment of money in excess of US\$40,000,000 (or its equivalent in any other currency) will be considered to have had a Material Adverse Effect, and either (A) such decree, order, arbitration award, final judgment or tax claim is not stayed, bonded, fully escrowed for or discharged within 60 days after entry thereof or (B) there shall be any period of at least 60 consecutive days during which a stay of enforcement of such judgment or orders shall not be in effect.
- (x) Termination, Invalidity of Transaction Documents. Except with respect to obligations and/or Transaction Documents that have terminated by their own terms, either: (i) any of the Transaction Documents shall fail for any reason to be in full force and effect, or (ii) the Issuer shall allege that any of its obligations under the Transaction Documents shall fail for any reason to be in full force and effect.
- (xi) Condemnation Event. Any Condemnation Event has occurred and is continuing; *provided* that if the governmental instrumentality causing such Condemnation Event is an entity other than the Government of Panama, such Condemnation Event will have continued for a period of ninety days so long as, at all times during this period, the Issuer will be diligently pursuing an end to such Condemnation Event and the Government of Panama will not have acknowledged its legitimacy.

Upon the occurrence and during the continuation of any Event of Default, the Indenture Trustee (if so instructed by the holders of notes representing at least 25% of the aggregate amount of then outstanding notes in conjunction with the provision of such security and indemnity as the Indenture Trustee and the Collateral Trustee require), by notice then given in writing to the Issuer, the Intercreditor Agent and the Collateral Trustee, will declare the Principal Balance of the notes immediately due and payable and the Issuer will, subject to the terms of the Intercreditor Agreement, then be required to pay the Default Payment; *provided* that any Event of Default under paragraph (g) under this “—Events of Default” will automatically be deemed to have resulted in an immediate declaration of the Principal Balance of the notes to be due and payable and the requirement for the Issuer to make payment of the Default Payment. Upon a request (or deemed request) to the Issuer for such payment, the Issuer will promptly (but in any event by no later than the next Business Day), but subject to the Intercreditor Agreement, pay to the Indenture Trustee an amount equal to the Default Payment. If a Default Payment is requested (or deemed requested) to be made, then the Indenture Trustee will also (in coordination with the Collateral Trustee and the Intercreditor Agent to the extent applicable and subject to the terms of the Trust Agreement and the Intercreditor Agreement) apply funds in the Transaction Accounts for such purpose (any such application resulting in an equivalent reduction in the amount of the Default Payment remaining to be paid by the Issuer).

Any such declaration of acceleration may be annulled and rescinded by the holders of notes representing at least 25% of the aggregate amount of then outstanding notes if (i) the rescission would not conflict with any judgment or decree under Applicable Law, (ii) all Events of Default have been cured or waived (except nonpayment of principal or interest that has become due solely because of the acceleration), (iii) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid and (iv) the Issuer has paid the Indenture Trustee, the Intercreditor Agent and the Collateral Trustee their reasonable compensation and indemnities and reimbursed the Indenture Trustee, the Intercreditor Agent and the Collateral Trustee for their reasonable expenses, disbursements and advances, to the extent required pursuant to the terms of the Indenture, the Intercreditor Agreement and the Trust Agreement.

The Majority Noteholders by notice to the Indenture Trustee and the Issuer may waive an existing Event of Default and its consequences except (i) an Event of Default in the payment of the principal of or interest on a note or (ii) an Event of Default in respect of a provision that cannot be amended without the consent of each noteholder affected. When an Event of Default is waived, it is deemed cured, but no such waiver shall extend to any subsequent or other Event of Default or impair any consequent right.

Satisfaction and Discharge

If: (a) the Issuer shall have finally and indefeasibly paid in full the principal, Interest, Redemption/tender Premium and all other amounts payable by the Issuer to Beneficiaries in accordance with the Indenture and the other Transaction Documents with respect to any such series of Notes or (b) the Principal Balance of the relevant series of notes is US\$0, then the Indenture Trustee, upon the written request and at the expense of the Issuer, will: (i) execute proper instruments acknowledging such satisfaction (and discharging) the Indenture with respect to such series of Notes and releasing the rights of the Indenture Trustee granted in the Indenture with respect to such series of Notes (other than those rights which by their terms expressly survive) and (ii) instruct the Intercreditor Agent to instruct the Collateral Trustee to take similar actions (which the Intercreditor Agent and the Collateral Trustee will then do).

Defeasance of Indenture

The Issuer may, at its option and at any time, terminate or discharge all of its obligations with respect to the outstanding notes (“Legal Defeasance”), which means that the Issuer will be deemed to have paid and discharged the entire Debt represented by the outstanding notes, except for:

- (i) the rights of noteholders to receive payment in respect of the principal of, interest on, and Additional Amounts, if any, on such notes when such payments are due;
- (ii) the Issuer’s obligations to register the transfer or exchange of any notes, replace mutilated, destroyed, lost or stolen notes and maintain an office or agency for payments in respect of the notes;
- (iii) the rights, powers, trusts, duties, indemnities and immunities of the Indenture Trustee, the Paying Agent, the Registrar and the Collateral Trustee; and
- (iv) the Legal Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer released with respect to certain covenants that are described in the Indenture (“Covenant Defeasance”) and thereafter any omission to comply with those covenants will not constitute an Event of Default with respect to the notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under “—Default” will no longer constitute an Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (i) the Issuer must irrevocably deposit with the Indenture Trustee, in trust, for the benefit of the noteholders, cash denominated in U.S. dollars, certain direct non-callable obligations of, or guaranteed by, the United States, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay, without reinvestment, the principal of, interest on and Additional Amounts, if any, on the outstanding notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the notes are being defeased to such stated date for payment or to a particular redemption date;
- (ii) in the case of Legal Defeasance, the Issuer must deliver to the Indenture Trustee an Opinion of Counsel from counsel in the United States to the effect that (subject to customary exceptions and

exclusions): (i) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (ii) since the date of issuance of the notes, there has been a change in the applicable U.S. federal income tax law; in either case to the effect that, and based thereon such Opinion of Counsel state that, the noteholders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

- (iii) in the case of Covenant Defeasance, the Issuer will have delivered to the Indenture Trustee an Opinion of Counsel from counsel in the United States to the effect that the noteholders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- (iv) in the case of Legal Defeasance and Covenant Defeasance, the Issuer will have delivered to the Indenture Trustee an Opinion of Counsel from counsel in Panama to the effect that, based upon Panamanian law then in effect, noteholders will not recognize income, gain or loss for Panamanian tax purposes, including withholding tax except for withholding tax then payable on interest payments due, as a result of such Legal Defeasance or Covenant Defeasance, as the case may be, and will be subject to Panamanian taxes, if any, on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance or Covenant Defeasance, as the case may be, had not occurred;
- (v) no Event of Default or Default shall have occurred and be continuing with respect to the notes, including with respect to certain events of bankruptcy or insolvency, at any time during the period ending on the 121st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period);
- (vi) the Issuer has delivered to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel (subject to customary exceptions and exclusions), each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with;
- (vii) the Issuer has delivered to the Indenture Trustee Opinions of Counsel from U.S. and Panamanian counsel to the effect that the transfer of trust funds pursuant to such deposit will not be subject to avoidance as a preferential transfer pursuant to the applicable provisions of the U.S. Bankruptcy Code or any successor statute and any equivalent law in Panama; and
- (viii) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any material agreement or instrument to which the Issuer is a party or by which it is bound.

Listing

The notes are registered with the SMV and listed on LATINEX. The Issuer will comply with the reporting and other requirements of Panamanian securities law applicable to companies who have registered their securities with the SMV, as well as the requirements of LATINEX.

The Issuer intends to list and quote the notes on the Official List of the SGX-ST. Each of the Issuer, the Indenture Trustee, the Collateral Trustee and the Intercreditor Agent (without the need for any approvals, consents or instructions from any noteholders, but in accordance with all other provisions applicable thereto) are authorized to join in the execution of any amendment (including amendment and restatement) of any Transaction Document(s) to the extent required to provide such listing. Promptly after such a listing, the Issuer will so notify the Indenture Trustee, which will provide notice thereof to each of the noteholders.

In the event that the notes are admitted to listing and quotation on the SGX-ST, the Issuer will use commercially reasonable efforts to maintain such listing and quotation. If the Issuer determines that it is unduly burdensome to maintain a listing and quotation on the SGX-ST, the Issuer may delist the notes from the SGX-ST and, in the event of such delisting, the Issuer will use commercially reasonable efforts to seek an alternative admission to listing, trading and/or quotation for the notes by a listing authority, stock exchange and/or quotation system as the Issuer may decide. Although the Issuer cannot assure you as to the liquidity that may result from a listing and quotation on the SGX-ST, delisting the notes from the SGX-ST may have a material effect on the ability of noteholders to resell the notes in the secondary market.

Amendments of the Transaction Documents

Amendments without Consent of the Noteholders

The Issuer and (as applicable) the Indenture Trustee, the Intercreditor Agent and/or the Collateral Trustee may, from time to time and at any time, without the consent of the noteholders or any other Beneficiary, enter into a written amendment of the Indenture and/or any other Transaction Document (and the Indenture Trustee is authorized and directed to provide any required instructions to the Intercreditor Agent and/or Collateral Trustee as may be necessary), subject in all cases to the terms thereof, for one or more of the following purposes:

- (i) to convey, transfer, assign, mortgage or pledge any Property to the Indenture Trustee or the Collateral Trustee as additional collateral for the noteholders and the other holders of Collateral Secured Debt;
- (ii) to add to the obligations, covenants and/or representations and warranties of the Issuer or to surrender any right or power conferred in the Transaction Documents upon the Issuer;
- (iii) amendments described in paragraph (g) of “—*Negative Covenants*” above;
- (iv) to issue additional notes in the manner described in “—*Issuance of Additional Notes*” above;
- (v) to effect the listing of the notes in the manner described in “—*Listing*” above or any other exchange on which the notes are listed pursuant to paragraph (o) of “—*Affirmative Covenants*” above;
- (vi) to conform the text of the Transaction Documents to the provisions of this “—*Description of the Notes*” or similar section in the applicable offering memorandum to the extent necessary to accurately reflect such provisions;
- (vii) with respect to the Trust Agreement and the Intercreditor Agreement, as provided in the Intercreditor Agreement;
- (viii) to provide for the release of Notes Collateral from the Liens securing the notes when permitted by the Transaction Documents or as required by the Intercreditor Agreement; or
- (ix) to make such other modifications in regard to ambiguities, inconsistencies, errors, matters or questions arising under the Transaction Documents as the Issuer and the Indenture Trustee and/or the Collateral Trustee (as applicable) may deem necessary or desirable that will not be inconsistent with the provisions of the Transaction Documents and that will not adversely affect the interests of any of the noteholders in any material respect.

In addition to the foregoing, the Trust Agreement and the Intercreditor Agreement may be amended or supplemented or replaced without the consent of the noteholders to the extent necessary or appropriate to maintain the Liens of the Collateral Trustee in connection with the issuance of future Collateral Secured Debt otherwise permitted by the Indenture.

The Indenture Trustee and the Collateral Trustee will be authorized to join in the execution of any such amendment (or any requisite direction from the Indenture Trustee to the Intercreditor Agent and/or Collateral Trustee as may be necessary), to make any further appropriate agreements and stipulations that may be therein contained and to accept the conveyance, transfer, assignment, mortgage or pledge of any Property thereunder; *provided* that, prior to any such amendment (or providing any such direction), both the Indenture Trustee and the Collateral Trustee will be entitled to receive and rely upon an Opinion of Counsel and an Officer's Certificate stating that the execution of such amendment is authorized and permitted by the Indenture and any applicable Transaction Document and that all conditions precedent under the Indenture and any applicable Transaction Document have been complied with.

Amendments with Consent of the Majority Noteholders

Subject to the provisions described in “—*Amendments without Consent of the Noteholders*” and the provisions described below applicable to the modification of Reserve Matters and subject to Applicable Law, and only with the written consent of the Majority Noteholders, the Issuer and (as applicable) the Indenture Trustee, the Intercreditor Agent and/or the Collateral Trustee may, from time to time and at any time, enter into a written amendment (and the Indenture Trustee is authorized and directed to provide any required instructions to the Intercreditor Agent and/or Collateral Trustee as may be necessary), other than an amendment to a Reserve Matter, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture and/or any of the other Transaction Documents, subject in all cases to the terms thereof, or of modifying in any manner the rights of the Issuer and/or the Beneficiaries in respect thereof. Upon receipt of a copy of the amendment and the delivery to the Indenture Trustee, the Intercreditor Agent and/or the Collateral Trustee (as applicable) of evidence of the consent of the Majority Noteholders, the Indenture Trustee, the Intercreditor Agent and/or the Collateral Trustee (as applicable) will join in the execution of such amendment.

Noteholders may approve, by vote or consent through one of three modification methods described below, any proposed modification by the Issuer that would do any of the following (each such matter set forth below, a “Reserve Matter”):

- (i) reduce in any manner the amount of, or delay the timing of or alter the priority of, any payments to the noteholders that are required to be made under the Transaction Documents, or change any date of payment on which, the place of payment where or the currency in which any such payment is payable, or impair the Indenture Trustee's, the Collateral Trustee's or any noteholder's right to institute suit for the enforcement of any such payment;
- (ii) reduce any premium payable upon redemption of the notes or change the date on which any notes are subject to redemption (other than the notice provisions) or waive any payment with respect to the redemption of the notes; provided, however, that solely for the avoidance of doubt, and without any other implication, any purchase or repurchase of notes (including pursuant to “—*Change of Control*”) shall not be deemed a redemption of the notes;
- (iii) release all or any portion of the Liens granted to the Collateral Trustee under the Indenture and the Trust Agreement or reduce the transfer of Collateral to the Tocumen Trust under the Trust Agreement;
- (iv) reduce the percentage of the Principal Balance of the notes that is required for any amendment, or reduce such percentage required for any waiver or instruction, provided for in the Transaction Documents;
- (v) alter the ranking of the Issuer's payment obligations under the Transaction Documents;
- (vi) materially increase the discretionary authority of the Indenture Trustee and/or the Collateral Trustee;
- (vii) change the definition of “Uniformly Applicable or “Reserve Matter”; or

- (viii) eliminate any of the items described in these clauses (i) through (vii).

A change to a Reserve Matter, including the payment terms of the notes, can be made without your consent, *provided* that such change is approved pursuant to one of the three following modification methods:

- (i) by the consent of holders of more than 75% of the aggregate principal amount of the outstanding notes;
- (ii) solely where such proposed amendment would affect the outstanding debt securities of two or more series of debt securities issued under the Indenture, by the consent of the holders of more than 75% of the aggregate principal amount of the outstanding debt securities of all of the series affected by the proposed amendment, taken in the aggregate, if certain “Uniformly Applicable” requirements set forth below are met; or
- (iii) solely where such proposed amendment would affect the outstanding debt securities of two or more series of debt securities issued under the Indenture, the holders of more than 66 2/3% of the aggregate principal amount of the outstanding debt securities of all the series affected by the proposed amendment, taken in the aggregate, and the holders of more than 50% of the aggregate principal amount of the outstanding debt securities of each series affected by the proposed amendment, taken individually.

“Uniformly Applicable,” as referred to above, means a modification by which holders of debt securities of any series issued under the Indenture affected by such modification are invited to exchange, convert or substitute their debt securities, on the same terms for (x) the same new instruments or other consideration or (y) new instruments or other consideration from an identical menu of instruments or other consideration. It is understood that a modification will not be considered to be Uniformly Applicable if each exchanging, converting or substituting holder of debt securities of any series affected by such modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holders of debt securities of any series affected by that modification (or, where a menu of instruments or other consideration is offered, each exchanging, converting or substituting holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification electing the same option under such menu of instruments).

The Issuer may select, in its good faith, reasonable discretion, any of the modification methods for a Reserve Matter modification as set forth above and in accordance with the Indenture and to designate which series of debt securities will be included for approval in the aggregate of modifications affecting two or more series of debt securities. Any selection of a modification method or designation of series to be included will be final for the purpose of such consent solicitation.

Before soliciting the written consent of noteholders for any change to a Reserve Matter, the Issuer will provide the following information to the noteholders that would be affected by the proposed modification or amendment:

- a description of the Issuer’s financial circumstances that is, in the Issuer’s opinion, relevant to the request for the proposed modification or amendment and a description of the Issuer’s existing debts;
- if the Issuer shall at the time have entered into an arrangement for financial assistance with any major creditor or creditor groups and/or an agreement with any such creditors regarding debt relief, (x) a description of any such arrangement or agreement and (y) where permitted under the information disclosure policies of any creditors, as applicable, a copy of the arrangement or agreement;

- a description of the Issuer's proposed treatment of external debt instruments that are not affected by the proposed modification and its intentions with respect to any other major creditor groups; and
- if the Issuer is then seeking any amendment to Reserve Matters affecting any other series of debt securities, a description of such proposed modification.

Prior to the execution of any such modification (or any requisite direction from the Indenture Trustee to the Intercreditor Agent and/or Collateral Trustee as may be necessary), each of the Indenture Trustee and the Collateral Trustee will be entitled to receive and rely upon an Opinion of Counsel and an Officer's Certificate stating that the execution of such amendment (or direction) is authorized and permitted by the Indenture and any applicable Transaction Document and that all conditions precedent under the Indenture and any applicable Transaction Document have been complied with. A copy of any such executed modification will be delivered by the Issuer to each Rating Agency then rating the notes and each noteholder. Any failure of the Issuer to mail or deliver electronically such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such amendment, supplement or waiver.

The consent of the noteholders is not necessary to approve the particular form of any proposed modification, amendment, supplement or waiver. It is sufficient if such consent approves the substance of the proposed modification, amendment, supplement or waiver.

Any amendment to the terms of the notes and the Transaction Documents shall comply with the above listed requirements, as well as, the *Acuerdo* 4-2003 of April 11, 2003 of the SMV.

Notices; Meetings of Noteholders

Notices

Any notice or other communication under the Transaction Documents to the Indenture Trustee, the Collateral Trustee, the Intercreditor Agent or a noteholder will be in English and in writing. As long as any Global Notes are outstanding, notices to be given to noteholders will be given to the Depositary in English, in accordance with its applicable policies as in effect from time to time. If the Issuer issues notes in definitive form, notices to be given to noteholders will be sent by mail to the respective addresses of the noteholders as they appear in the Register, and will be deemed given when mailed.

For so long as the notes are listed on the SGX-ST and to the extent required by the rules and regulations of such exchange, the Issuer will publish notices:

- (1) in a newspaper with general circulation in Singapore (which is expected to be *The Business Times*);
- (2) if such Singapore publication is not practicable, in a leading English language newspaper published daily in morning editions; or
- (3) on the website of the SGX-ST.

Notices shall be deemed to have been given on the date of publication of such notice or, if published on different dates, on the date of the first such publication.

The Indenture will provide that, notwithstanding anything else in the Indenture to the contrary, with respect to any Global Note held through the Depositary (or a nominee thereof), each Person holding a beneficial interest in such Global Note may be considered to be a noteholder of its portion of the notes for purposes of voting on the matter relating thereto (for example, such Person may consent to any waiver or amendment directly without requiring the participation of the applicable clearing system or its nominee and may attend and vote at meetings of noteholders); *it being understood* that the Indenture Trustee must have received from (or on behalf of) such Person evidence satisfactory to the Indenture Trustee that such Person holds the beneficial interests in such Global Note that

it purports to vote, and such evidence of ownership may include a securities position or participant list or other information obtained from the applicable clearing system. The Indenture Trustee shall have no liability for acting in good faith on any such consent, waiver, direction, instruction or other vote from any such Person or for the sufficiency of the evidence deemed satisfactory to the Indenture Trustee. For purposes of this paragraph “Person” shall mean a participant of the Depository.

Meetings of Noteholders

The Indenture Trustee or the Issuer will, upon the written request of noteholders holding at least 25% of the Principal Balance, or may at its discretion, call a meeting of noteholders at any time and from time to time to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Transaction Documents to be made, given or taken by the noteholders, including the modification of any of the terms and conditions thereof.

Any such meetings will be held in the City of New York; *provided* that the Issuer and the Indenture Trustee may elect to hold any such meeting elsewhere in the United States. In any case, meetings will be held at such time and at such place in any city set forth above as the Issuer or the Indenture Trustee (as applicable) determine.

If a meeting is being held pursuant to a request of noteholders, then the agenda for the meeting will be as determined in the request and such meeting will be held within 60 days from the date such request is received by the Indenture Trustee or the Issuer, as the case may be. Notice of any meeting of noteholders will include the date, place and time for the meeting, the agenda therefore and the requirements to attend and will be given not less than 20 days nor more than 60 days before the date fixed.

The quorum at any meeting called to adopt a resolution will be persons holding or representing greater than 50% of the Principal Balance; *provided* that if any meeting is adjourned for lack of the requisite quorum, then a second meeting may be convened at which persons holding or representing greater than 25% of the Principal Balance will constitute a quorum. Any action taken at a duly called and held meeting of the noteholders will be conclusive and binding on all noteholders, whether or not they gave consent or were present at the meeting; it being understood that, in taking any actions for which an indicated portion of the noteholders is required to approve, such level of approval will be required and no modifications, amendments or waivers of any of the Transaction Documents, or any other actions, made by any such meeting will be valid unless they otherwise comply with the voting and other requirements of the Transaction Documents (including, notwithstanding that quorum might have been obtained at a meeting, the minimum voting requirements set forth in “—*Amendments of the Transaction Documents*” above being complied with during such vote at such meeting).

Any noteholder may attend any such meeting either personally or by proxy. Other than clearing systems (and their representatives), each noteholder who intends to attend any such meeting must notify the Indenture Trustee in writing of its intention to do so at least five (5) Business Days before the date of such meeting. Such notification to the Indenture Trustee will entitle the applicable noteholder to attend such meeting.

Modifications may also be approved by noteholders pursuant to the written consent of noteholders of the requisite percentage of the notes.

Purchase of Notes by the Issuer

To the extent permitted under Applicable Law, the Issuer and its Affiliates may at any time and from time to time purchase any note (or a beneficial interest therein) in the open market or otherwise at any price that may be agreed with the seller thereof; *provided* that if an Event of Default or Default exists or a Default Payment is payable, then the Issuer will not purchase any notes (or beneficial interests therein) unless such purchase is made on a *pro rata* basis among all of the noteholders. With respect to any note (or beneficial interest therein) owned by the Issuer or any of its Subsidiaries, the Issuer will, as noted in “—*Cancellation*” above, have such note (or beneficial interest therein) cancelled.

Notwithstanding anything in the Transaction Documents to the contrary, should any notes (or beneficial interests therein) be owned by the Issuer or any of its Affiliates (which excludes certain financial institutions owned by the Government of Panama as set forth in the definition of Affiliates), then any vote participated in by noteholders will exclude, and any determination of the “Majority Noteholders” will exclude, the vote relating to (and, in both the numerator and denominator of such calculation, the principal amount of) the notes (or beneficial interests therein) of each such person; *provided* that if such persons own all of the notes (or beneficial interests therein), then such persons will not be excluded from any such vote or determination; *provided further* that for the sole purpose of determining whether the Indenture Trustee will be protected in relying on any such direction, waiver or consent, only notes that a responsible officer of the Indenture Trustee actually knows are so owned will be so disregarded. Promptly after the Issuer or any Subsidiary thereof acquires or disposes of any notes (or beneficial interests therein), it will so notify the Indenture Trustee in writing.

Governing Law; Consent to Jurisdiction

The Indenture and the notes and the Intercreditor Agreement will be expressly stated to be governed by, and construed in accordance with, the laws of the State of New York. The Tocumen Trust has been constituted through execution of the Trust Agreement, which is expressly stated to be governed by, and construed in accordance with, the laws of Panama.

Each of the parties to the Indenture will irrevocably and unconditionally submit (and each noteholder (by its acquisition of a note or a beneficial interest therein or otherwise accepting the benefits of the Indenture and the other applicable Transaction Documents) will be deemed to irrevocably and unconditionally submit) to the non-exclusive jurisdiction of: (a) the United States District Court for the Southern District of New York or of any New York State court (in either case, sitting in Manhattan, New York City) and (b) solely with respect to itself, the courts of its own corporate domicile, in each case with all applicable courts of appeal therefrom (all the above such courts, the “Submitted-to Courts”), with respect to actions brought against it, for purposes of all legal proceedings arising out of or relating to the Transaction Documents and/or the transactions contemplated thereby; *provided* that nothing in this paragraph will be deemed to limit the ability of any party to such Transaction Documents to bring suit against any other party to such Transaction Documents in any other permissible jurisdiction. Each of the parties to the Indenture will irrevocably waive (and each noteholder (by its acquisition of a note or a beneficial interest therein or otherwise accepting the benefits of the Indenture and the other applicable Transaction Documents) will be deemed to irrevocably and unconditionally waive), to the fullest extent permitted by Applicable Law, any objection that it may now or thereafter have to the laying of the venue of any such proceeding brought in such a Submitted-to Court, any claim that any such proceeding brought in such a court has been brought in an inconvenient forum and any objection based upon place of residence or domicile.

The Issuer will irrevocably appoint Corporation Service Company, 19 West 44th Street, Suite 200, New York, NY 10036, as its authorized agent on which any and all legal process may be served in any such action, suit or proceeding brought in New York. The Issuer will agree that: (a) service of process in respect of it upon such agent, together with written notice of such service sent to it in the manner provided for in the Indenture, will be deemed to be effective service of process upon it in any such action, suit or proceeding and (b) the failure of such agent to give notice to it of any such service of process will not impair or affect the validity of such service or any judgment rendered in any action, suit or proceeding based thereon. If for any reason such agent ceases to be available to act as such (including by reason of the failure of such agent to maintain an office in New York City), then the Issuer will promptly designate a new agent in New York City, on the terms and for the purposes of the Indenture. Nothing contained in the Transaction Documents will in any way be deemed to limit the ability of the Indenture Trustee or any other noteholder to serve any such legal process in any other manner permitted by Applicable Law or to obtain jurisdiction over the Issuer or bring actions, suits or proceedings against it in such other jurisdictions, and in such manner, as may be permitted by Applicable Law.

To the extent that the Issuer has or may acquire any immunity from jurisdiction of any court or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution or execution, on the ground of sovereignty or otherwise) with respect to itself or its Property, it will irrevocably waive, to the fullest extent permitted by Applicable Law, such immunity in respect of its obligations under the Transaction Documents.

Each of the parties to the Indenture will (and each noteholder, by its acquisition of a note or a beneficial interest therein, will be deemed to) irrevocably and unconditionally waive trial by jury in any legal action or proceeding relating to the Transaction Documents and for any counterclaim relating thereto.

Indenture Trustee, Intercreditor Agent and Collateral Trustee

For a description of the duties and the protections and rights of the Indenture Trustee, the Intercreditor Agent and the Collateral Trustee under the Indenture, reference is made to the Indenture, and the obligations of the Indenture Trustee and the Collateral Trustee to the noteholders will be subject to such immunities and rights as set forth therein. Pursuant to the Indenture, neither Indenture Trustee nor the Collateral Trustee will (other than with respect to the calculations of the amounts in the Transaction Accounts maintained at the applicable trustee) have any obligation to perform any calculation or to make any determination with respect to any financial matter (including the determination of any financial ratio or any amount due in respect of payments of the notes).

Under certain circumstances described in the Indenture, the Majority Noteholders may vary or terminate the appointment of the Indenture Trustee, the Intercreditor Agent and/or the Collateral Trustee and either the Indenture Trustee or the Collateral Trustee may appoint additional trustees or other agents. Notice of any resignation, termination or appointment of a Trustee, or of any change in the office through which it acts, will be provided to noteholders in accordance with “—*Notices; Meetings of Noteholders*” above.

In addition to those specified in the Indenture, for a description of certain additional duties, protections and rights of the Collateral Trustee under the other Transaction Documents, reference is made to such other Transaction Documents, and the obligations of the Collateral Trustee to the other Beneficiaries will be subject to such immunities and rights as set forth therein.

Prescription

Claims for the payment of principal, interest, if any, or other amounts due on the notes will be prescribed unless made within five years from the date on which such payment first became due, unless a shorter period is required by applicable law.

Certain Definitions in the Indenture

The following are certain of the terms as such will be defined in the Indenture:

“2013 Notes” means the 5.75% corporate notes due 2023 issued by the Issuer on September 27, 2013, as amended on April 13, 2016.

“2036 Notes” means the 5.625% senior secured notes due 2036 issued by the Issuer on May 18, 2016.

“2048 Notes” means the 6.00% senior secured notes due 2048 issued by the Issuer on May 9, 2018 and November 14, 2018.

“Accounts” means the Operating Accounts and the Transaction Accounts.

“Aeronautical Revenues” means all current and future revenues of the Issuer and its Restricted Subsidiaries derived from aeronautical services that relate to the use of facilities at the Airport by airlines and passengers, including: (i) passenger exit fees, transit fees and any other passenger fees (including but not limited to the “*tasa por servicios al pasajero*” and the “*tasa de desarrollo aeroportuario*”), (ii) security charges, (iii) landing charges, (iv) aircraft parking and services charges (including for private aircraft), (v) passenger boarding bridge charges, (vi) revenues from the Airport’s cargo operations, (vii) utilities charges, (viii) airline club room leases and (ix) any sub-leases or subcontracts of the foregoing; *provided that*, the Aeronautical Revenues do not include (x) revenues from the Other Airports, revenues from Airport City and revenues from sales and/or transfer of all or part of the Airport City Land; (y) revenues of finance subsidiaries or other special purpose entities that have incurred Project Finance Debt; and (z) the Exempt Governmental Taxes.

“Agents” means the Collateral Trustee, Indenture Trustee, and the Intercreditor Agent.

“Affiliate” means, with respect to any specified person, any other person Controlling, Controlled by or under common Control with such specified person, other than (except as such term is used in the definitions of Debt Service Coverage Ratio), in the case of the Issuer, such persons owned by the Government of Panama that are financial institutions, pension funds, insurance companies, and sovereign wealth funds, which shall include, without limitation, *Banco Nacional de Panama, Caja de Ahorros, Caja de Seguro Social, and Fondo de Ahorro de Panama.*

“Airport” means Aeropuerto Internacional de Tocumen, located in Panama City, Panama, owned, operated, maintained and developed by the Issuer.

“Airport City” means the commercial developments and other principally non-aeronautical businesses developed on the Airport City Land, and extensions of such developments and businesses on land outside of the Airport City Land, *provided* that such extensions outside the Airport City Land shall not hinder or include the ownership, operation and maintenance of the Airport (including its cargo operations).

“Airport City Land” means the parcel of land number 455263 registered on document 2538372 of the Property Section, Province of Panama, of the Public Registry, which adjoins with the land on which the Airport is located, and which was acquired from the University of Panama.

“Airport General Account” means an account established and maintained by the Issuer with *Banco Nacional de Panama* or any other reasonably acceptable Panamanian state bank into which excess funds from the Revenue Collection Account and the Trustee General Account, as well as proceeds from any Permitted Subordinated Debt and contributions from Equity Offerings, will be deposited from time to time.

“Allowed Key Deposit Amount” in any Calculation Period shall be equal to the amounts deposited in the Revenue Collection Account from turnkey rights deposits received by the Issuer during such Calculation Period multiplied by a fraction, the numerator of which is the duration of the Calculation Period in months and the denominator of which is the length of the contract governing the payment of such turnkey rights deposits to the Issuer in months; *provided* that such amount shall be calculated separately for each agreement pursuant to which committed turnkey rights deposits were received by the Issuer and deposited in the Revenue Collection Account; *provided further* that if the length of such contract is shorter than such Calculation Period, then the Allowed Key Deposit Amount shall be equal to all of such committed turnkey rights deposits received by the Issuer and deposited in the Revenue Collection Account pursuant to such contract.

“Annual Operating Budget” means an annual budget prepared by the Issuer and approved by the National Assembly of Panama.

“Applicable Law” means, as to any person, any law, order, decree, treaty, rule, regulation or similar requirement (including measures thereunder) or any determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such person and/or to which such person is subject.

“Approved Account Bank” means The Bank of Nova Scotia, Panama Branch, or another bank with a general license granted by the Superintendency of Banks of Panama or an international bank with a minimum rating from an internationally known risk rating agency equivalent to an “A” from S&P, and with parent company located in an Organization for Economic Cooperation and Development Member Country.

“Assignment Agreement” means that certain assignment agreement (*Contrato de Cesión*) dated September 21, 2013, entered into among the Issuer, as assignor, and the Collateral Trustee, as assignee, as amended and restated in its entirety on April 19, 2016, as amended by the amendment to be entered on or prior to the Panamanian Auction Date and as further amended or supplemented from time to time.

“Beneficial Owner” means a holder of a beneficial interest in a note.

“Beneficiary” means each of the Indenture Trustee, the Intercreditor Agent, the Collateral Trustee, each noteholder and each other person entitled to payment from the Issuer under the Transaction Documents; *provided* that such term will not include: (a) the Issuer or any of its Affiliates other than, for Affiliates of the Issuer other than its Subsidiaries, to the extent that such person is an noteholder, or (b) any person in a capacity unrelated to the transactions contemplated by the Transaction Documents.

“Board of Directors” means (1) with respect to the Issuer, the board of voting directors governing the Issuer or any duly authorized committee thereof, (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof, and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors of any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

“Business Day” means any day other than a Saturday, Sunday or other day on which banking institutions in New York City, New York or Panama City, Panama are permitted or required by Applicable Law to remain closed.

“CAA” means the Civil Aviation Authority of Panama.

“Calculation Period” means, with respect to any payment date, a period of two quarterly consecutive periods immediately preceding such payment date.

“Capital Lease Obligations” means, with respect to any person as of the date of determination, the obligations of such person to pay rent and other amounts under any lease of (or other arrangement conveying the right to use) real or personal Property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on the balance sheet of such person under applicable accounting principles. The amount of such obligations at any date of determination will be the capitalized amount thereof as of such date as determined in accordance with the applicable accounting principles.

“Capital Stock” means, with respect to any person, any and all shares (whether common or preferred), interests, participations, partnership interests or other equity or ownership interests in such person (however designated and whether or not voting) and any warrants, rights or options to purchase any of such equity or ownership interests.

“Cash Equivalents” means:

- (1) U.S. Dollars, or money in foreign currencies received in the ordinary course of business that are readily convertible into U.S. Dollars;
- (2) marketable obligations issued or directly and fully guaranteed or insured by the United States or Panamanian government or any agency or instrumentality thereof (*provided* that the full faith and credit of such government is pledged in support thereof), maturing within one year of the date of acquisition thereof;
- (3) demand and time deposits and certificates of deposit of any Eligible Bank organized under the laws of Panama or the United States, any state thereof or the District of Columbia, as applicable, or a U.S. or Panamanian branch of any other Eligible Bank maturing within one year of the date of acquisition thereof;
- (4) commercial paper issued by a Person incorporated in the United States or Panama rated, at the time of acquisition thereof, at least A1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Fitch or an equivalent rating by a nationally recognized rating agency if both S&P and Fitch cease publishing ratings of commercial paper issuers generally, and in each case maturing not more than one year after the date of acquisition thereof;

- (5) repurchase obligations with a term of not more than one year for underlying securities of the types described in clause (2) above entered into with any Eligible Bank and maturing not more than one year after such time;
- (6) securities issued and fully guaranteed by any state, commonwealth or territory of the United States or by any political subdivision or taxing authority thereof, rated at least A by Fitch or S&P and having maturities of not more than one year from the date of acquisition;
- (7) (i) shares of any money market fund that has net assets of not less than US\$500,000,000 and satisfies the requirements of rule 2a-7 under the Investment Company Act and (ii) shares of any offshore money market fund that has net assets of not less than US\$500,000,000 and a US\$1 net asset mandate;
- (8) investments in money market or other mutual funds substantially all of whose assets comprise securities of the types described in clauses (1) through (7) above; and
- (9) demand deposit accounts maintained in the ordinary course of business.

“Cash Flow Available for Debt Service” or “CFADS” means with respect to any Calculation Period: (i) the amounts deposited in the Revenue Collection Account; *provided* that only the Allowed Key Deposit Amount shall be included with respect to revenues from turnkey rights deposits, *minus* (ii) the sum of, without duplication,

- (1) O&M Costs;
- (2) Tax Payments for such period except to the extent such Tax Payments have been paid out of reserves held in the O&M Account; and
- (3) Sustaining CapEx expenses and Expansion CapEx expenses for such period, if any (except to the extent such Sustaining CapEx expenses and/or Expansion CapEx expenses, as applicable, have been (A) pre-funded prior to the payment of such Sustaining CapEx and/or Expansion CapEx expenses, (B) paid out of reserves held in the Major Maintenance and CapEx Reserve Account or (C) incurred to address any event of *force majeure*;

provided that neither the amount of Sustaining CapEx expenses and Expansion CapEx expenses nor the amount of Tax Payments subtracted pursuant to clauses (2) and (3), respectively, shall be less than zero (0).

“Casualty Event” means an event (other than ordinary course wear and tear) that causes all or a portion of the Airport to be damaged, destroyed or rendered unfit for normal use for any reason whatsoever.

“Change of Control” means that: (a) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation) in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries, taken as whole, to any “person” (as that term is used in Section 13(d)(3) of the Exchange Act) other than a Permitted Shareholder, (b) other than the Permitted Shareholders, any person or group (each as used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of the Capital Stock of the Issuer, (c) for any reason, Permitted Shareholders do not have the right (directly or indirectly) to appoint at least a majority of the Board of Directors of the Issuer, (d) the Permitted Shareholders ceasing to have the power to direct the management and/or policies of the Issuer or (e) the adoption of a plan relating to the liquidation or dissolution of the Issuer. For the purpose of clarification, any transaction permitted by clause (g)(i)(B) of “—*Negative Covenants*” above will be deemed to be a Change of Control if the surviving entity (or acquiror) of such transaction were considered to be the Issuer for purposes of this paragraph and one or more of the events described in clauses (b) and (c) would have occurred as a result of such transaction.

“Collateral” has the meaning set forth under “—*Collateral—General*.”

“Collateral Secured Debt” has the meaning set forth under “—*Collateral—General*.”

“Collateral Secured Debt Certificate” has the meaning set forth under “*Collateral—Collateral Secured Debt*.”

“Collateral Trustee” means Scotia Panama Trust Company, S.A. (formerly known as The Bank of Nova Scotia (Panama), S.A.), in its capacity as collateral trustee for the holders of Existing Notes, the holders of notes and the holders of any future Permitted Secure Debt.

“Committed Revenues” means ninety-five percent (95%) of each of the Aeronautical Revenues and the Non-Aeronautical Revenues.

“Condemnation Event” means any action or series of actions taken, authorized, ratified or acquiesced in by any Governmental Authority in Panama or any Person purporting to act as a Governmental Authority in Panama or a governing authority which is in de facto control of part of Panama or arising under any Applicable Law for any appropriation, confiscation, expropriation or nationalization, compulsory transfer or taking or transfer under threat of compulsory transfer or taking (by intervention, condemnation or other form of taking), whether with or without compensation and whether under color of law or otherwise (including through confiscatory taxation or imposition of confiscatory charges) of all or a part of the Airport or any material portion of the Issuer’s economic benefits therefrom; *provided* that the government of the Republic of Panama’s ownership of the Issuer’s Capital Stock alone shall not be considered a Condemnation Event.

“Consolidated Net Worth” means, for any person at any time, the consolidated stockholders’ (or similar) equity of such person at such time, determined on a consolidated basis in accordance with IFRS, *minus* the amount thereof attributable to Disqualified Capital Stock of such person.

“Contingent Liabilities” mean any agreement, undertaking or arrangement by which any person guarantees, endorses or otherwise becomes or is contingently liable (by a Contractual Obligation, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) for the Debt, obligation or any other liability of any other person (other than by endorsements of instruments in the course of collection), or guarantees the payment of dividends or other distributions upon the Capital Stock of any other person. The principal amount of any person’s obligation under any Contingent Liability will (subject to any maximum liability of such person set forth in the documentation for such Contingent Liability) be deemed to be the outstanding principal amount (or maximum outstanding principal amount, if larger) of the Debt, obligation or other liability guaranteed or otherwise covered thereby.

“Contractual Obligation” means, as to any person, any provision of any security issued by such person or of any agreement, instrument or other undertaking to which such person is a party or by which it and/or any of its Property is bound, which provision constitutes an agreement, obligation or commitment of, or covenant or undertaking by, such person.

“Contraloría” means the General Comptroller of the Republic of Panama (*Contraloría General de la República de Panamá*).

“Control” when used with respect to any specified person means the right or power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “Controlling” and “Controlled” have meanings correlative to the foregoing. With respect to any entity that is publicly listed, the person (or group of persons) directly or indirectly having the highest percentage of ownership of (or control over the voting of) Capital Stock of such entity will be deemed to have “Control” over such entity unless such percentage is less than 10%.

“Controlling Pari Passu Parties” means, at any time, the Designated Voting Parties representing holders of Pari Passu Obligations that at such time hold (or represent) more than 50% of the aggregate principal amount of the then outstanding Collateral Secured Debt; *provided* that the Controlling Pari Passu Parties shall mean all of the Designated Voting Parties (each of which shall vote on behalf of the Secured Parties which it represents in

accordance with the terms of the Relevant Document governing the applicable Collateral Secured Debt) in the case of any instruction or direction to the Intercreditor Agent to take any action or Modification having the effect of (i) releasing Shared Collateral, (ii) changing the application of proceeds of Shared Collateral as set forth under Section 5.4 of the Intercreditor Agreement, (iii) making any amendment in the Intercreditor Agreement to the definition of “Controlling Pari Passu Parties,” “Modification” or with respect to voting mechanics set forth therein and (iv) changing the provisions in relation to the Accounts, including the application of funds into and from such Accounts pursuant to the Trust Agreement.

“COVID Recovery Account” means the separate recovery account established and maintained pursuant to the Trust Agreement for each series of notes and each other future incurrence of Collateral Secured Debt. For the avoidance of doubt, the COVID Recovery Account will not benefit the Existing Notes.

“Debt” means, with respect to any person at any date, without duplication and whether or not included as liabilities in accordance with applicable accounting principles:

- (a) any obligations of such person for borrowed money and all obligations of such person evidenced by bonds, debentures, notes or other similar instruments;
- (b) any obligations, contingent or otherwise, relative to the face amount of all letters of credit, whether or not drawn, banker’s acceptances and similar arrangements for the account of such person;
- (c) any Capital Lease Obligations of such person;
- (d) any obligations of such person to pay the deferred purchase price of Property or services (other than ordinary course trade liabilities that are not past due for 60 days or more), and obligations (including under conditional sales or other title retention agreements) secured by a Lien on Property owned or being purchased by such person, whether or not such obligations shall have been assumed by such person or are limited in recourse (*provided* that if any such obligations are limited in recourse, then the amount of such Debt will be considered to be the maximum potential liability thereunder);
- (e) any net obligations of such person in respect of swap, cap, collar, swap option, option or similar agreements as determined in accordance with applicable accounting principles;
- (f) any outstanding aggregate investments or principal amounts of indebtedness held by purchasers, assignees or transferees of (or of interests in) accounts receivable, lease receivables or other payment rights (or securities, loans or other obligations issued by or of such purchasers, assignees or transferees) in connection with any Securitization by such person;
- (g) obligations of such person to pay dividends on Capital Stock that have been declared and remain unpaid for more than 90 days after the date of declaration; *provided* that such will not include dividends to be paid in additional Capital Stock of the same class;
- (h) Taxes, ordinary course trade liabilities and other amounts payable by such person that are past due for 60 days or more;
- (i) any Contingent Liabilities of such person;
- (j) all liabilities secured by any Lien on any Property of such person even though such person has not assumed or otherwise become liable for the payment thereof; and
- (k) any Debt of other guaranteed by such person to the extent of such guarantee, *provided* that Debt of the Issuer or its Restricted Subsidiaries that is guaranteed by the Issuer or its Restricted Subsidiaries shall only be counted once in the calculation of the amount of Debt of the Issuer and its Restricted Subsidiaries on a consolidated basis.

“Debt Service Coverage Ratio” means with respect to any Calculation Period, the ratio of

- (a) CFADS; to
- (b) the interest and principal payments due with respect to the notes, the Existing Notes and other Permitted Debt (excluding Permitted Subordinated Debt held by Affiliates) during such period, less principal payments in respect of any debt with “bullet maturities.”

For purposes of calculating clause (b) of this definition, any revolving credit of the Issuer shall be considered fully drawn, except for any undrawn revolving credit entered into pursuant to clause (a) under “— *Negative Covenants*.”

“Debt Service Reserve Account” means the one or more separate debt service reserve account(s) established and maintained pursuant to the Trust Agreement for each tranche of debt secured thereunder, including but not limited to a separate Debt Service Reserve Account established and maintained for each of the notes, the Existing Notes and each other incurrence of Collateral Secured Debt.

“Debt Service Reserve Requirement” means the aggregate amount of principal, interest and Additional Amounts, if any, of any Collateral Secured Debt that is required by the terms of the applicable Relevant Documents thereof to be reserved in a Debt Service Reserve Account. The Debt Service Reserve Requirement for the notes shall be equal to the aggregate amount of principal, interest and Additional Amounts, if any, payable on the notes on the succeeding one (1) scheduled payment date following any such date of determination.

“Decision Period” means the period of time determined by the Intercreditor Agent and designated in any notice delivered by the Intercreditor Agent to the Designated Voting Parties to make any decision under the Intercreditor Agreement, which Decision Period shall end not earlier than forty-five (45) days after the date of such notice nor later than sixty (60) days after the date of such notice; *provided* that, except in case of any Decision Period with respect to which a decision with respect to such action has already been determined by the Controlling Pari Passu Parties, any such period of time may be extended by any Designated Voting Party for a period not to exceed sixty (60) days on a one-time basis only for any notice, *provided* that, if such right is exercised by more than one Designated Voting Party, the aggregate extension may not exceed seventy-five (75) days; *provided, further*, that, in each case the Intercreditor Agent may, but shall not be required to, designate such lesser period as it may consider necessary or advisable in circumstances where the interests of the Secured Parties or any of them would otherwise be likely to be prejudiced.

“Default” means any event that, with the lapse of time or the giving of notice, or both, would become an Event of Default.

“Default Payment” means, as of any date of payment, the Redemption Price for a full payment of the Principal Balance of the notes on such date.

“Depository” means the Depository Trust Company (“DTC”), or any successor thereto, or such other clearing agency registered under the Exchange Act that is designated to act as a note depository for the Notes.

“Designated Voting Party” means, with respect to any Collateral Secured Debt, the Person then entitled to cast the votes under the Intercreditor Agreement for such Collateral Secured Debt. The Designated Voting Party for each Collateral Secured Debt is as follows: (i) with respect to the notes, the Indenture Trustee (acting at the direction of the Majority Noteholders), (ii) with respect to the 2036 Notes, the indenture trustee of the 2036 Notes (acting at the direction of the majority holders of the 2036 Notes pursuant to the Indenture), (iii) with respect to the 2048 Notes, the indenture trustee of the 2048 Notes (acting at the direction of the majority holders of the 2048 Notes pursuant to the Indenture), and (iv) in the case of any series of future Collateral Secured Debt that is so designated under the Trust Agreement and the Intercreditor Agreement, the Designated Voting Party named for such Collateral Secured Debt.

“Disqualified Capital Stock” means that portion of any Capital Stock that, by its terms (or by the terms of any Debt or other Capital Stock into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable (whether pursuant to a sinking fund obligation or otherwise), or is redeemable at the sole option of the holder thereof, in any case on or before the 91st day after the relevant Maturity Date.

“Dollars,” “US\$” and “U.S. Dollars” each mean the lawful currency of the United States of America.

“Eligible Agent” means any entity that (i) is authorized under all applicable laws to exercise corporate trust powers, (ii) has a combined capital and surplus aggregating in excess of US\$250,000,000 (or its equivalent in any other currency) and (iii) is a bank with an office in New York, New York, U.S.A., or an affiliate of any such bank with an office in New York, New York, U.S.A.

“Eligible Bank” shall mean (i) any commercial bank having, or which is the principal banking subsidiary of a bank holding company having, capital and surplus aggregating in excess of US\$250,000,000 (or its equivalent in any other currency) and a rating of “A” (or such other similar equivalent rating) or higher by at least one nationally recognized statistical rating organization, (ii) *Banco Nacional de Panama* or another reasonably acceptable Government-owned bank in Panama or (iii) The Bank of Nova Scotia (Panama), S.A. (*provided* it shall at such time continue to act as Collateral Trustee) or any commercial bank in Panama with an international rating not lower than the lower of (x) “BBB” or (y) the international rating held by the Government of Panama or a local rating not lower than “A”.

“Enforcement Event” means any Event of Default under the Indenture or any event of default under any other Relevant Document.

“Equity Offering” means an issuance by the Issuer of Capital Stock issued by the Issuer.

“Exempt Governmental Taxes” means any governmental taxes or levies for which the Issuer acts as collecting agent or requiring payment by the Issuer to the Government of Panama, currently including the sums of (i) US\$1.00 per person remitted to the National Commission for the Prevention of Sexual Crimes, and (ii) twenty-five percent (25%) of the passenger exit fee per person remitted to the Panama Tourism Authority.

“Existing Notes” means the 2036 Notes and the 2048 Notes.

“Expansion CapEx” means, for any period, expenditures made by or projected to be made by the Issuer to be paid or payable during such period for the purpose of expanding or enhancing the capacity of the Airport or the performance thereof or otherwise for improvements or new operations.

“Fair Value” means, with respect to any Property, service or business, the price (after taking into account any liabilities relating to such Property, service or business) that could be negotiated in an arm’s-length transaction, for cash, between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction.

“Financial Statements” means, with respect to any person, the audited (with respect to a fiscal year or any other fiscal period) or unaudited (with respect to any fiscal period other than a fiscal year) balance sheets, statements of income and statements of cash flow of such person.

“Fitch” means Fitch Ratings Ltd. and its successors (including the surviving entity of any merger with another rating agency).

“General Manager” means the chief executive officer of the Issuer appointed by executive decree of the Government of Panama.

“Governmental Authority” means any nation or government (including Panama and the United States), any state, province or other political subdivision thereof and any entity exercising executive, legislative, judicial,

regulatory or administrative functions of or pertaining to government, including any multilateral or supranational entity.

“IFRS” means generally accepted accounting principles and applicable legal requirements, consistently applied during a relevant period under the International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor thereto, as in effect from time to time.

“Independent Consultant” means an internationally recognized accounting firm, appraisal firm, consultant or investment banking firm that is: (a) in the judgment of the Issuer’s Board of Directors, qualified to perform the task for which it has been engaged, and (b) independent in connection with the relevant transaction, including not being Affiliated with the Issuer or any of the parties to the applicable transaction(s).

“Independent Engineer” means an engineering firm or technical consultant of international standing with customary experience in the airport industry that is independent in connection with the relevant transaction, including not being Affiliated with the Issuer or any of the parties to the applicable transaction(s).

“Initial Purchasers” means the several parties named in Schedule I to the Purchase Agreement.

“Insolvency or Liquidation Proceeding” means (a) any voluntary or involuntary insolvency, reorganization, bankruptcy, restructuring, power of sale, compromise or foreclosure case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding with respect to the Issuer or with respect to any of its assets, (b) any liquidation, dissolution, reorganization or winding up of the Issuer whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, (c) any assignment for the benefit of creditors or any other marshaling of assets and liabilities of the Issuer or (d) the appointment of a receiver with respect to the Issuer.

“Intercreditor Agent” means Citibank, N.A., in its capacity as intercreditor agent under the Intercreditor Agreement until a successor replaces it in accordance with the applicable provisions of the Intercreditor Agreement and thereafter means the successor serving thereunder.

“Intercreditor Vote” means, at any time, a vote conducted in accordance with the procedures set forth in the Intercreditor Agreement among the Designated Voting Parties with respect to the particular decision at issue at such time.

“Intercreditor Agreement” means the intercreditor agreement, dated as of April 19, 2016, entered into among the Issuer, the Intercreditor Agent, the Collateral Trustee and the paying agent for the 2013 Notes, which will be amended by the amendment to be entered into on or prior to the Panamanian Auction Date and to which the indenture trustee of the 2036 Notes entered and joined on May 4, 2016, to which the indenture trustee of the 2048 Notes entered into and joined on May 3, 2018 and to which the Indenture Trustee of the notes will enter and join prior to the Panamanian Auction Date of this Offering.

“Interest Period” means: (a) initially, the period from and including the Issuance Date to but excluding the first Payment Date, and (b) thereafter, the period from the end of the preceding Interest Period to but excluding the next Payment Date.

“Interest Rate” means, with respect to the _____ notes, _____ % and with respect to the _____ notes, _____ %, in each case *per annum* commencing on the Issue Date.

“Investment” means, with respect to any person, any: (a) all direct or indirect investments by such person in any other person in the form of loans, advances or capital contributions (whether by means of any transfer of Property or otherwise) or other credit extensions constituting Debt of such other person, and any guarantee of Debt of any other person, (b) purchase or other acquisition of any Capital Stock, Debt or other securities issued by any other person, and (c) any incurrence of Debt relating to another person (such as a guarantee of the Debt of such other person); *provided* that Investment does not include the creation of accounts receivable or similar payment rights generated in the ordinary course of business.

“Investment Company Act” means the U.S. Investment Company Act of 1940, as amended.

“Investment Grade” means a rating equal to or higher than Baa3 (or the equivalent) by Moody’s and BBB- (or the equivalent) by S&P and Fitch.

“Issue Date” means the date on which the notes are issued.

“Issuer” means Aeropuerto Internacional de Tocumen, S.A., a *sociedad anónima* organized under the laws of the Republic of Panama. The Issuer owns, operates, maintains and develops the Airport and operates, maintains and develops the Other Airports in Panama under a concession arrangement.

“Legal Holiday” means Saturday, Sunday or a day on which commercial banking institutions are not required to be open in the State of New York or at the place of payment.

“LATINEX” means the *Bolsa Latinoamericana de Valores, S.A.* or any successor thereto.

“Lien” means, as applied to any Property, any pledge, mortgage, lien, charge, security interest, deed of trust, hypothecation, security trust, fiduciary transfer of title, assignment by way of security, charge, sale and lease-back arrangement, easement, servitude, trust arrangement or encumbrance of any kind thereon (including any conditional sale or other title retention agreement, any lease in the nature thereof or the interest of the lessor under any capitalized lease), or any other preferential arrangement having the practical and/or economic effect of constituting a security interest with respect to the payment of any obligation with, or from the proceeds of, such Property (including any right of setoff or similar banker’s lien). For the purpose of clarification, a Lien will include any sales (including “true sales”) of Property in connection with any Securitization or similar transaction, *provided* that, notwithstanding anything herein to the contrary, the granting of concessions, leases or similar arrangements for the development or exploitation of Property of the Issuer shall not constitute a Lien to the extent such grant does not secure the repayment of Debt and any beneficiary thereof shall not have any limitation hereunder on its ability to pledge its rights and obligations under such concession, lease or similar arrangement to secure any Debt incurred by such beneficiary, *provided* that, solely for the purpose of this definition, no entry into any consent or similar instrument in customary form for limited recourse financing shall constitute Debt.

“Major Maintenance and CapEx Reserve Account” means an account established and maintained with *Banco Nacional de Panama* or another reasonably acceptable Panamanian state bank into which the net proceeds (or corresponding portion) of any borrowing intended to be used to fund Expansion CapEx projects shall be deposited (including for the purchase of land for the construction of a third runway) and into which the Airport may from time to time deposit funds related to Sustaining CapEx or Expansion CapEx projects.

“Majority Noteholders” means, as of any date of determination but subject to “—*Purchase of Notes by the Issuer*” above, the noteholders that, in the aggregate, hold more than 50% of the Principal Balance of the notes of the same series on such date.

“Make-whole Premium” means, as of any date of determination, the result (not to be less than zero) of:

- (a) the present value (compounded on a semi-annual basis) to such date of the scheduled future principal and interest cash flows from the principal amount of the notes (or portion thereof) being redeemed discounted at a *per annum* rate equal to the Treasury Rate *plus* % *per annum*, *minus*
- (b) the aggregate principal amount of the notes (or portion thereof) to be redeemed.

“Material Adverse Effect” means: (a) a material adverse effect on (x) the business, operations, financial condition and/or Property of the Issuer either individually or on a consolidated basis with its Restricted Subsidiaries or (y) on the Airport, (b) a material impairment of the ability of the Issuer to perform its obligations under the

Transaction Documents or (c) a material adverse effect on the transactions contemplated by the Transaction Documents, including: (i) on the validity or enforceability against the Issuer of any of the Transaction Documents, (ii) the rights and remedies of the Beneficiaries under the Transaction Documents, (iii) with respect to the Liens granted to the Collateral Trustee pursuant to the Transaction Documents and/or (iv) on the Tocumen Trust.

“Material Project Contracts” means any material agreements relating to any capital expenditure, Investment or other payment in excess of US\$350,000,000 and any bilateral agreements between the Issuer and any airline with respect to the payment of passenger exit fees or other similar fees.

“Maturity Date” means, with respect to the _____ notes, the Payment Date on _____, 20____, and with respect to the _____ notes, the Payment Date on _____, 20____.

“Minimum Denomination” means the minimum denomination that the notes will be issued in, which shall be a minimum denomination of US\$200,000 and integral multiples of US\$1,000.

“Modification” means, with respect to any Security Document, any amendment, supplement, waiver or other modification of any of the terms and provisions thereof.

“Moody’s” means Moody’s Investors Service, Inc. and its successors (including the surviving entity of any merger with another rating agency).

“Net Cash Proceeds” means, with respect to any Asset Sale or Equity Offering by the Issuer or any of its Restricted Subsidiaries: (a) the proceeds from such Asset Sale or Equity Offering received initially in the form of cash or Cash Equivalents (whether paid immediately or on an installment or other deferred basis) *minus* (b) the sum of: (i) reasonable expenses incurred by the Issuer or its Restricted Subsidiary (as applicable) in connection with such Asset Sale or Equity Offering, (ii) additional Taxes paid (or in good faith estimated to be payable) by the Issuer or its Restricted Subsidiary (as applicable) as a result of such Asset Sale or Equity Offering and (iii) with respect to an Asset Sale, the amount of such cash or Cash Equivalents (if any) used to repay any Debt secured by a Lien on the Property that was the subject of such Asset Sale, *plus* (c) with respect to an Asset Sale, to the extent that such does not exceed clause (b) with respect thereto, the amount of any reduction in Taxes (as in good faith estimated by the Issuer) as a result of such Asset Sale.

“Non-Aeronautical Revenues” means all current and future revenues of the Issuer and its Restricted Subsidiaries that relate to the use of facilities at the Airport by airlines and passengers not constituting Aeronautical Revenues, including (i) the South Terminal Turnkey Rights Deposits, but only after the release of the lien on the South Terminal Turnkey Rights Deposits derived from the pledging or transfer in trust of such revenues to Odebrecht in connection with the South Terminal Construction Agreement, (ii) revenues from the sale of fuel and related services to airlines and (iii) revenues from all leasehold and easement rights other than to commercial retail space and office space for airlines; *provided that*, the Non-Aeronautical Revenues do not include (x) revenues from the Other Airports, revenues from Airport City and revenues from sales and/or transfer of all or part of the Airport City Land; (y) revenues of finance subsidiaries or other special purpose entities that have incurred Project Finance Debt; and (z) the Exempt Governmental Taxes.

“noteholder” means the registered owner of a note as reflected on the Register or the beneficial owner thereof.

“Notes Collateral” has the meaning set forth under “—*Collateral—General*.”

“O&M Account” means an account established and maintained with *Banco Nacional de Panama* or another reasonably acceptable Panamanian state bank by the Issuer into which the Airport shall deposit amounts from time to time for the purpose of funding O&M Costs or Tax Payments.

“O&M Costs” means, with respect to any period:

- (1) all cash maintenance and operation costs to be incurred and paid by the Issuer for the Airport in such period;
- (2) payments for insurance in connection with the operation and maintenance of the Airport;
- (3) consumables;
- (4) payments by the Issuer under any leases relating to business conducted by the Airport;
- (5) payments pursuant to any agreements for the administration, management, operation and maintenance of the Airport (including, among others, Indenture Trustee and Collateral Trustee fees, and other fees and expenses relating to the Transaction Documents and other responsibilities incurred in accordance therewith);
- (6) reasonable legal and accounting and other professional fees and expenses paid by the Issuer in connection with the management, maintenance or operation of the Airport;
- (7) fees paid in connection with obtaining, transferring, maintaining or amending any governmental authorizations;
- (8) employee salaries, wages and other employment-related costs and reasonable general and administrative expenses;
- (9) operational charges, contributions or payments to be made to any governmental or public institution, including payments to *Fondo Especial para el Desarrollo de la Infraestructura Aeronáutica Nacional* and airport security charges payable to *Aeronáutica Civil*;
- (10) amounts necessary for the purposes of operating and maintaining the Other Airports and/or Airport City;

all as budgeted and limited in the Annual Operating Budget.

Upon the Designation of an Unrestricted Subsidiary for the purpose of operating and maintaining Airport City and/or the Other Airports pursuant to paragraph (i) of “*Negative Covenants*,” O&M Costs under clause (10) of this definition of O&M Costs shall be limited to an amount not to exceed US\$10,000,000.

“Odebrecht” means Construtora Norberto Odebrecht, S.A., the company engaged to perform the construction on the South Terminal under the South Terminal Construction Agreement.

“Officer’s Certificate” means, with respect to any Person, a certificate signed by one officer of such Person.

“Operating Accounts” means the Revenue Collection Account, the O&M Account, the Major Maintenance and CapEx Reserve Account, the Airport General Account and such other accounts as the Issuer will from time to time require and establish and maintain for the operations of the Airport, the Other Airports and Airport City.

“Opinion of Counsel” means an opinion in writing signed by legal counsel, which counsel may be an employee of the Issuer or other counsel reasonably satisfactory to the Indenture Trustee and/or the Collateral Trustee (as applicable).

“Original Trust Agreement” means the trust agreement, dated as of September 27, 2013, between the Issuer and the Collateral Trustee, creating the Tocumen Trust.

“Other Airports” means Scarlett Raquel Martínez Airport in Rio Hato, Enrique Malek International Airport in David, Enrique Adolfo Jiménez Airport in Colón and Panama Pacífico International Airport.

“Panamanian Auction” means the offering of the Notes through LATINEX.

“Panamanian Auction Date” means the date of the offering of the notes through LATINEX.

“Panamanian Notes” means the certificated debt securities registered in the name of LATINEX in order to facilitate the trading of the debt securities on the Panama Stock Exchange.

“Pari Passu Obligations” means any principal, interest, penalties (if any), fees, premiums (if any), indemnifications, reimbursements, guarantees and other liabilities payable under and pursuant to the terms of any Relevant Documents for any Collateral Secured Debt, in each case, whether now or hereafter existing, renewed or restructured, whether or not from time to time decreased or extinguished and later increased, created or incurred, whether or not arising on or after the commencement of an Insolvency or Liquidation Proceeding and whether or not allowed or allowable as a claim in any proceeding.

“Pari Passu Priority” means, relative to specified indebtedness, other obligations having equal Lien priority to the notes on the Collateral.

“Payment Account” means the one or more separate payment account(s) established and maintained pursuant to the Trust Agreement for the purpose of making interest and principal payments under each tranche of debt secured thereunder, including but not limited to a separate Payment Account established and maintained for each of the notes, the Existing Notes and each other incurrence of Collateral Secured Debt.

“Payment Date” means each Interest Payment Date, Principal Payment Date, and Maturity Date, as applicable.

“Permitted Business” has the meaning set forth under “—*Negative Covenants*.”

“Permitted Debt” has the meaning set forth in paragraph (a) under “—*Negative Covenants*.”

“Permitted Investments” means Investments: (a) in cash and Cash Equivalents; (b) in any Unrestricted Subsidiary of the Issuer formed for the purpose of developing, operating and maintaining the Other Airports or Airport City or engaging in a Permitted Business other than the operation of the Airport; *provided* that the sum of any Investment pursuant to this clause (b) and any capital improvement project pursuant to paragraph (j) under “—*Negative Covenants*” shall not exceed US\$15,000,000 per year (or its equivalent in any other currency, and such amount to be adjusted every six months to reflect the impact of inflation from January 1, 2016, as determined on the basis of inflation rates calculated and published by the National Statistics and Census Institute (*Instituto Nacional de Estadística y Censo*) of the *Contraloría*) except to the extent that Investments over US\$15,000,000 (as adjusted for inflation) are in compliance with the restricted payment test in paragraph (b) of “—*Negative Covenants*”; (c) in any Restricted Subsidiary of the Issuer; (d) payroll, travel and similar advances that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes; (e) received as a result of a bankruptcy, reorganization or similar occurrence with respect to any person (with respect to Debt, including Refinancing Debt therefor) or a litigation, arbitration or other dispute with respect to persons who are not Affiliates of the investing person; (f) to the extent in compliance with paragraph (d) of “—*Negative Covenants*” above, resulting from consideration (other than cash and Cash Equivalents) received in an Asset Sale; (g) arising as a result of interest rate or currency hedging obligations permitted by clause (a)(vi) of “—*Negative Covenants*”; and/or (h) from the proceeds of an Equity Offering; *provided* that, immediately after giving effect to such Investment, each Transaction Account shall be fully funded in accordance with the procedures set forth in clauses (b)-(d) under “—*Collateral—Accounts and Priority of Payments—Flow of Revenues*.”

“Permitted Liens” means:

- (a) Liens created for the benefit of the holders of any Collateral Secured Debt, their agents, the Intercreditor Agent or the Collateral Trustee pursuant to any of the Transaction Documents;

- (b) Liens existing on the Issue Date and securing the same Debt or other obligations (the “Original Secured Obligations”) as are secured thereby on the Issue Date (or Refinancing Debt for such Original Secured Obligations; *provided* that the Refinancing Debt secured by the new Lien is not increased to any amount greater than the sum of (i) the outstanding principal amount or, if greater, committed amount for the Debt renewed, refunded, refinanced, replaced, defeased or discharged with such Refinancing Debt and (ii) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge); *provided, further*, that in each case, that such Liens do not extend to any Property greater than the Property securing the Original Secured Obligations;
- (c) each of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding have been commenced: (i) Liens for Taxes or other similar charges not yet due or that are being contested in good faith by appropriate proceedings, so long as adequate reserves or other appropriate provisions with respect thereto are maintained on the books of the Issuer or its applicable Restricted Subsidiary to the extent required by applicable accounting principles, (ii) statutory Liens, such as carriers’, warehousemen’s, mechanics’, materialmen’s, repairmen’s or other like Liens, arising in the ordinary course of business that secure amounts not overdue for a period of more than 90 days or that are being contested in good faith by appropriate proceedings, if adequate reserves or other appropriate provisions with respect thereto are maintained on the books of the Issuer or its applicable Restricted Subsidiary to the extent required by applicable accounting principles, (iii) any easements, rights of way, restrictions and other similar encumbrances incurred in the ordinary course of business that do not, individually or in the aggregate, materially impair the business of the Issuer and/or any of its Restricted Subsidiaries, (iv) Liens or deposits in the ordinary course of business incurred or made as required by Applicable Law in connection with workers’ compensation, unemployment insurance and social security, (v) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business and (vi) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default or Default that are being contested in good faith by appropriate proceedings (or if the period within which such proceeding may be initiated shall not have expired), if adequate reserves or other appropriate provisions with respect thereto are maintained on the books of the Issuer or its applicable Restricted Subsidiary to the extent required by applicable accounting principles;
- (d) any interest or title of a Person under any lease, concession or similar arrangement entered into by the Issuer or its applicable Restricted Subsidiary in the ordinary course of business and covering only the Property subject to such lease, concession or similar arrangement;
- (e) a Lien on South Terminal Turnkey Rights Deposits to secure the Issuer’s outstanding obligations from time to time to Odebrecht under the South Terminal Construction Agreement and a Lien on a bank deposit sufficient to guarantee the Issuer’s outstanding obligations to Odebrecht, *provided* that such Lien may only be incurred upon the release by Odebrecht of any Lien granted relating to the South Terminal Turnkey Rights Deposits;
- (f) purchase money Liens on Property of the Issuer or any of its Restricted Subsidiaries securing Debt incurred by such person for the financing of its acquisition or leasing of such Property; *provided* that the principal amount of such Debt does not exceed the cost of such Property and such Lien is created within 30 days of such acquisition or lease;
- (g) Liens in connection with the development of the Other Airports or Airport City, *provided* that the obligations secured by such Liens do not exceed US\$50,000,000 in the aggregate;
- (h) project finance Liens, *provided* that the obligations secured by such Liens are incurred solely for the purpose of expanding or enhancing the capacity of the Airport or the performance thereof or otherwise for improvements or new operations or to secure Project Finance Debt incurred by finance subsidiaries or other special purpose entities; and

- (i) Liens on any Uncommitted Revenues created for the benefit of (A) the holders of any Debt or their agents or (B) third parties that invest (under public private partnerships, concessions, joint ventures or other contractual arrangements) in the acquisition or construction of Airport fixed assets, plant or equipment.

“Permitted Shareholders” means the Government of the Republic of Panama and any person Controlled by one or more of the other Permitted Shareholder(s).

“Person” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

“Revenue Collection Account” means the account established and maintained with *Banco Nacional de Panama* or another reasonably acceptable Panamanian state bank by the Issuer into which (i) all of the Committed Revenues and (ii) all funds then on deposit in the COVID Recovery Account following satisfaction of the restricted payment test in paragraph (b)(iii) of the “—Negative Covenants” may be deposited.

“Principal Balance” means, as of any date of determination, the outstanding principal balance of the notes on such date (or, with respect to any note or beneficial interest therein, the outstanding principal balance thereof) after giving effect to: (a) any payments made on or before such date for all or any portion of the principal of the notes, (b) the cancellation of all or any portion of the principal of the notes as a result of the Issuer acquiring any notes (or beneficial interests therein) and having such principal amount cancelled as noted in “—Cancellation” above and (c) any increases therein on or before such date as a result of an increase permitted by “—Issuance of Additional Notes” above.

“Project Finance Debt” means any Debt financing the acquisition, construction and/or development of any properties (a) if the Person or Persons providing such financing agree expressly to, or by operation of the relevant financing documents, look to the properties so financed and the revenues to be generated by the operation of, or loss or damage to, such properties (except to the extent set forth in clause (b)) as the sole source of repayment for the moneys advanced and (b) for which there is no recourse to the Issuer or its Restricted Subsidiaries other than (i) recourse to other finance subsidiaries or other special purpose entities that have incurred Project Finance Debt or (ii) recourse to the equity investment, equity commitment, completion guaranty, funded debt investment or debt funding commitment of the Issuer, its Subsidiaries or special purpose entities in such project as permitted under the Indenture. Notwithstanding the foregoing, the Issuer may not finance the acquisition, construction and/or development of any properties intended to replace a substantial portion of the Issuer’s assets used in the operation of the Airport.

“Property” means, with respect to any person, any actual or fiduciary right or interest in or to property or other assets (whether owned by such person or a third party), contract rights and/or revenues of any kind whatsoever, whether real, personal or mixed, whether tangible or intangible, whether existing on the Issuance Date or to be created in the future.

“Purchase Agreement” means the purchase agreement relating to the purchase and sale of the notes, entered into on _____, 2021, between the Issuer and BofA Securities, Inc. and Citigroup Global Markets Inc. and Banco General as representatives of the Initial Purchasers.

“Rating Agency” means each of Fitch, Moody’s and S&P.

“Redemption Date” means the date of any redemption of all or a portion of the Principal Balance of the notes, whether through payment of a Default Payment or an optional redemption.

“Redemption Price” means, as of any date of determination, an amount calculated by the Issuer equal to the sum of: (a) 100% of the principal amount of the notes being redeemed, (b) all accrued and unpaid interest (if any) on such redeemed principal amount to but excluding the Redemption Date, (c) all unpaid Additional Amounts, if any, (d) the Redemption/tender Premium (if applicable) for the notes (or, in the case of a partial redemption, the portion

thereof to be redeemed) to but excluding the Redemption Date and (e) all other amounts then due and payable to Beneficiaries by the Issuer under the Transaction Documents (including any fees, expenses, indemnities or other amounts payable to the Indenture Trustee and/or the Collateral Trustee). The Issuer's actions in determining the Redemption Price (including the Treasury Rate, if applicable) shall be conclusive and binding for all purposes, absent manifest error.

"Redemption/tender Premium" means, with respect to any redemption or purchase of the notes by the Issuer as described in "—Redemption of the Notes" above, the amount relating to the redemption/purchase of principal of the notes (or beneficial interests therein) that is in excess of the Principal Balance of such notes (or the portion thereof so redeemed/purchased) (including the Optional Redemption Premium with respect to any redemption described in "—Redemption of the Notes—Optional Redemption" above, if any).

"Refinancing Debt" means Debt (the "New Debt") incurred in exchange for or to refinance, replace, defease or refund other Debt (the "Original Debt") in whole or in part so long as: (a) the aggregate principal amount (or initial accreted value, if applicable) of such New Debt as of the date of any funding under such New Debt does not exceed the aggregate principal amount (or initial accreted value, if applicable) of the Original Debt (or portion thereof so exchanged, refinanced, replaced, defeased or refunded), (b) such New Debt has: (i) a final maturity that is equal to or later than the final maturity of the Original Debt and (ii) a weighted average life to maturity that is equal to or greater than the weighted average life to maturity of the Original Debt, and (c) other than persons other than the Issuer and its Restricted Subsidiaries, the obligor(s) of the New Debt are the same as (or fewer than) the obligor(s) of the Original Debt.

"refrendo" means the act of countersigning a document by the *Contraloria* for purposes of exercising its control over the use of funds of the Republic of Panama or any instrumentality thereof.

"Relevant Documents" shall mean, for each Collateral Secured Debt, the contracts, indentures, promissory notes and other relevant documents setting forth the rights and obligations of the parties thereto in connection with such Collateral Secured Debt, but excluding the Security Documents.

"Remedies Commencement Date" has the meaning set forth under "Collateral—Intercreditor Agreement—Defaults and Remedies."

"Remedies Direction" means a written notice and instruction to the Collateral Trustee (with a copy to the Issuer) from the Intercreditor Agent (acting at the direction of the Controlling Pari Passu Parties pursuant to the Intercreditor Agreement and in accordance with a Remedies Instruction), and substantially in the form attached to the Intercreditor Agreement, instructing the Collateral Trustee to take the actions specified therein with respect to an Enforcement Event that has occurred and is continuing.

"Remedies Instruction" has the meaning set forth under "Collateral—Intercreditor Agreement—Defaults and Remedies."

"Remedies Notice" has the meaning set forth under "Collateral—Intercreditor Agreement—Defaults and Remedies."

"Repurchase Event" has the meaning set forth under "—Cancellation" above.

"Repurchase Notice" has the meaning set forth under "—Cancellation" above.

"Repurchase Price" has the meaning set forth under "—Cancellation" above.

"Reserve Matter" has the meaning set forth under "Amendments of the Transaction Documents—Amendments with Consent of the Majority Noteholders."

"Restricted Payment" means: (a) any reduction or return of capital, any payment of any dividends or other payments or distribution (whether in cash, securities or other Property) on Capital Stock (other than in the form of

additional Capital Stock of the same type) of the Issuer, (b) the authorization or making of any other distribution, any payment or delivery of Property (including cash) to holders of Capital Stock in their capacity as holders of Capital Stock, (c) the redemption, retirement, purchase or other acquisition, directly or indirectly, for consideration by a person of any of its Capital Stock now or hereafter outstanding (including any warrants, rights or options with respect to its Capital Stock), (d) except to the extent made with the proceeds of a substantially concurrent receipt of proceeds of new Capital Stock or Subordinated Debt, the making of any payments with respect to principal or interest on, or the purchase, redemption or defeasance of, any Subordinated Debt, (e) Investments in Unrestricted Subsidiaries (other than Permitted Investments), (f) any loan to any holder of Capital Stock, an Affiliate (excluding any intercompany loans between or among the Issuer and any of its Restricted Subsidiaries) or an Unrestricted Subsidiary; or (g) the setting aside of any funds for any of the foregoing purposes.

“Restricted Subsidiary” means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors (including the surviving entity of any merger with another rating agency).

“SEC” means the United States Securities and Exchange Commission or any successor thereto.

“Secured Party” means, collectively, the holders of notes, the holders of Existing Notes, the holders of any future Collateral Secured Debt, the Intercreditor Agent, the Indenture Trustee, the Designated Voting Party for any other series of Collateral Secured Debt and any other agent appointed from time to time by the holders of Collateral Secured Debt in accordance with the respective agreements or instruments governing such Collateral Secured Debt.

“Securitization” means, with respect to any person, any sale, assignment or other transfer by such person of accounts receivable, lease receivables or other payment rights owing (currently or in the future) to such person, or any interest in any of the foregoing (whether with or without any collections and other proceeds thereof, any collection or deposit accounts related thereto and/or any security, guarantees or other Property or claims in favor of such person supporting or securing payment by the obligor thereon of, or otherwise related to, any such accounts receivable, lease receivables or other payment rights).

“Security Documents” means the Trust Agreement, the Assignment Agreement and the Intercreditor Agreement (including any Additional Intercreditor Agreement).

“Shared Collateral” shall have the meaning set forth under “*Collateral—General*.”

“Significant Subsidiary” means a Subsidiary of the Issuer that, as of the end of the Issuer’s most recently ended fiscal quarter, represented (itself on a consolidated basis with its own Subsidiaries) at least: (a) 10% of the total assets of the Issuer (on a consolidated basis in accordance with IFRS) and/or (b) 10% of the total gross

revenues and/or net income for the four fiscal quarters of the Issuer (on a consolidated basis in accordance with IFRS) ended as of the end of the Issuer’s most recently ended fiscal quarter.

“SMV” means the Superintendency of Capital Markets (*Superintendencia del Mercado de Valores*) of the Republic of Panama.

“South Terminal” means the south terminal of the Airport currently under construction.

“South Terminal Construction Agreement” means the construction agreement, dated as of February 8, 2013, between the Issuer and Odebrecht.

“South Terminal Turnkey Rights Deposits” means the payments from concessionaires to secure concessions of retail space for commercial development in the South Terminal that have been pledged to Odebrecht as security for the payment of obligations to Odebrecht under the South Terminal Construction Agreement.

“Specified Force Majeure Event” means any act of war, terrorist attack, natural disaster, calamity or other event of force majeure that would, in the reasonable opinion of the Issuer, materially threaten the operation of the Airport.

“Subordinated Debt” means any unsecured Debt: (a) that is created under or evidenced by a document containing provisions specifically providing for and otherwise evidencing the subordination of such Debt to the notes and the Issuer’s other obligations under the Transaction Documents and (b) the incurrence of which is permitted under paragraph (a) of “*Negative Covenants*” above.

“Subsidiary” means, with respect to any person at any time, a corporation, partnership or other entity of which Capital Stock having ordinary voting power (other than Capital Stock having such power only by reason of the happening of a contingency) to elect a majority of the board of directors (or similar body) of such corporation, partnership or other entity are at such time owned, or the management of which is otherwise Controlled, directly or indirectly through one or more intermediaries, or both, by such person.

“Successor Trustee” shall have the meaning set forth “*Collateral—Trust Agreement—Resignation and Removal of the Collateral Trustee*” and shall possess the relevant trustee license to act as a trustee (*fiduciario*) in Panama, as granted by the Superintendency of Banks of Panama.

“Superintendency of Banks” means the Superintendency of Banks (*Superintendencia de Bancos*) of the Republic of Panama.

“Sustaining CapEx” means, for any period, expenditures made by or projected to be made by the Issuer to be paid or payable during such period to maintain, acquire or construct fixed assets, plant and equipment in accordance with applicable accounting principles, which expenditures are for the purpose of maintenance, renewals, replacements and repairs of all or part of such assets in a manner consistent with the Annual Operating Budget and are not for the purpose of expanding or enhancing the capacity of such assets or the performance thereof or otherwise for improvements or new operations.

“Taxes” means all current and future taxes, levies, customs, duties, imposts, fees, assessments or other governmental charges, including all net income, gross income, gross receipts, sales, use, *ad valorem*, value added, turnover, transfer, franchise, profits, license, withholding, payroll, employment, social contributions, excise, estimated, severance, stamp, occupation, property import, export or other taxes, levies, customs duties, imposts, fees, assessments or charges of any kind whatsoever, together with any interest, penalties, adjustments for inflation, monetary corrections, additions to tax or additional amounts imposed, levied, collected, withheld or assessed by (or on behalf of) any taxing authority in Panama or in any other jurisdiction in which the Issuer or the Tocumen Trust is organized or resident for tax purposes or from or through which payments are made.

“Tax Payments” means payments of income, real estate and other taxes payable by the Issuer.

“Tender Offer” means the offer to purchase for cash by the Issuer upon the terms and conditions set forth in the offer to purchase and consent solicitation statement dated July 22, 2021 (as amended or supplemented from time to time), any and all of the outstanding (i) 5.625% Senior Secured Notes due 2036 issued on May 13, 2016 by the Issuer, and (ii) 6.000% Senior Secured Notes due 2048 issued on May 9, 2018 and November 14, 2018 by the Issuer.

“Tocumen Trust” means the trust created pursuant to the Trust Agreement.

“Total Income” means the number set forth opposite the line item titles “Ingresos” on the Issuer’s most recently available annual statement of income, or another similar line item.

“Transaction Accounts” means the Trustee General Account, the COVID Recovery Account, each Debt Service Reserve Account and each Payment Account.

“Transaction Documents” means, the Indenture, the notes, the Trust Agreement and the Intercreditor Agreement.

“Treasury Rate” means, with respect to any Redemption Date,

- (a) the yield calculated by the Issuer after 3:30 p.m., New York time, on the second business day preceding the Redemption Date, as follows: for the latest business day that appears in the statistical release published by the Board of Governors of the Federal Reserve System designated as “Selected Interest Rates (Daily) - H.15” (or any successor designation or publication) (“H.15”) under the caption “Treasury Constant Maturities - Nominal”, the Issuer shall select two yields – one for the maturity immediately before and one for the maturity immediately after the remaining maturity of the notes (assuming the notes matured on date that is _____ prior to the relevant Maturity Date) – and shall interpolate on a straight-line basis using such yields to the date that is _____ prior to the relevant Maturity Date; or
- (b) if there is no maturity immediately before or immediately after, or if a maturity on H.15 matches exactly the remaining maturity of the notes (assuming the notes matured on the date that is _____ prior to the relevant Maturity Date) (e.g., a remaining maturity of more than 30 years, or less than one month, or exactly 3 years), the Issuer shall select one yield for the single maturity immediately following or preceding, or which matches exactly, as the case may be, the remaining maturity of the notes (assuming the notes matured on the date that is _____ prior to the relevant Maturity Date); or
- (c) if H.15 is no longer published or regularly available, the rate *per annum* equal to the semi-annual equivalent yield to maturity of the United States Treasury security, selected by the Issuer with a maturity closest to the remaining maturity of the notes (assuming the notes matured on the date that is _____ prior to the relevant Maturity Date) and, if two or more have the same maturity, that is trading closest to par, and that is otherwise consistent with customary financial practice, assuming a price for such Redemption Date equal to the average of the bid and asked prices for such United States Treasury (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by the Issuer utilizing a source customarily used in the financial markets at 3:30 p.m., New York time, on the second business day preceding such Redemption Date.

“Trust Agreement” means the Original Trust Agreement as amended and restated by the Amended and Restated Trust Agreement, as amended by the amendment to the Trust Agreement to be entered into on or prior to the Panamanian Auction Date of this offering, by and among the Issuer, the Collateral Trustee and the other parties thereto and as further amended, modified or supplemented from time to time.

“Trust Indenture Act” means the United States Trust Indenture Act of 1939, as amended.

“Trustee General Account” means the account into which the Committed Revenues, subject to the flow of revenues described under “—*Collateral—Accounts and Priority of Payments—Flow of Revenues*,” under the Trust Agreement shall be deposited periodically, but in no event less frequently than every month, after obtaining the *Contraloría’s refrendo*.

“Uncommitted Revenues” means (i) revenues from the Other Airports, revenues from Airport City and revenues from sales and/or transfer of all or part of the Airport City Land; (ii) revenues of finance subsidiaries or other special purpose entities that have incurred Project Finance Debt; (iii) the Exempt Governmental Taxes; and (iv) any other Aeronautical Revenues and Non-Aeronautical Revenues not comprising Committed Revenues.

“Uniformly Applicable” has the meaning set forth in “*Amendments of the Transaction Documents—Amendments with Consent of the Majority Noteholders.*”

“Unrestricted Subsidiary” means, (1) any Subsidiary of the Issuer that at the time of determination shall have been designated an Unrestricted Subsidiary for purposes of the Indenture by the Board of Directors of the Issuer in accordance with the covenant described under paragraph (i) of “—*Negative Covenants*” and (2) any Subsidiary of an Unrestricted Subsidiary. Notwithstanding the preceding, if at any time, any Unrestricted Subsidiary would fail to meet the requirements as an Unrestricted Subsidiary described under paragraph (i) of “—*Negative Covenants*,” it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture.

“Wholly-Owned Subsidiary” means any Subsidiary of the Issuer all the outstanding Capital Stock (other than directors’ qualifying shares and, to the extent required by Applicable Law, Capital Stock representing no more than 5% of such Subsidiary’s Capital Stock) of which is owned, directly or indirectly, by the Issuer.

BOOK-ENTRY, DELIVERY AND FORM

Notes sold in reliance on Rule 144A under the Securities Act initially will be represented by permanent notes in global, fully registered form without interest coupons (each, a “Restricted Global Note”). The notes sold in offshore transactions in reliance upon Regulation S under the Securities Act will initially be represented by permanent notes in global, fully registered form without interest coupons (each, a “Regulation S Global Note,” together with the Restricted Global Notes, the “Global Notes”). The Global Notes will be deposited with the trustee as a custodian for DTC, as depository, and registered in the name of a nominee of such depository.

The Global Notes (and any notes issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein and in the Indenture and will bear the applicable legend regarding such restrictions set forth under the heading “*Transfer Restrictions—Legends*” herein. Certificated Securities will be issued only in the limited circumstances described below. For a description of the restrictions on transfer of Certificated Securities and any interest in the Global Notes, see “*Transfer Restrictions*” and “*Plan of Distribution*.”

The Global Notes

We expect that, pursuant to procedures established by DTC, (i) upon the issuance of the Global Notes, DTC or its custodian will credit, on its internal system, the principal amount of the individual beneficial interests represented by such Global Notes to the respective accounts of persons who have accounts with such depository (“participants”) and (ii) ownership of beneficial interests in the Global Notes will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

So long as DTC or its nominee is the registered owner or holder of the notes, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such Global Notes for all purposes under the indenture governing the notes. Unless DTC notifies us that it is unwilling or unable to continue as depository for a global note, or ceases to be a “clearing agency” registered under the Exchange Act, or any of the notes becomes immediately due and payable in accordance with “*Description of the Notes—Events of Default*,” owners of beneficial interests in a global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of notes in individual definitive form and will not be considered the owners or holders of the global note (or any notes represented thereby) under the indenture or the notes. No beneficial owner of an interest in the Global Notes will be able to transfer that interest except in accordance with DTC’s procedures, in addition to those provided for under the indenture with respect to the notes and, if applicable, those of Euroclear, Clearstream, and LatinClear.

Investors may hold interests in the Global Notes through Euroclear, or Clearstream (or through LatinClear, a participant in Euroclear and Clearstream), if they are participants in such systems. Euroclear, Clearstream, and LatinClear will hold interests in the Global Notes on behalf of their account holders through customers’ securities accounts in their respective names on the books of their respective depositories, which, in turn, will hold such interests in the Regulation S Global Note in customers’ securities accounts in the depositories’ names on the books of DTC. Investors may hold their interests in the Restricted Global Note directly through DTC, if they are participants, or indirectly through organizations which are participants.

Payments of the principal of, and premium (if any) and interest on, the Global Notes will be made to DTC or its nominee, as the case may be, as the registered owner thereof. None of us, the trustee, any paying agent, any transfer agent or the registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

We expect that DTC or its nominee, upon receipt of any payment of principal of, and premium (if any) and interest on the Global Notes, will credit participants’ accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Notes as shown on the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in the Global Notes held through such participants will be governed by standing instructions and customary practice, as is now the case with

securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants will be effected in accordance with DTC's procedures. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in a global note to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a global note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical individual definitive certificate in respect of such interest. Transfers between accountholders in Euroclear, Clearstream, and LatinClear, will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions available to the notes described above, cross-market transfers between participants, on the one hand, and directly or indirectly through Euroclear, Clearstream, and LatinClear account holders, on the other hand, will be effected at DTC in accordance with DTC rules on behalf of Euroclear, Clearstream, and LatinClear (a participant in Euroclear and Clearstream), as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear, Clearstream, and LatinClear, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines.

Euroclear, Clearstream, and LatinClear, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to the respective depositaries to take action to effect final settlement on its behalf by delivering or receiving interests in a Global Note in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Euroclear, Clearstream, and LatinClear account holders may not deliver instructions directly to the depositaries for Euroclear, Clearstream, and LatinClear.

Because of time zone differences, the securities account of a Euroclear, Clearstream, and LatinClear account holder purchasing an interest in a global note from a DTC Participant will be credited during the securities settlement processing day (which must be a Business Day for Euroclear, Clearstream, and LatinClear, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in a global note settled during such processing day will be reported to the relevant Euroclear, Clearstream, and LatinClear account holder on such day. Cash received in Euroclear, Clearstream, and LatinClear as a result of sales of interests in a global note by or through a Euroclear, Clearstream, and LatinClear account holder to a DTC Participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear, Clearstream, and LatinClear cash account only as of the Business Day following settlement in DTC.

DTC has advised us as follows: DTC is a limited-purpose trust company organized under New York banking law, a "banking organization" within the meaning of the New York banking law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for issues of U.S. and non-U.S. equity, corporate and municipal debt issues that participants deposit with DTC. DTC also facilitates the post-trade settlement among participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between participants' accounts. This eliminates the need for physical movement of securities certificates. Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to the DTC system is also available to indirect participants such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a participant, either directly or indirectly. LatinClear is a participant in Euroclear and Clearstream.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants of DTC, it is under no obligation to perform such procedures, and such procedures may be discontinued at any time. None of us, the trustee, any paying agent, any transfer agent or the registrar will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Securities

A Global Note is exchangeable for certificated notes in fully registered form without interest coupons (“Certificated Securities”) only in the following limited circumstances:

- DTC notifies us that it is unwilling or unable to continue as depository for the Global Note and we fail to appoint a successor depository within 90 days of such notice, or
- there shall have occurred and be continuing an event of default with respect to the notes under the indenture and DTC shall have requested the issuance of Certificated Securities.

Certificated Securities may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See “*Transfer Restrictions*” and “*Plan of Distribution—Notes Are Not Being Registered.*”

The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer the notes will be limited to such extent.

Exchanges Between Regulation S notes and Restricted Global Notes

Beneficial interests in one Global Note may generally be exchanged for interests in another Global Note. Depending on whether the transfer is being made during or after the 40-day period commencing on the original issue date of the notes, and to which Global Note the transfer is being made, the seller may be required to provide certain written certifications in the form provided in the indenture. A beneficial interest in a Global Note that is transferred to a person who takes delivery through another Global Note will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other Global Note.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Restricted Global Notes will be effected by DTC by means of an instruction originated through the DTC deposit/withdrawal at custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Restricted Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest.

The Depository Trust Company

DTC is a limited-purpose trust company organized under the New York Banking Law; a “banking organization” under the New York Banking Law; a member of the Federal Reserve System; a “clearing corporation” under the New York Uniform Commercial Code; and a “clearing agency” registered under Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between its participants. It does this through electronic book-entry settlement in the accounts of its direct participants, eliminating the need for physical movement of securities certificates. DTC is owned by a number of its direct participants and by the NYSE Euronext, the American Stock Exchange, Inc. and the Financial Industry Regulatory Authority, Inc. (successor to the National Association of Securities Dealers, Inc.).

DTC can act only on behalf of its direct participants, who in turn act on behalf of indirect participants and certain banks. In addition, unless a global security is exchanged in whole or in part for a definitive security, it may not be physically transferred, except as a whole among DTC, its nominees and their successors. Therefore, your ability to pledge a beneficial interest in the global security to persons that do not participate in the DTC system, and to take other actions, may be limited because you will not possess a physical certificate that represents your interest.

Euroclear

Euroclear was created as a cooperative in 1968 to hold securities for Euroclear Participants, as defined below, and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of securities and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. All operations are conducted by the Euroclear Bank, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Bank, not the cooperative. The cooperative establishes policy for Euroclear on behalf of Euroclear Participants. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries (“Euroclear Participants”). Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with Euroclear Participants, either directly or indirectly. Euroclear is located at 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium.

Securities clearance accounts and cash accounts with Euroclear Bank are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the “Euroclear Terms and Conditions”). The Euroclear Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear and receipts of payment with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. Euroclear Bank acts under the Euroclear Terms and Conditions only on behalf of Euroclear Participants and has no record of or relationship with persons holding through Euroclear Participants. Distributions with respect to the notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Euroclear Terms and Conditions, to the extent received by the Euroclear Bank and by Euroclear.

Clearstream

Clearstream is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for Clearstream Participants, as defined below, and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of securities. Clearstream provides to Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Monetary Institute.

Clearstream Participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the Sole Lead Manager and Structuring Agent (“Clearstream Participants”). Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Participant either directly or indirectly. Clearstream is located at 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg.

Distributions with respect to the notes held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures, to the extent received by Clearstream.

LatinClear

LatinClear is incorporated under the laws of Panama as a corporation. LatinClear holds securities deposited with it by its participants and facilitates the settlement of transactions among its participants in such securities through electronic computerized book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. LatinClear’s participants include securities brokers-dealers and banks. Access to LatinClear’s book-entry system is also available to others, such as banks, brokers, dealers, trust companies and individual investors that clear through or maintain a custodial relationship with a participant, either directly or indirectly. LatinClear’s book-entry system is also used by other organizations such as securities brokers and dealers, banks and trust companies that work through a direct participant. The rules that apply to LatinClear and its

participants are on file with the SMV. LatinClear is owned by Latinex Holdings, Inc., which is also the parent company of LATINEX.

LatinClear is the clearinghouse in Panama for the notes. LatinClear may be contacted at P.O. Box 0823-0467, Panama, Republic of Panama or by telephone at +(507) 214-6105 or by fax at +(507) 214-8175. LatinClear is a participant in Euroclear and Clearstream.

TAXATION

U.S. Federal Income Tax Considerations

The following discussion is a summary of certain U.S. federal income tax consequences of acquiring, owning and disposing of the notes. Except where otherwise noted, this discussion applies only to U.S. Holders (as defined below) of notes that purchase the notes at the initial issue price indicated on the cover of this Offering Memorandum and that hold the notes as “capital assets” (generally, property held for investment). This discussion is based on the Internal Revenue Code of 1986, as amended (the “Code”), its legislative history, existing final, temporary and proposed U.S. Treasury regulations, administrative pronouncements by the Internal Revenue Service (the “IRS”) and judicial decisions, all as of the date hereof and all of which are subject to change (possibly on a retroactive basis) and to different interpretations.

This discussion does not purport to address all U.S. federal income tax consequences that may be relevant to a particular holder and holders are urged to consult their own tax advisors regarding their specific tax situations. The discussion does not address the tax consequences that may be relevant to holders subject to special tax rules, including, for example:

- insurance companies;
- tax-exempt organizations;
- dealers in securities or currencies;
- traders in securities that elect the mark-to-market method of accounting with respect to their securities holdings;
- banks or other financial institutions;
- partnerships or other pass-through entities for U.S. federal income tax purposes;
- U.S. Holders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- U.S. expatriates;
- holders that hold the notes as part of a hedge, straddle, conversion or other integrated transaction; or
- persons that dispose of Existing Notes pursuant to the Tender Offer.

Further, this discussion does not address the U.S. federal estate and gift tax, or alternative minimum tax consequences, or the Medicare tax on net investment income, or any state, local and non-U.S. tax consequences of acquiring, owning and disposing of the notes.

As used herein, the term “U.S. Holder” means a beneficial owner of the notes that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or any other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions

of the trust or (ii) the trust has an election in effect under current U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences of acquiring, owning and disposing of the notes.

Potential Contingent Payment Debt Instrument Treatment

In certain circumstances, we may be obligated to pay amounts in excess of stated interest or principal on the notes. See “*Description of the Notes—Redemption of the Notes—Change of Control*” and “*Description of the Notes—Redemption of the Notes—Optional Redemption*.” Such obligation to pay such excess amounts may cause the IRS to take the position that the notes are “contingent payment debt instruments” for U.S. federal income tax purposes. If the IRS is successful in such an assertion, the timing and amount of income included and the character of gain recognized with respect to the notes may be different from the consequences discussed herein. Notwithstanding this possibility, we do not believe that the notes are contingent payment debt instruments, and, consequently, we do not intend to treat the notes as contingent payment debt instruments. Our determination is binding on all holders unless a holder discloses its differing position in a statement attached to its timely filed U.S. federal income tax return for the taxable year during which a note was acquired. The remainder of this discussion assumes that the notes will not be treated as contingent payment debt instruments for U.S. federal income tax purposes.

Stated Interest

Stated interest paid to a U.S. Holder on a note, including any amount withheld in respect of any taxes and any Additional Amounts, will be includible in such U.S. Holder’s gross income as ordinary interest income at the time such payments are received or accrued in accordance with such U.S. Holder’s usual method of tax accounting for U.S. federal income tax purposes. In addition, interest on the notes will be treated as foreign source income for U.S. federal income tax purposes and generally will constitute “passive category” income for most U.S. Holders. Subject to generally applicable restrictions and conditions (including a minimum holding period requirement), a U.S. Holder generally will be entitled to a foreign tax credit in respect of any foreign income taxes withheld on interest payments on the notes. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income for U.S. federal income tax purposes provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale, Exchange or Other Taxable Disposition

Upon the sale, exchange or other taxable disposition (including a redemption) of a note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition (other than accrued but unpaid stated interest which will be taxable as ordinary income to the extent not previously included in gross income) and the U.S. Holder’s adjusted tax basis in the note. A U.S. Holder’s adjusted tax basis in a note generally will equal the cost of the note to the U.S. Holder. Any such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the note has been held for more than one year at the time of its sale, exchange or other taxable disposition. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

Any gain or loss realized on the sale, exchange or other taxable disposition of a note generally will be treated as U.S. source gain or loss, as the case may be. If any gain from the sale, exchange or other taxable disposition of notes is subject to foreign income tax, U.S. Holders may not be able to credit such tax against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code (because such gain generally would be U.S. source income) unless such income tax can be credited (subject to applicable limitations) against U.S. federal income tax due on other income that is treated as derived from foreign sources. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income for U.S. federal income tax purposes *provided*

that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year.

U.S. Backup Withholding and Information Reporting

Backup withholding and information reporting requirements generally apply to payments of principal of, and interest on, a note (including Additional Amounts, if any), and to proceeds of the sale, exchange or other taxable disposition (including redemption) of a note, to U.S. Holders. Information reporting generally will apply to payments of principal of, and interest on, notes (including Additional Amounts, if any), and to proceeds from the sale, exchange or other taxable disposition (including redemption) of notes within the United States, or by a U.S. payor or U.S. middleman, to a U.S. Holder (other than an exempt recipient). Backup withholding will be required on payments made within the United States, or by a U.S. payor or U.S. middleman, on a note to a U.S. Holder, other than an exempt recipient, if the U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Backup withholding is not an additional tax. A holder of notes generally will be entitled to credit any amounts withheld under the backup withholding rules against its U.S. federal income tax liability or to obtain a refund of the amounts withheld provided the required information is furnished to the IRS in a timely manner.

Specified Foreign Financial Asset Reporting

In addition, certain U.S. Holders are required to report information relating to an interest in the notes, subject to certain exceptions (including an exception for notes held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.

Panama Tax Considerations

The following is a summary of the principal Panamanian income, stamp and certain tax consequences in Panama resulting from the beneficial ownership and disposition of the notes by certain investors. This summary is based on the Panamanian Tax Code of 1956, as amended, other applicable tax laws (including the tax provisions of Law Decree No. 1 of 1999, Restated and amended from time to time), decrees and regulations promulgated thereunder, opinions and interpretive rulings issued by tax authorities, and judicial decisions, all as in effect on the date hereof. This summary is subject to changes in these laws, decrees, regulations, opinions, rulings and judicial decisions occurring after the date hereof, possibly with retroactive effect. This summary is intended as a descriptive summary only and is not a complete analysis or listing of all potential Panamanian income tax consequences to holders of the notes. The summary does not address the tax treatment of potential investors that may be subject to special income tax withholding rules. The summary is not intended as tax advice to any particular investor, nor does it purport to furnish information in the level of detail or with attention to an investor's specific tax circumstances that would be provided by an investor's own tax advisor. Prospective purchasers of the notes are urged to consult their own tax advisors as to the precise Panamanian and other tax consequences of acquiring, owning and disposing of the notes.

Taxation of Interest

Interest payable on the notes will be exempt from income tax or withholding requirements in Panama, provided that the notes are registered with the SMV and are initially placed on an exchange or through an organized market. The notes are registered with the SMV and will be initially placed through LATINEX. Accordingly, interest payments made on the notes will be exempt from income tax or withholding requirements in Panama; *provided, however*, that there can be no assurance that these tax benefits will not be changed or revoked by the Government in the future. Interest payments on notes that are not initially placed on LATINEX are subject to a 5% income tax, which would have to be withheld by us.

Taxation of Dispositions

Upon registration of the notes with the SMV, any capital gains realized by a noteholder on the sale or other disposition of notes will be exempt from income tax in Panama, *provided* that the sale or disposition of the notes is made through an exchange or other organized market in Panama or outside of Panama. The listing and negotiation of the notes has been authorized by LATINEX. Thus, any gains realized on the sale of the notes on this exchange will be exempt from income tax in Panama.

If the notes are not sold through a securities exchange or another organized market, pursuant to article 701(e) of the Panamanian Tax Code of 1956, as amended, which is regulated by Executive Decree No. 170 of October 27 of 1993 (as amended by Executive Decree No. 135 of February 6, 2012), and article 334 of the Panama Security Law (Decree Law 1 of 1999, Restated and amended from time to time), (i) the seller will be subject to income tax in Panama on capital gains realized on the sale of the notes calculated at a fixed rate of ten percent (10%) on the gain realized, and; (ii) the buyer will be obligated to withhold from the seller an amount equal to five percent (5%) of the aggregate proceeds of the sale, as an advance in respect of the capital gains income tax payable by the seller, and the buyer will be required to send to the fiscal authorities the withheld amount within ten (10) Business Days following the date of withholding; (iii) the seller will have the option of considering the amount withheld by the buyer as definitive payment in full of the seller's obligation to pay income tax on capital gains; and (iv) in the event the amount withheld by the buyer is greater than the amount of capital gains income tax payable by the seller, that is, exceeding ten percent (10%) of the capital gain actually realized on the sale, the seller may file a sworn declaration before the tax authorities claiming a tax credit or refund in respect of the amounts paid in excess.

The capital gains income tax provisions of the Panamanian Tax Code of 1956, as amended (Law No. 18 of June 19, 2006) and its regulations do not provide an exemption from income tax in Panama with respect to capital gains on sales of notes outside Panama by holders not resident in Panama. Notwithstanding Law No. 18 of June 19, 2006, which amended the Panamanian Tax Code of 1956 based on certain opinions issued by the Dirección General de Ingresos, or the Tax Authority, any capital gains realized by a holder of notes who is not resident in Panama on the sale or other disposition of notes that is executed and effected outside Panama, and which payment thereof is made outside of Panama, will not be deemed Panamanian source income and the inference from the foregoing would, therefore, be that the income realized from said sale would not be subject to income tax in Panama. However, we have been advised by our Panamanian counsel that the Tax Opinions are not legally binding interpretations of the 2006 Tax Law.

Stamp and Other Taxes

Upon registration of the notes with the SMV, the notes will not be subject to stamp, registration or similar taxes. There are no sales, transfer or inheritance taxes applicable to the sale or disposition of the notes.

Foreign Investors

A person domiciled outside of Panama is not required to file a tax return in Panama, solely by reason of his or her investment in the notes, *provided* that gains realized on the sale and disposition of the notes are exempt from income tax as indicated above.

PLAN OF DISTRIBUTION

BofA Securities, Inc. and Citigroup Global Markets Inc. are acting as joint book-runners and joint-lead arrangers and Banco General, S.A. is acting as joint-lead arranger and local structuring agent to the offering. Subject to the terms and conditions stated in the purchase agreement dated the date of this Offering Memorandum, each Initial Purchaser named below has severally and not jointly agreed to purchase, and we have agreed to sell to that Initial Purchaser, the principal amount of the notes set forth opposite the Initial Purchaser's name.

<u>Initial purchaser</u>	<u>Principal Amount of notes</u>
BofA Securities, Inc.	
Citigroup Global Markets Inc.	\$
Banco General, S.A.	
Total	\$

<u>Initial purchaser</u>	<u>Principal Amount of notes</u>
BofA Securities, Inc.	
Citigroup Global Markets Inc.	\$
Banco General, S.A.	
Total	\$

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the notes are subject to certain conditions precedent, including purchase of the notes by the Initial Purchasers through LATINEX and consummation of the sale and purchase of the notes on the settlement date as contemplated in the purchase agreement in the public auction described below by the Initial Purchasers if and only if the bid of the Initial Purchasers on LATINEX is the highest (and in case of equality, earliest) bid, such bid is subsequently accepted by the Issuer and subject to the approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the Initial Purchasers of officer's certificates and legal opinions. The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to the conditions described above.

The Initial Purchasers propose to resell the notes at the offering price set forth on the cover page of this Offering Memorandum within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. The price at which the notes are offered may be changed at any time without notice. The notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "*Notice to Investors*" and "*Transfer Restrictions*."

In addition, until 40 days after the commencement of this Offering, an offer or sale of notes within the United States by any dealer may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

In addition, entities affiliated with the government of the Republic of Panama (which may also be affiliates of the Issuer), may from time to time purchase or hold notes.

No Sales of Similar Securities

We have agreed that, for a period of 60 days from the date of this Offering Memorandum, we will not, without the prior written consent of the Initial Purchasers, offer, sell or contract to sell, or otherwise

dispose of, directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by us. The Initial Purchasers in their sole discretion may release any of the securities subject to these lock up agreements at any time without notice.

Listing of Securities

The notes will constitute a new class of securities with no established trading market. Application has been made to list the notes on the SGX-ST. The notes are listed on LATINEX. However, we cannot assure you that the prices at which the notes will sell in the market after this Offering will not be lower than the initial offering price or that an active trading market for the notes will develop and continue after this Offering. The Initial Purchasers have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so and they may discontinue any market making activities with respect to the notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the notes.

Stabilization Transactions

In connection with the Offering of the notes, the Initial Purchasers (or persons acting on their behalf) may over-allot notes or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail including, by means of short-sales, stabilizing transactions and purchases to cover positions created by short-sales. However, there is no assurance that the Initial Purchasers (or persons acting on their behalf) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the notes is made, and, if begun may be ended at any time, but must end no later than 30 days after the date on which we received the proceeds of the issue, or no later than 60 days after the date of allotment of the relevant securities, whichever is earlier.

Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Stabilizing transactions may cause the price of the notes to be higher than it would otherwise be in the absence of those transactions.

Settlement

We expect to deliver the notes against payment for the notes on _____, 2021, which will be the _____ Business Day following the date of the pricing of the notes.

The notes will be offered for sale by the Issuer and purchased by the Initial Purchasers and potentially other purchasers on LATINEX pursuant to the bidding process described herein. The settlement will take place on a Business Day after the trade date. However, consummation of the sale and purchase of the notes on the settlement date as contemplated in the Purchase Agreement will be conditioned upon the Initial Purchaser's satisfaction on the settlement date that all conditions precedent set forth in the Purchase Agreement have been met or waived on or prior to the settlement date (the "Conditions"). In addition, the Purchase Agreement permits the Initial Purchasers to terminate their obligations to purchase the notes in certain circumstances, including general trading suspensions, bank moratoria in the United States or Panama and acts of war or terrorism ("Termination Events").

If the Initial Purchasers were to determine on or prior to the settlement date, in accordance with the terms of the Purchase Agreement, that any of the Conditions has not been satisfactorily met or waived or that a Termination Event has occurred or if the Issuer and the Initial Purchasers mutually agree, the Initial Purchasers have the right to require the Issuer to repurchase the notes (in whole or in part) on the settlement date by delivering a notice to the Issuer, and in that event the Issuer shall repurchase on the settlement date the notes sold to the Initial Purchasers on LATINEX. The repurchase price shall be equal to the price payable to the Issuer for the notes (including any premium, discount and/or prepaid interest) and no Make-whole Premium or any other amounts shall be payable in connection therewith. The Issuer's obligation to pay the repurchase price for the notes acquired by the Initial Purchasers will be set off against the Initial Purchasers' obligations to pay the purchase price for such notes.

Under Rule 15c6-1 of the Exchange Act, trades in the secondary market are generally required to settle in two (2) business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on the date of pricing or on the next succeeding business days will be required to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the notes who wish to trade the notes on the date of this Offering Memorandum or the next succeeding business days should consult their own advisors.

Relationship with the Initial Purchasers

The Initial Purchasers and their affiliates are full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers and their affiliates have in the past or may in the future perform commercial banking, investment banking and advisory services for us and our affiliates from time to time for which they have received or could receive customary fees and reimbursement of expenses. Certain of the Initial Purchasers or their Affiliates may hold a portion of the borrowings under and/or are lenders under certain outstanding bank debt we intend to repay with the net proceeds of this offering. As a result, certain of the Initial Purchasers or their affiliates may receive a portion of the net proceeds of the offering of the notes in connection with the repayment of such outstanding bank debt. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Outstanding Indebtedness—\$50.0 Million Uncommitted Line of Credit.*” In particular, BofA Securities, Inc. and Citigroup Global Markets Inc. are acting as dealer managers in connection with the Tender Offer and Consent Solicitation. In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the Initial Purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby.

The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Banco General, S.A. or its affiliates may also buy a portion of the notes for their own account. Banco General, S.A. is not a broker-dealer registered with the United States Securities and Exchange Commission and therefore may not solicit offers to purchase or make sales of any notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

Settlement

Panamanian Settlement Process

We have appointed BG Investment, Co., Inc., as the broker-dealer house of the offering of the notes through Latinex and BofA Securities, Inc., as billing and delivery bank of the Initial Purchasers, has appointed BG Valores, S.A. as the broker-dealer house of the Initial Purchasers for the purchase of the notes through Latinex. BG Investment, Co., Inc. has a trading post at Latinex and is a broker-dealer authorized to act as such by the SMV, pursuant to Resolutions CNV-322-00 of November 24, 2000, while BG Valores, S.A. has a trading post at Latinex and is a broker-dealer authorized to act as such by the SMV, pursuant to Resolution CNV -376-00 of November 22, 2000.

The offices of BG Investment, Co., Inc. are located at Calle Aquilino de la Guardia y Avenida 5B Sur, Panama City, Republic of Panama, its telephone number is (507) 303-5001 and its fax number is (507) 215-8160. The offices of BG Valores, S.A. are located at Plaza BG, Calle Aquilino de la Guardia y Avenida 5B Sur and Calle 50, Panama, Republic of Panama, its telephone number is (507) 205-1755 and its fax number is (507) 205-1712. BG Investment, Co., Inc. will enter into a broker-dealer house agreement with us to carry out the sale of the notes through Latinex. Among the services to be rendered in its role as placement agent of the notes, BG Investment, Co., Inc. may:

- carry out the offers of the notes through Latinex pursuant to the rules of Latinex; and
- deliver at the disposal of the broker-dealer houses, brokers, investments advisors and the public in general, this offering memorandum and any amendments to it.

As set forth in the Primary Market Manual Proceeding of LATINEX, as amended, the public auction process described below is applicable to the notes. The Panamanian public auction procedures applicable to the notes could be either those applicable to the “first session of the primary market,” which is a session solely available on LATINEX for certain issuances of securities in respect of which settlement takes place totally or partially in the international markets, including, among others, this offering of the notes and which takes place between 8:00 a.m. and up to 9:00 a.m. (Panama time) or the regular trading session that takes place between 10:00 a.m. and up to 3:00 p.m. (Panama time).

At the chosen trading session on the date in which we offer the notes through LATINEX, a trading session in respect of the notes will be opened, on the one hand, for each person registered as a member of LATINEX (each, a “Local Broker”) as potential purchasers of the notes, and, on the other hand, for us as seller of the Notes (the “Panamanian Public Auction”). During this period, any Local Broker will be permitted to submit a bid to purchase the notes and we will be permitted to present our offer to sell the Notes on LATINEX. Any such bids to purchase the notes are required to be for the full principal amount of the offering as they will be made as a “whole or none” order (WON) under LATINEX regulation. During the applicable trading session on the same date, the initial purchasers will submit their bid to purchase the totality of the notes through BG Valores S.A.

In the purchase agreement relating to the notes, we have also agreed that if the representative of the initial purchasers has not placed and secured the highest (and in case of equality, earliest) bid price for the notes, we will withdraw any offer to sell the notes on LATINEX and any such offer will immediately be withdrawn and cancelled and be of no further force or effect. See “Risk Factors—Risks relating to the Notes—The public auction at LATINEX will allow any investor to submit a bid for the notes and the bidder submitting the highest, and in case of equality the earliest, bid would have the right to purchase the notes. If a bidder different from the Initial Purchasers submits a higher or an equal but earlier bid, you will not receive the notes on the issue date as we will abstain from selling and the offering will be cancelled in consideration to the liabilities that the Issuer could face under the purchase agreement.” If a bidder other than the representatives of the initial purchasers submits a higher or an equal but earlier bid, you will not receive the notes on the issue date as we will abstain from selling and the offering will be cancelled in consideration to the liabilities that we could face under the purchase agreement.

At any time from or after the commencement of the Panamanian Public Auction and or prior to the settlement of the notes, if the initial purchasers determine, in accordance with the terms of the purchase agreement, that any of the conditions has not been satisfied or waived or that a termination event has occurred or if we and the initial purchasers mutually agree, the initial purchasers have the right to require us to repurchase the notes purchased on LATINEX on the settlement date, by delivering a notice to us, and in that event, we will repurchase on the settlement date the notes sold to the representative of the initial purchasers on LATINEX. The repurchase price will be equal to the price payable to us for the notes (including any premium, discount and/or prepaid interest) and no make-whole premium or any other amounts will be payable in connection therewith. Our obligation to pay the repurchase price for the notes acquired by the initial purchasers will be set off against the initial purchasers’ obligation to pay the purchase price for those notes.

International Settlement

The settlement of the notes will take place outside of the Panamanian trading market and LatinClear system as set out in the purchase agreement. We expect that delivery of the notes will be made to investors on or about , 2021 which will be the business day following the date of this offering memorandum (such settlement being referred to as “T+_____”). Under Rule 15c6-1, under the Exchange Act, trades in the secondary market are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to the delivery of the notes hereunder may be required, by virtue of the fact that the notes initially settle in T+_____, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors. The settlement procedures associated with the offering of the notes on LATINEX are complex, and they are not within our ability to control or direct. Any delays involving these Panamanian settlement procedures may cause correlative delays in respect of the settlement and delivery of the notes on the system of DTC, with the result that the actual settlement and delivery of the notes may not be completed on the issue date and investors should consider the risks of trading their notes in the secondary market prior to the issue date as settlement is conditioned on the Initial Purchasers having the winning bid on LATINEX and even if the initial purchasers do have the winning bid, settlement delays may result in delivery to investors of notes on the business day following the intended settlement date.

Banco General, S.A. is not a broker-dealer registered with the United States Securities and Exchange Commission and therefore may not solicit offers to purchase or make sales of any notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations.

Selling Restrictions

Notice to Prospective Investors in the European Economic Area

This Offering Memorandum has been prepared on the basis that any offers of notes will be made pursuant to an exemption under the “Prospectus Regulation from the requirement to produce a prospectus for offers of the notes. The expression “Prospectus Regulation” means Regulation (EU) 2017/1129 (as amended or superseded).

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) NO 1286/2014 (the “PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Notice to Prospective Investors in the United Kingdom

This Offering Memorandum has been prepared on the basis that any offers of notes will be made pursuant to an exemption under the UK Prospectus Regulation and the Financial Services and Markets Act 2000 from the requirement to publish a prospectus for offers of the notes. . The expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Each Initial Purchaser has represented and agreed that: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer and it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the UK.

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as

it forms part of domestic law by virtue of EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notice to Prospective Investors in Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (“NI 33-105”), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission (“ASIC”), in relation to the offering. This offering memorandum does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the “Corporations Act”) and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the notes may only be made to persons (the “Exempt Investors”) who are “sophisticated investors” (within the meaning of section 708(8) of the Corporations Act), “professional investors” (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the notes without disclosure to investors under Chapter 6D of the Corporations Act.

The notes applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring the notes must observe such Australian on-sale restrictions.

This offering memorandum contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need

to consider whether the information in this offering memorandum is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

Notice to Prospective Investors in Chile

The offer of the notes is subject to General Rule No. 336 issued by the *Comisión para el Mercado Financiero* (Chilean Commission for the Financial Market or “CMF”). The commencement date of this offering is the one contained in the cover pages of this Offering Memorandum. The notes will not be registered in the *Registro de Valores* (Securities Registry) or the *Registro de Valores Extranjeros* (Foreign Securities Registry), both kept by the CMF and will not be subject to the supervision of the CMF. As unregistered securities, the Issuer has no obligation to deliver/disclose public information about the notes in Chile. The notes cannot and will not be publicly offered in Chile unless registered in the *Registro de Valores* (Securities Registry) or the *Registro de Valores Extranjeros* (Foreign Securities Registry), both kept by the CMF. If the notes are offered within Chile, they will be offered and sold only pursuant to General Rule 336 of the CMF, an exemption to the registration requirements, or in circumstances that do not constitute a public offer of securities under Chilean law.

La oferta de los valores se acoge a la Norma de Carácter General N°336 de la Comisión para el Mercado Financiero o “CMF.” La fecha de inicio de la presente oferta es la indicada en la portada de este offering memorandum. Los valores no estarán inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la CMF, y tales valores no estarán sujetos a la fiscalización de la CMF. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Los valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores o el Registro de Valores Extranjeros que lleva la CMF. Si los valores son ofrecidos dentro de Chile, serán ofrecidos y colocados sólo de acuerdo a la Norma de Carácter General N°336 de la CMF, una excepción a la obligación de inscripción, o en circunstancias que no constituyan una oferta pública de valores en Chile de conformidad a la ley chilena.

Notice to Prospective Investors in Colombia

The notes have not been, and will not be, registered in the National Securities and Issuers Registry (*Registro Nacional de Valores y Emisores*) of Colombia or traded on the Colombia Stock Exchange (*Bolsa de Valores de Colombia*). Therefore, the notes may not be publicly offered or sold in Colombia except in compliance with the applicable Colombian securities regulations.

This Offering Memorandum is for the sole and exclusive use of the addressee as an offeree in Colombia, and this Offering Memorandum shall not be interpreted as being addressed to any third party in Colombia or for the use of any third party in Colombia, including any shareholders, administrators or employees of the addressee.

The recipient of the notes acknowledges that certain Colombian laws and regulations (specifically foreign exchange and tax regulations) are applicable to any transaction or investment made in connection with the notes being offered and represents that it is the sole party liable for full compliance with any such laws and regulations.

Notice to Prospective Investors in Italy

The offering of the notes has not been cleared by the *Commissione Nazionale per la Società e la Borsa* (“CONSOB”) pursuant to Italian securities legislation. Accordingly, each initial purchaser has represented and agreed that it has not offered, sold or delivered, directly or indirectly, any notes to the public in the Republic of Italy. For the purposes of this provision, the expression “offer of notes to the public” in Italy means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, including the placement through authorized intermediaries. Each initial purchaser has represented and agreed that it will not offer, sell or deliver, directly or indirectly, any note or distribute copies of these listing particulars or of any other document relating to the notes in the Republic of Italy except: (i) to qualified investors (*investitori qualificati*), as defined under Article 100 of the Legislative Decree No. 58 of February 24, 1998, as amended (the “Italian Financial Act”), as implemented by Article 26, paragraph 1(d) of CONSOB Regulation No. 16190 of October 29, 2007, as amended (“Regulation No. 16190”), pursuant to Article 34-ter, first paragraph, letter (b), of CONSOB

Regulation No. 11971 of May 14, 1999, as amended (“Regulation No. 11971”); or (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and its implementing CONSOB regulations including Regulation No. 11971. Any such offer, sale or delivery of the notes or distribution of copies of the listing particulars or any other document relating to the notes in the Republic of Italy must be in compliance with the selling restriction under (i) and (ii) above and: (1) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, Regulation No. 16190, Legislative Decree No. 385 of September 1, 1993 as amended (the “Banking Act”) and any other applicable laws or regulation; (2) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy or by Italian persons outside of Italy; and (3) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or the Bank of Italy or any other Italian authority. Any investor purchasing the notes is solely responsible for ensuring that any offer, sale, delivery or resale of the notes by such investor occurs in compliance with applicable Italian laws and regulations.

Notice to Prospective Investors in Hong Kong

The notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (“Companies (Winding Up and Miscellaneous Provisions) Ordinance”) or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (“Securities and Futures Ordinance”), (ii) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder or (iii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

Notice to Prospective Investors in Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “FIEA”). The notes may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

Notice to Prospective Investors in Mexico

The notes have not been, and will not be, registered with the National Securities Registry (*Registro Nacional de Valores*) maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*), and, therefore the notes may not be publicly offered or sold nor be the subject of intermediation in Mexico, publicly or otherwise, except that the notes may be offered in Mexico to institutional and qualified investors pursuant to the private placement exception set forth in Article 8 of the Mexican Securities Market Law (*Ley del Mercado de Valores*).

Notice to Prospective Investors in Peru

The notes and the information contained in this Offering Memorandum have not been and will not be registered with or approved by the *Superintendencia del Mercado de Valores* or the BVL. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the notes and, therefore, the

disclosure obligations set forth therein will not be applicable to the Issuer before or after their acquisition by prospective investors. Accordingly, the notes cannot be offered or sold in Peru, except if (i) the notes are previously registered with the *Superintendencia del Mercado de Valores* or (ii) such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian Securities Market Law establishes, among others, that an offer directed exclusively to institutional investors (as defined under Peruvian law) qualifies as a private offering. In making an investment decision, institutional investors, as defined under Peruvian law, must rely on their own examination of the Issuer and the terms of the offering of the notes in order to determine their legal ability to invest in the Notes.

Notice to Prospective Investors in Singapore

Each initial purchaser has acknowledged, and any further initial purchaser appointed under the offering will be required to acknowledge, that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, each initial purchaser has represented, warranted and agreed that it has not offered or sold any notes or caused the notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any notes or cause the notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:

- 1. to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- 2. where no consideration is or will be given for the transfer;
- 3. where the transfer is by operation of law;
- 4. as specified in Section 276(7) of the SFA; or
- 5. as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the “SFA” is a reference to the Securities and Futures Act, Chapter 289 of Singapore and any reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Solely for the purposes of its obligations pursuant to sections 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309(A) of the SFA) that the notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment).

Notice to Prospective Investors in Switzerland

This Offering Memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the notes will not be listed on the SIX Swiss Exchange. Therefore, this Offering Memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the notes with a view to distribution. Any such investors will be individually approached by the initial purchasers from time to time.

Notice to Prospective Investors in United Arab Emirates

Federal

The notes have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates other than in compliance with the laws of the United Arab Emirates governing the issue, offering and sale of securities. Further, this offering memorandum does not constitute a public offer of securities in the United Arab Emirates and is not intended to be a public offer. This prospectus has not been approved by or filed with the Central Bank of the United Arab Emirates or the Securities and Commodities Authority.

Dubai International Financial Centre

This offering memorandum is for distribution only to persons who (a) are outside the Dubai International Financial Centre, (b) are persons who meet the Professional Client criteria set out in Rule 2.3.4 of the DFSA Conduct of Business Module or (c) are persons to whom an invitation or inducement in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons” for the purposes of this paragraph). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

This offering memorandum relates to an Exempt Offer in accordance with the Market Rules of the Dubai Financial Services Authority (“DFSA”). This offering memorandum is intended for distribution only to persons of a type specified in the Market Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this offering memorandum nor taken steps to verify the information set forth herein and has no responsibility for the offering memorandum. The notes to which this offering memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the notes offered should conduct their own due diligence on the notes. If you do not understand the contents of this offering memorandum you should consult an authorized financial advisor

Abu Dhabi Global Market

This offering memorandum is for distribution only to persons who (a) are outside the Abu Dhabi Global Market, or (b) are Authorized Persons or Recognized Bodies (as such terms are defined in the Financial Services and Markets Regulations 2015 (“FSMR”)), or (c) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 18 of FSMR) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons” for the purposes of this paragraph). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or

investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

This offer document is an Exempt Offer in accordance with the Market Rules of the ADGM Financial Services Regulatory Authority. This Exempt Offer document is intended for distribution only to Persons of a type specified in the Market Rules. It must not be delivered to, or relied on by, any other Person. The ADGM Financial Services Regulatory Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The ADGM Financial Services Regulatory Authority has not approved this Exempt Offer document nor taken steps to verify the information set out in it, and has no responsibility for it. The notes to which this Exempt Offer relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the notes offered should conduct their own due diligence on the notes. If you do not understand the contents of this Exempt Offer document, you should consult an authorized financial advisor.

ESTIMATED EXPENSES OF THE OFFERING

The local Panamanian regulations and the SMV guidelines require that we disclose an estimate of the total expenses and costs to this offering which will be deducted from the proceeds of the notes.

The total estimated public price below is an estimate and as such is not indicative of the actual price of the issue. We have estimated the expenses in connection with the issuance of our notes in this offering based on a total estimated public price as of the date of the preliminary offering memorandum of U.S. , as follows:

Fees¹	Recurrence	Approximate Cost in U.S.\$	%
Structuring and Placement	One time	6,800,000.00	0.368%
Legal Expenses	One time	3,000,000.00	0.162%
Rating Agencies	One time	2,660,000.00	0.144%
Rating Agencies, supervision	One time	160,000.00	0.009%
Intercreditor Agent	Annual	25,000.00	0.001%
Trustee/Paying Agent/Registrar	One time	40,000.00	0.002%
Trustee/Paying Agent/Registrar	Annual	10,000.00	0.001%
Local Trust	Annual	50,000.00	0.003%
Information Agent/DTC	One time	65,000.00	0.004%
Luxembourg Stock Exchange			
Communication Fees	One time	1000.00	0.000%
Singapore Stock Exchange – SGX			
Listing and Agent Fees	One time	50,000.00	0.003%
Bolsa Latinoamericana de Valores – LATINEX			
Negotiation Fee	One time	610,000.00	0.033%
Listing and Registration Fee	One time	1,000.00	0.000%
Central Latinoamericana de Valores			
Registration Fee	One time	165,000.00	0.009%
Maintenance Fee	Annual	1000	0.000%
SMV			
Registration Fee for a Public Offer	One time	400,000.00	0.022%
Supervision Fee	Annual	100,000.00	0.005%
Total	One time	14,138,000.00	0.764%

¹ All figures based on a U.S.\$1,850.0 million notes issuance.

CORPORATE GOVERNANCE

On November 11, 2003, the SMV approved Accord No. 12-2003 by means of which the guides and principles of corporate governance are recommended for all issuers registered before SMV. Subsequently, on February of 2004, the Board of Directors of LATINEX approved the principles of disclosure of corporate governance practices for registered issuers.

The adoption of these recommendations is not mandatory; nevertheless, issuers that are registered with the Superintendence of Capital Markets of Panama are required to publicly reveal whether or not they are adopted.

Our Board of Directors has taken into consideration and partially adopted, as applicable to the course of business, the recommendations of corporate governance. Pursuant to literal C, Section IX of article 7 of the Accord No. 2-2010 (which establishes the procedure for the filings of securities registration and of termination of registrations, with the SMV), as amended, restated or replaced, whereby the SMV establishes a procedure for filing requests for securities registration or termination of registration before the SMV, we have adopted the following principles and procedures of corporate governance:

- The Board of Directors supervises the activities of the Airport.
- Decisions adopted in the Board of Directors and shareholders meetings are documented in writing through minutes. The minutes will reflect the discussions that take place during the meetings and are prepared, approved and signed in the corresponding meeting. They are later kept in places designated for recordkeeping.
- There are information and communication policies with respect to our management, directors, shareholders and third parties.
- The members of the Board of Directors must disclose any conflict of interest in any matter submitted for their consideration.
- There are policies to control risk.
- We maintain appropriate accounting records that reasonably reflect our financial position.
- Our assets are protected and we have procedures for the prevention and detection of fraud and other irregularities.
- We maintain internal control mechanisms.
- Our Board of Directors works through different company committees, focused on audit, compliance, compensation and corporate governance functions among other matters.
- Our management maintains regular meetings for implementing our business strategy and plans.

TRANSFER RESTRICTIONS

The notes have not been registered, and will not be registered, under the Securities Act or any state securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of the notes (other than the Initial Purchasers in connection with the initial issuance and sale of the notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

- (1) it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;
- (2) it acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any state and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (3) it understands and agrees that the notes initially offered in the United States to qualified institutional buyers will be represented by a Global Note and that the notes offered outside the United States pursuant to Regulation S will also be represented by a Global Note;
- (4) it will not offer, sell, pledge or otherwise transfer any of such notes except (a) to us, (b) to a qualified institutional buyer in compliance with Rule 144A under the Securities Act, (c) in an offshore transaction complying with the requirements of Rule 903 or Rule 904 of Regulation S under the Securities Act, (d) pursuant to an exemption from registration under the Securities Act (if available) or (e) pursuant to a registration statement that has become effective under the Securities Act and in accordance with all applicable securities laws of the states of the United States and other jurisdictions;
- (5) it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;
- (6) it acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or in respect of notes sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S within their respective Global Notes) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;
- (7) it acknowledges and agrees (a) that either (i) no assets of a Plan or a non-U.S., governmental or church plan have been used to acquire the notes or an interest therein or (ii) the purchase, holding and disposition of the notes or an interest therein by the purchaser do not constitute a non-exempt prohibited transaction under the Employee Retirement Income Security Act of 1974 or Section 4975 of the Code or a violation of similar law, and (b) that it will not sell or otherwise transfer such notes or any interest therein other than to a purchaser or transferee that is deemed to represent and agree with respect to its purchase, holding and disposition of such notes to the same effect as the purchaser's representation and agreement set forth in this paragraph (7);

- (8) it acknowledges that the trustee, registrar or transfer agent for the notes may not be required to accept for registration or transfer of any notes acquired by it, except upon presentation of evidence satisfactory to us that the restrictions set forth herein have been complied with;
- (9) it acknowledges that we, the Initial Purchasers and other persons, will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify us and the Initial Purchasers; and
- (10) if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend that will appear on the face of the Restricted Global Note and that will be used to notify transferees of the foregoing restrictions on transfer. This legend will only be removed with our consent.

“THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY U.S. STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF THE ISSUER THAT THIS NOTE OR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE ISSUER, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”), TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER APPLICABLE JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES THAT IT SHALL NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

THIS LEGEND MAY BE REMOVED SOLELY IN THE DISCRETION AND AT THE DIRECTION OF THE ISSUER.”

The following is the form of restrictive legend which will appear on the face of the Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

“THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY U.S. STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES THAT NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION, AND IN

ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY OTHER APPLICABLE JURISDICTION.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE AFTER 40 DAYS BEGINNING ON AND INCLUDING THE LATER OF (A) THE DATE OF WHICH THE NOTES ARE OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) AND (B) THE ORIGINAL ISSUE DATE OF THE NOTES.”

LISTING AND GENERAL INFORMATION

1. The notes will be submitted for clearance through DTC, Euroclear, Clearstream and, as a participant of Clearstream, LatinClear and we will provide the following security codes when they become available:

	CUSIP	ISIN
Rule 144A notes		
Regulation S notes		
Rule 144A notes		
Regulation S notes		

2. Application will be made to admit the notes offered hereby for listing on LATINEX and the SGX-ST.
3. We are registered with the Registro Público de Panamá (Public Registry of Panama) and our identification number is 432290.
4. There are no litigation or arbitration proceedings against or affecting us or any of our assets, nor are we aware of any pending or threatened proceedings that are or might reasonably be expected to be material in the context of the issuance of the notes.
5. Copies of our latest annual financial statements and interim financial statements, which are published on a quarterly basis, may be obtained during normal business hours at the offices of the trustee and the Singapore listing, transfer and paying agent. Copies of our bylaws (*estatutos sociales*), as well as the Transaction Documents (including forms of notes), will be available (free of charge) at the offices of the paying agent in Singapore. As long as the notes are outstanding, the documents referred to in this paragraph will be available, by physical or electronic means.
6. Except as disclosed in this Offering Memorandum, there has been no adverse change or any development reasonably likely to involve an adverse change, in our condition (financial or otherwise), prospects or general affairs since March 31, 2021 that is material in the context of the issuance of the notes.
7. To the best of our knowledge, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the significance of such information. Accordingly, we accept responsibility.
8. All required consents, approvals, authorizations or other orders of all regulatory authorities have been given for our entry into the Transaction Documents and the creation and issue of the notes. We will comply with the reporting and other requirements of the Panamanian securities law applicable to companies that have registered their securities with the SMV, as well as the requirements of LATINEX.
9. If and for so long as the notes are listed and quoted on the SGX-ST and the rules of the SGX-ST so require, we shall appoint and maintain a paying agent in Singapore, where the notes may be presented or surrendered for payment or redemption, in the event that the Global Notes are exchanged for notes in definitive form. In addition, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the notes in definitive form, including details of the paying agent in Singapore. The notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 (or its equivalent in foreign currencies) for so long as the Notes are listed and quoted on the SGX-ST and the rules of the SGX-ST so require.

LEGAL MATTERS

Certain legal matters with respect to U.S. law and New York law and the issuance of the notes offered hereby will be passed upon for us by Shearman & Sterling LLP, as our U.S. legal counsel. Certain legal matters with respect to Panamanian law will be passed upon for us by Icaza, González Ruiz & Alemán, as our Panamanian counsel. Certain legal matters with respect to U.S. law and New York law and the issuance of the notes offered hereby will be passed upon for the Initial Purchasers by Milbank LLP, as their U.S. legal counsel. Certain legal matters with respect to Panamanian law will be passed upon for the Initial Purchasers by Alemán, Cordero, Galindo & Lee, as their Panamanian legal counsel.

INDEPENDENT AUDITORS

Our audited financial statements as of and for the years ended December 31, 2020, 2019 and 2018, included in this Offering Memorandum, have been audited by Deloitte, Inc., our independent auditors, as stated in their report appearing herein.

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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
three-month period ended March 31, 2021

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 three-month period ended March 31, 2021

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Aeropuerto Internacional de Tocumen, S.A.

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

Unaudited condensed statement of financial position**March 31, 2021**

(In balboas)

Assets	Notes	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Non-current assets			
Property, equipment and improvements, net of depreciation	4	682,113,828	686,657,073
Constructions in progress	5	1,297,523,261	1,280,099,440
Deferred tax assets	13	13,409,231	13,317,159
Advance to contractors		140,844	140,844
Advance to purchases abroad	6	24,839,659	28,450,089
Inventories, net		2,206,245	2,411,339
Severance fund		4,227,372	4,174,548
Total non-current assets		<u>2,024,460,440</u>	<u>2,015,250,492</u>
Current assets			
Cash and bank deposits	7	99,383,652	90,721,896
Accounts receivable:			
Customers	18	23,345,518	19,281,408
Related parties	8	143,846	129,771
Others		11,362	11,719
		<u>23,500,726</u>	<u>19,422,898</u>
Less: provision for impairment of doubtful accounts		<u>(11,835,362)</u>	<u>(10,972,902)</u>
Accounts Receivable, net		<u>11,665,364</u>	<u>8,449,996</u>
Prepaid expenses		698,831	314,379
Prepaid taxes		31,071,851	31,382,578
Total current assets		<u>142,819,698</u>	<u>130,868,849</u>
Total assets		<u>2,167,280,138</u>	<u>2,146,119,341</u>

(Continues)

Aeropuerto Internacional de Tocumen, S.A.

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

Unaudited condensed statement of financial position**March 31, 2021**

(In balboas)

Equity and liabilities	Notes	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Equity			
Common shares; 1,000,000 authorized with par value; of B/.20.00 each, all issued and outstanding.		20,000,000	20,000,000
Additional paid-in capital		307,661,033	307,661,033
Retained earnings		224,601,488	230,329,202
Accounts receivable shareholder		(15,170,000)	(15,170,000)
Complementary tax		(14,867,563)	(14,867,563)
Total equity		<u>522,224,958</u>	<u>527,952,672</u>
Liabilities			
Non-current liabilities			
Deferred revenue	10	61,804,789	64,117,345
Bonds payable	11	1,397,872,664	1,397,511,596
Accounts payable to concessionaires		142,564	142,564
Concessionaires' guarantee deposits		7,138,850	7,087,792
Provision for benefits to retirees		4,205,943	4,286,468
Seniority premium		3,528,380	3,525,875
Total non-current liabilities		<u>1,474,693,190</u>	<u>1,476,671,640</u>
Current liabilities			
Bonds payable	11	8,641,289	8,641,289
Loan payable	12	25,000,000	25,000,000
Interest payable		32,462,721	11,438,217
Withheld from contractors	9	12,299,950	12,197,355
Accounts payable related parties	8	20,301,687	16,367,431
Accounts payable and other accrued expenses payable		48,293,511	44,339,945
Accounts payable to concessionaires		15,100	15,100
Deferred revenue	10	<u>23,347,732</u>	<u>23,495,692</u>
Total current liabilities		<u>170,361,990</u>	<u>141,495,029</u>
Total liabilities		<u>1,645,055,180</u>	<u>1,618,166,669</u>
Total equity and liabilities		<u>2,167,280,138</u>	<u>2,146,119,341</u>

The accompanying notes are an integral part of these unaudited condensed financial statements. (Concludes)

Aeropuerto Internacional de Tocumen, S.A.

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

**Unaudited condensed statement of profit or loss and other comprehensive income
for the three-month period ended March 31, 2021**

(In balboas)

		Three-months period ended March 31,	
	Notes	2021	2020
		(Unaudited)	
Revenue	14	22,842,841	57,089,052
Depreciation	4	(4,548,554)	(4,463,480)
Personnel costs	15	(6,540,904)	(9,245,919)
Repairs and maintenance		(916,337)	(1,276,903)
Utilities		(924,904)	(1,495,021)
Special Fund for the Development of the National Aeronautics Infrastructure	8	(3,750,000)	(3,750,000)
International Civil Aviation Organization fees and other related expenses		(640,301)	(606,933)
Payment for Panama Pacific concession		(625,000)	(625,000)
Other expenses		(2,778,315)	(2,482,433)
Financial costs, net	16	<u>(7,627,584)</u>	<u>(6,979,114)</u>
(Loss) before income tax		<u>(5,509,058)</u>	<u>26,164,249</u>
Income tax:			
Current		(310,728)	(7,849,275)
Deferred		<u>92,072</u>	<u>(51,737)</u>
Total income tax	13	<u>(218,656)</u>	<u>(7,901,012)</u>
(Loss) profit for the period		<u>(5,727,714)</u>	<u>18,263,237</u>

The accompanying notes are an integral part of these unaudited condensed financial statements.

Aeropuerto Internacional de Tocumen, S.A.

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

**Unaudited condensed statement of changes in equity
for the three-month period ended March 31, 2021**

(In balboas)

	Common shares	Additional paid-in capital	Retained earnings	Accounts receivable shareholder	Complementary tax	Total equity
Balance at January 1, 2020	20,000,000	307,661,033	216,016,282	(15,170,000)	(14,148,106)	514,359,209
Profit for the period	-	-	18,263,237	-	-	18,263,237
Balance at March 31, 2020 (Unaudited)	20,000,000	307,661,033	234,279,519	(15,170,000)	(14,148,106)	532,622,446
Balance at January 1, 2021	20,000,000	307,661,033	230,329,202	(15,170,000)	(14,867,563)	527,952,672
Loss for the period	-	-	(5,727,714)	-	-	(5,727,714)
Balance at March 31, 2021 (Unaudited)	20,000,000	307,661,033	224,601,488	(15,170,000)	(14,867,563)	522,224,958

The accompanying notes are an integral part of these unaudited condensed financial statements.

Aeropuerto Internacional de Tocumen, S.A.

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

**Unaudited condensed statement of cash flows
for the three-month period ended March 31, 2021
(In balboas)**

		Three-months period ended	
		March 31,	
	Notes	2021	2020
		(Unaudited)	
Cash flows from operating activities:			
(Loss) profit for the period		(5,727,714)	18,263,237
Adjustments for:			
Depreciation	4	4,548,554	4,463,480
Provision for impairment of doubtful accounts		862,460	-
Provision for property tax on improvements		-	446,971
Provision for seniority premium		89,412	139,645
Financial costs, net	16	7,266,516	6,631,685
Amortization of issuance costs		361,068	347,429
Income tax recognized in the unaudited statement of profit or loss and other comprehensive income	13	218,656	7,901,012
		<u>7,618,952</u>	<u>38,193,459</u>
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable		(4,077,828)	544,672
Decrease (increase) in inventories		205,094	(118,084)
Increase in prepaid expenses and other assets		(384,452)	(545,026)
Decrease in advance purchases abroad and contractor		630,415	359,899
Decrease in deferred revenue		(2,460,516)	(5,905,503)
Increase in accounts payable and other accrued expenses payable		3,947,525	3,341,877
Decrease in accrued expenses payable and other liabilities		(116,374)	(148,253)
Increase in accounts payable to related parties		3,934,256	1,228,267
Decrease in severance fund		(52,824)	(38,594)
		<u>9,244,248</u>	<u>36,912,714</u>
Cash flows from operating activities:			
Income tax paid		-	(5,944,442)
Interest earned		105,798	168,371
Interest paid		(276,657)	-
Net cash provided by operating activities		<u>9,073,389</u>	<u>31,136,643</u>
Cash flows from investment activities:			
Payment for constructions in progress	5	(406,324)	(1,800,398)
Acquisition of fixed assets	4	(5,309)	(20,098)
Net cash used in investment activities		<u>(411,633)</u>	<u>(1,820,496)</u>
Cash flows from financing activities:			
Guarantee trust fund		<u>(7,898,217)</u>	<u>(15,675,280)</u>
Net cash used in financing activities		<u>(7,898,217)</u>	<u>(15,675,280)</u>
Net increase in cash and cash equivalents		763,539	13,640,867
Cash and cash equivalents at the beginning of the period		<u>20,976,225</u>	<u>87,734,980</u>
Cash and cash equivalents at the end of the period	7	21,739,764	101,375,847

The accompanying notes are an integral part of these unaudited condensed financial statements.

Aeropuerto Internacional de Tocumen, S.A.

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

Notes to the unaudited condensed financial statements for the three-month period ended on March 31, 2021

(In balboas)

1. General information

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 manage the Airport’s 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.

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

1.1. COVID-19 Impact / Going Concern

The Global pandemic due to COVID-19 has significantly affected the Panamanian and international economy, having significant adverse impacts on the entire aviation industry due to the aggressive measures to reduce the spread of the virus that many countries have adopted, including travel restrictions and bans. These measures, while necessary, resulted in a drastic decrease in airport operations and affected passenger confidence, resulting in an unprecedented drop in traffic volume at Aeropuerto Internacional de Tocumen, S.A.

In Panama, the Government through the Executive Decree No.244 of March 19, 2020 temporarily suspended international passenger flights to and from Panama, resulting in a full reopening of activities until October 12. As of this date, the airport's passenger traffic has experienced an average monthly growth of 94.3%, closing the year 2020 with a total of 4.5 million passengers in transit through the airport. While this figure represents a 72.7% decrease in passenger traffic compared to 2019, it is a significant increase from passenger traffic levels at the start of the COVID-19 pandemic.

The Company has taken aggressive actions, focusing on reducing fixed costs, further strengthening its liquidity position and adjusting its size, for what it believes will be a weakened demand environment in the immediate future.

Tocumen is one of the largest hubs in the region and one of the fastest growing in Latin America. We are facing an uncertain scenario, however, several vaccines have had unexpected success and some countries have launched ambitious vaccination campaigns. There is an increase in intensive contact activities as the health crisis wears off, yet enormous uncertainty remains and prospects vary widely between countries. The projected recovery of aviation will depend, among other things, on the border situation and the openness of the countries. To date, approximately 57 destinations are served by flights arriving and departing from Tocumen International Airport.

Aircraft movement is expected to continue to increase in the near term, with an average monthly growth of 27.1%. The total movement of Aircraft (Operations), includes the total number of landings and takeoffs of aircraft at the Aeropuerto Internacional de Tocumen, S.A., which recorded a variation in December 2020 compared to the same month in 2019 of -56%.

Aeropuerto Internacional de Tocumen, S.A.

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

Notes to the unaudited condensed financial statements for the three-month period ended on March 31, 2021

(In balboas)

The revenue during the year 2020 was affected by the Covid-19 impact. In the aeronautical industry, Covid-19 health crisis caused a slowdown in the air passenger transportation sector, which led to a 68% decrease in aeronautical revenues. Non-aeronautical revenues during the year 2020 show a decrease of 67% as they were directly impacted by the declaration of the State of Emergency at the national and international level generated provisional relief measures for commercial concession contracts.

Our new baseline scenario estimates a more moderate traffic recovery for the next three years, with international traffic returning to 2019 levels until 2024. By 2021, we are assuming a total number of passengers in a range of 50% to 60% below 2019 levels.

Global passenger traffic will continue a slow increase in the first half of 2021 as vaccination campaigns are implemented and organized. The road to restoring international air services will not be resolved quickly with vaccines for the prevention of COVID-19 since the vaccination process of the world population will be too slow to allow a comprehensive international opening. Therefore, it will remain very difficult to open international markets, unless a significant part of the world population is vaccinated. Until several million people can be vaccinated, the border situation will remain uncertain and, most likely, fragmented.

The improvements and extensions to the airport can be divided into three categories: improvements in the terminal area, improvements in the airfield and improvements in the ground and cargo and logistics area.

As of March 31, 2021, the construction of Terminal 2 is 99.7% completed, with an area of approximately 116,000 m2 and consists of three levels that are still under development of pending works that include: Area and baggage handling equipment, public areas, including check-in, passenger security processing, commercial areas and lounges and a partial level for VIP lounges, retail stores and restaurants

2. Adoption of new International Financial Reporting Standards (IFRSs)

2.1 Standards and Interpretations adopted without effect on the financial statements

There were no IFRSs or IFRIC interpretations, effective for the year that began on January 1st 2021 that had a significant effect on the financial statements.

2.2 New and revised IFRS issued, but not yet effective

The Company has not adopted the following new and revised standards and interpretations that have been issued but are not yet effective.

Amendments to IAS 1	<i>Classification of liabilities as current and non-current</i>
Modifications to IFRS 3	<i>Reference to the conceptual framework</i>
Amendments to IAS 16	<i>Property, plant and equipment - Income before intended use</i>
Amendments to IAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
Annual improvements to IFRS	<i>Amendments to IFRS 1 Adoption for the first time of IFRS,</i>
Cycle 2018-2020	<i>IFRS 9 Financial instruments, IFRS 16 Leases and IAS 41</i>
	<i>Agriculture</i>

Management does not expect the adoption of the aforementioned standards to have a significant impact on the Company's financial statements in future periods.

Aeropuerto Internacional de Tocumen, S.A.

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

Notes to the unaudited condensed financial statements for the three-month period ended on March 31, 2021

(In balboas)

3. Summary of significant accounting policies

A summary of the accounting policies applied in the preparation of the unaudited interim condensed financial statements is presented below:

3.1 Basis of presentation

This condensed interim financial report for the three-month period ended March 31, 2021 has been prepared in accordance with International Accounting Standard IAS 34, Interim Financial Information.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended December 31, 2020.

The accounting policies adopted are consistent with those of the previous financial year and with the corresponding interim reporting period.

The unaudited condensed interim financial statements have been prepared on a historical cost basis. Generally, the historical cost is based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants consider these characteristics when pricing the asset or liability at the measurement date. For measurement and/or disclosure purposes, the fair value in these financial statements is determined on such a basis. There are exceptions made for share-based payment transactions within the scope of IFRS 2, leasing transactions within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as the net realizable value in IAS 2 or the value-in-use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized as Level 1, 2 or 3 based on the degree to which the inputs in the fair value measurements are observable and the significance of the inputs in the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets and liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for an asset or liability.

3.2 Functional and presentation currency

The unaudited condensed interim financial statements are expressed in balboas (B/.), the official currency of the Republic of Panama, which is at par and freely exchangeable with the dollar of the United States of America (US\$).

Aeropuerto Internacional de Tocumen, S.A.

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

Notes to the unaudited condensed financial statements for the three-month period ended on March 31, 2021

(In balboas)

3.3 *Materiality*

In determining the disclosures to be made on the different items of the unaudited condensed interim financial statements and on other matters, in accordance with IAS 34, the Company has taken into account their materiality in relation to the unaudited condensed interim financial statements.

3.4 *Financial instruments*

Financial assets and liabilities are recognized when the Company becomes part of the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and liabilities (other than financial assets and liabilities designated at fair value through profit or loss) are added to or deducted from the fair value of financial assets or liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value with changes in profit or loss are immediately recognized in the statement of profit or loss and other unaudited condensed comprehensive income.

3.5 *Financial assets*

The Company maintains three major classification categories for financial assets: measured at amortized cost (AC), at fair value through other comprehensive income (FVTOCI) and at fair value through profit and loss (FVTPL). The IFRS 9 classification is generally based on the business model in which a financial asset and its contractual cash flows are managed.

3.5.1 *Effective interest rate method*

The effective interest rate method is a method of calculating the amortized cost of a financial instrument and allocating financial income over the relevant period. The effective interest rate is the discount rate that exactly discounts the estimated cash flows receivable or payable (including commission, basic points of interest paid or received, transaction costs and other premiums or discounts that are included in the calculation of the effective interest rate), over the expected life of the financial instrument or, where appropriate, in a shorter period, with the net carrying value on initial recognition.

Income is recognized based on the effective interest rate for debt instruments other than those financial assets classified as FVTPL.

The following are the financial assets at the date of the unaudited condensed statement of financial position:

3.5.2 *Accounts receivable*

Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accounts receivable, including trade accounts, other accounts receivable, bank balance and cash, among others, are measured at amortized cost using the current interest method less any impairment.

Interest income is recognized when the current interest rate is applied, except for short-term accounts receivable when the effect of not discounting is immaterial.

Aeropuerto Internacional de Tocumen, S.A.

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

Notes to the unaudited condensed financial statements for the three-month period ended on March 31, 2021

(In balboas)

3.5.3 Impairment of financial assets

Financial assets are tested for impairment at the end of each reporting period.

Under IFRS 9, provisions for expected credit losses are measured on either of the following bases:

- Expected credit losses (ECLs) for 12 months: are ECLs resulting from possible predetermined events within 12 months subsequent to the date of the report, and
- Expected Credit Loss (ECLs) for Lifetime: ECLs resulting from all predetermined possible events during the expected useful life of a financial instrument.

The Company has chosen to estimate the provision, using the Roll Rates model, the expected loss from the impairment of accounts receivable and its recognition in the financial statements with reference to IFRS 9. This method determines, by means of through mathematical calculations, a collective percentage of the balances that migrate or are transferred from a certain range of antiquity to another of greater antiquity until reaching the point where it constitutes an impairment, in order to make perform a calculation, which can easily estimate with some ease a provision and give it the due follow-up by adjusting its value in books according to the results obtained. Establish a horizon for evaluating historical information on the behavior of outstanding balances month by month. The base historical information should be a minimum of 24 months; the range of antiquity must be in intervals of 30 days and at more than 360 days, makes a provision matrix with the historical outstanding balances, and calculates the percentage of the debt that migrates from one age to another.

Expected Loss Rate, which represents the estimate of the loss due to the given default payment of the accounts receivable (Default) for each of the PX. You must multiply all the PX must be multiply from the next PX that is calculating from now on.

The carrying value of the financial asset is reduced directly by the impairment loss for all financial assets with the exception of trade receivables, where the carrying value is reduced using a provision account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying value of the provision account are recognized in profit or loss and other comprehensive income.

3.5.4 Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers or retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying value and the amount of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Aeropuerto Internacional de Tocumen, S.A.

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On partial derecognition of a financial asset (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying value of the financial asset between the part it continues to recognize under continued involvement and the part it no longer recognizes on the basis of the relative fair value of those parts on the date of the transfer. The difference between the carrying value allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized based on the relative fair values of those parts.

3.6 Financial liabilities and equity instruments

3.6.1 Financial liabilities and equity instruments

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Company, classifies its financial liabilities as subsequently measured at amortized cost, except for those liabilities measured at fair value with changes in profit or loss as a result of hedge accounting, as well as liabilities measured at fair value in the case of non-designated derivatives.

3.6.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a Company after deducting all of its liabilities. Equity instruments issued by a Company entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or settlement of the Company's own equity instruments.

3.6.3 Other financial liabilities

Other financial liabilities (including bonds payable and trade and other payables) are subsequently measured at amortized cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial liability and allocating financial expense over the relevant period. The effective interest rate is the discount rate that exactly discounts the estimated cash flows receivable or payable (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) over the expected life of the financial liability or, (where appropriate) in a shorter period to the net carrying value on initial recognition.

3.7 Constructions in progress

Constructions in progress represent project costs considered in the "Expansion Plan of the South Terminal" and other infrastructure projects, which are under construction.

The costs of the projects under construction are transferred to property and property improvements in exploitation over the fiscal period or at the end of the financial year once the infrastructure has been commissioned to enter into commercial exploitation and the corresponding minutes of substantial or final acceptance are available.

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The costs of constructions in progress include the costs of salaries, employee benefits, loan interest attributable to construction and other direct costs directly associated with the project.

Interest incurred on borrowings acquired for the projects under construction are capitalized as a component of cost of constructions in progress. Capitalization ends when the infrastructure under development is available for use. Other interests are recognized as financial costs when incurred.

3.8 Property, equipment and property improvements

i. Recognition and measurement

Property, equipment and property improvements for use in the production or supply of goods and leasing services to third parties or for administrative purposes are stated at cost less accumulated depreciation and subsequent accumulated impairment losses, except for the land, which is valued at cost.

Costs include expenses that are directly attributable to the acquisition of the asset. Cost of the constructed assets include the cost of materials and direct labor, borrowing costs capitalized in accordance with the Company accounting policy and any other costs directly related to the asset in order to be in the required conditions and to operate as intended.

Gains and losses on disposal of an item of property, equipment and property improvements are determined by comparing the disposal proceeds with the carrying amount of the assets and are recognized net within "other income" in the statement of profit or loss and other comprehensive income.

The Company classifies as property and property improvements as the portion of the assets that is used for purposes of generating income when these assets cannot be sold separately and when the portion of the asset used for production or supply purposes of goods or services or administrative purposes is not significant.

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value of the asset and is recognized in profit or loss.

ii. Depreciation

Depreciation of property, equipment and property improvements is recognized in profit or loss. Depreciation is recognized until the cost of the assets is written off (other than land and property under construction less its residual value over its useful life).

The items of property, equipment and property improvements are depreciated using the straight-line method in profit and loss based on the estimated useful lives of each component. Land does not depreciate. The items of property, equipment and property improvements are depreciated from the date in which they are installed and ready for use, or in the case of assets constructed internally, from the date in which the asset is completed and in conditions to be used.

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The estimated useful lives of the assets are as follows:

	<u>Estimated useful life</u>
Furniture and fixtures	10
Vehicles	5
Sweeping equipment	10
Computer equipment	5
Machinery, equipment and others	10
Office equipment	10
Boarding bridge equipment	18
Infrastructure and improvements	40

The estimated useful life, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

iii. Subsequent costs

The cost of replacing an item of property, equipment and property improvements is recognized in the carrying value of the item if it is likely that future economic benefits associated with the item will flow to the entity and its cost can be measured reliably. The carrying value of the replaced item is derecognized. The daily maintenance cost of furniture, equipment and improvements is recognized in the line of repair and maintenance in the statement of profit or loss and other comprehensive income the period in which it is incurred.

3.9 Impairment of non-financial assets

The carrying value of the non-financial assets of the Company are reviewed at each reporting date to determine if there is an indication of impairment. If such an indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are assigned to the individual cash-generating units, or else assigned to the smaller group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable value of an asset or its cash-generating unit is the greater of its value-in-use and its fair value less costs required for its disposal. In assessing the value-in-use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to which the asset belongs. For purposes of impairment testing, assets are brought together in the lower group of assets that generates cash inflows from continued use, having great independence of the cash inflows from other assets or groups of assets (the cash-generating unit).

An impairment loss is recognized if the carrying value of an asset or its cash-generating unit exceeds its estimated recoverable value. Impairment losses are recognized in the statement of profit or loss and other comprehensive income.

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With respect to other assets, impairment losses recognized in prior years are assessed at each reporting date with respect to any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount; however so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss for the year period.

3.10 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is for estimated customer returns, rebates and other similar allowances.

3.10.1 Provision of services

Revenue from contracts to provide services is recognized when the service is provided or by reference to the completion phase of the contract.

Revenues from providing airport operation services include:

- a) *Operations* - Correspond to the right of landing of an aircraft, ground handling services, equipment leasing of ramp and boarding bridge for commercial, private and cargo flights, as well as the rate applied to each of the persons as national and international passengers to use the terminal facilities of the Company on outbound flights. These revenues are recognized once the service invoice is issued each month, on an accrual basis.
- b) *Business* - Includes revenues from use of parking lots for vehicles entering the airport facilities and the fuel marketing margins, which is the margin invoiced to the oil companies for the sale of fuel to aircrafts dispatched within the Company's facilities.

These revenues are recognized on an accrual basis, considering the monthly sales reports of the sales agents.

3.10.2 Rental income

The Company's policy for the recognition of revenue from operating leases is described in Note 3.11.1 below.

3.10.3 Interest income

Interest income from a financial asset is recognized when it is likely that the economic benefits will flow into the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, with respect to the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash flows receivable or payable through the expected life of the financial asset to that asset's net carrying value on initial recognition.

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3.11 Leases

3.11.1 The Company as a lessor

Concession agreements generally include a payment for key rights, a fixed rental income per square meter of leased commercial premises and a variable income based on a percentage of gross income generated in leased premises by the tenant, which is determined according to the commercial activity and is usually in the range of 5% to 10%. Payments for key rights received from administrative concessions for the lease of commercial premises in the airport terminal are recognized as income over the term of the contract and are included as part of the rental income in the statement of profit or loss and other comprehensive income.

Fixed rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Variable income is recognized when it is probable that the economic benefit will flow to the Company and the amount of income can be measured reliably.

3.12 Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies described in Note 3, Management must make judgments, estimates and assumptions about the carrying value of assets and liabilities not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

3.12.1 Critical judgments in applying accounting policies

Presented below are Management's judgments, apart from those involving estimates (see Note 3.12.2), made during the process of applying the Company's accounting policies and that have a significant effect on the amounts recognized in the financial statements.

Recognition of items in the financial statements

As part of the control and supervision of the Company, in some circumstances the endorsement of the General Comptroller of the Republic is legally required for the transaction to be valid. In circumstances where it is probable that the economic benefits associated with the transaction will flow to or from the entity, the item has a cost or value that can be measured reliably, reaching an agreement with the counterparty. Also, the Company has obtained all the required approvals from Management, thus the transaction is still recognized without the approval of the Comptroller as it is considered a transaction with a high probability of execution.

3.12.2 Key sources of estimation uncertainty

The information about assumptions and estimates in cases of uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Provision for impairment of financial assets (Note 17.2).
- Provision for retiree benefits.

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

Property, equipment and property improvements is broken down as follows:

March 31, 2021 (Unaudited)						
Cost	Balance at January 1, 2021	Acquisitions	Asset disposal or withdrawal	Capitalization	Reclassification	Balance at March 31, 2021
Land	270,393,709	-	-	-	-	270,393,709
Infrastructure and improvements	492,387,102	-	-	-	-	492,387,102
Furniture and fixtures	6,796,892	-	-	-	-	6,796,892
Vehicles	12,836,450	-	-	-	-	12,836,450
Sweeping equipment	689,753	-	-	-	-	689,753
Computer equipment	16,909,746	5,309	-	-	-	16,915,055
Machinery, equipment and others	47,467,350	-	-	-	-	47,467,350
Office equipment	62,887	-	-	-	-	62,887
Boarding bridge equipment	21,185,762	-	-	-	-	21,185,762
Works of art	70,360	-	-	-	-	70,360
Other cultural assets	19,860	-	-	-	-	19,860
Other assets	1,793,472	-	-	-	-	1,793,472
Total	870,613,343	5,309	-	-	-	870,618,652

Depreciation	Balance at January 1, 2021	Depreciation expense	Asset disposal or withdrawals	Capitalization	Reclassification	Balance at March 31, 2021
Infrastructure and improvements	98,305,585	2,984,166	-	-	-	101,289,751
Furniture and fixtures	3,173,590	135,284	-	-	-	3,308,874
Vehicles	11,731,091	148,583	-	-	-	11,879,674
Sweeping equipment	635,139	9,102	-	-	-	644,241
Computer equipment	13,641,255	393,005	-	-	-	14,034,260
Machinery, equipment and others	42,054,286	556,195	-	-	-	42,610,481
Office equipment	41,872	970	-	-	-	42,842
Boarding bridge equipment	13,238,620	277,587	-	-	-	13,516,207
Other assets	1,134,832	43,662	-	-	-	1,178,494
Total	183,956,270	4,548,554	-	-	-	188,504,824
	686,657,073					682,113,828

December 31, 2020 (Audited)						
Cost	Balance at January 1, 2020	Acquisitions	Asset disposal or withdrawal	Capitalization	Reclassification	Balance at December 31, 2020
Land	270,393,709	-	-	-	-	270,393,709
Infrastructure and improvements	475,435,260	-	-	16,947,353	4,489	492,387,102
Furniture and fixtures	6,743,882	66,076	(61,009)	47,943	-	6,796,892
Vehicles	12,860,714	-	(24,264)	-	-	12,836,450
Sweeping equipment	689,753	-	-	-	-	689,753
Computer equipment	16,385,985	375,422	(19,876)	-	168,215	16,909,746
Machinery, equipment and others	46,367,736	549,053	(6,772)	522,887	34,446	47,467,350
Office equipment	63,762	-	(1,523)	-	648	62,887
Boarding bridge equipment	21,185,762	-	-	-	-	21,185,762
Works of art	70,360	-	-	-	-	70,360
Other cultural assets	19,860	-	-	-	-	19,860
Other assets	1,793,472	-	-	-	-	1,793,472
Total	852,010,255	990,551	(113,444)	17,518,183	207,798	870,613,343

Depreciation	Balance at January 1, 2020	Depreciation expense	Asset disposal or withdrawal	Capitalization	Reclassification	Balance at December 31, 2020
Infrastructure and improvements	86,683,858	11,621,727	-	-	-	98,305,585
Furniture and fixtures	2,683,299	490,455	(164)	-	-	3,173,590
Vehicles	11,108,904	646,451	(24,264)	-	-	11,731,091
Sweeping equipment	598,731	36,408	-	-	-	635,139
Computer equipment	12,128,268	1,513,631	(644)	-	-	13,641,255
Machinery, equipment and others	39,661,802	2,399,256	(6,772)	-	-	42,054,286
Office equipment	38,417	4,978	(1,523)	-	-	41,872
Boarding bridge equipment	12,128,272	1,110,348	-	-	-	13,238,620
Otros activos	960,184	174,648	-	-	-	1,134,832
Total	165,991,735	17,997,902	(33,367)	-	-	183,956,270

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5. Constructions in progress

Constructions in progress are detail as follows:

March 31, 2021 (Unaudited)				
	Balance at January 1, 2021	Additions	Capitalizations	Balance at March 31, 2021
South Terminal	1,178,670,458	14,353,723	-	1,193,024,181
Other contracts:				
Mota-Engil, Engenharia e Construção, S.A.	13,431,464	62,647	-	13,494,111
Constructora RODSA	15,492,378	1,692	-	15,494,070
Administración e Inversiones del Istmo, S.A.	2,539,885	24,512	-	2,564,397
Others constructions (OACI)	69,461,787	-	2,980,015	72,441,802
Other under B/.2,000,000	503,468	1,232	-	504,700
	101,428,982	90,083	2,980,015	104,499,080
	1,280,099,440	14,443,806	2,980,015	1,297,523,261
December 31, 2020 (Audited)				
	Balance at January 1, 2020	Additions	Capitalizations	Balance at December 31, 2020
South Terminal	1,143,966,368	34,704,090	-	1,178,670,458
Other contracts:				
Celmec, S. A.	-	124,356	(124,356)	-
Mota-Engil, Engenharia e Construção, S.A.	10,402,535	3,028,929	-	13,431,464
Constructora RODSA	14,410,091	1,082,287	-	15,492,378
Sampol Ingeniería y Obras, S. A.	10,637,466	1,273,925	(11,911,391)	-
Administración e Inversiones del Istmo, S.A.	2,488,304	51,581	-	2,539,885
Concreto Asfáltico Nacional, S.A.	4,014,957	259,193	(4,274,150)	-
Others constructions (OACI)	67,577,589	-	(522,887)	69,461,787
Other under B/.2,000,000	888,247	252,677	(637,456)	503,468
	110,419,189	6,072,948	(17,470,240)	101,428,982
	1,254,385,557	40,777,038	(17,470,240)	1,280,099,440

The Company started construction of the South Terminal in 2013. The construction of Terminal 2 under the work contract consists of a new passenger terminal, an access boulevard from 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 constructions in progress reflect the expenditures 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 the period ended March 31, 2021, the net capitalized interest costs amounted to B/.13,934,887 (2020: B/.14,461,227)

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6. Advances for purchases abroad

The movement of the advance to purchases abroad is presented below:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	28,450,089	39,613,680
Plus:		
Interest earned	<u>9,886</u>	<u>148,108</u>
	28,459,975	39,761,788
Less:		
Acquisition of assets	-	(7,511)
Constructions in progress	(2,980,015)	(4,827,382)
Supplies and other costs	<u>(640,301)</u>	<u>(6,476,806)</u>
	<u>24,839,659</u>	<u>28,450,089</u>

During the period ended March 31, 2021, the Company has used the development of ICAO improvements as established in contract PAN/03/902. At the same time, ICAO has reported expenses for an amount of B/.640,301 (2020:B/.6,476,806) and constructions in process for an amount of B/. 2,980,015 (2020: B/.4,827,382).

7. Cash and bank deposits

Cash and bank deposits are detailed as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash	97,050	98,066
Checking accounts	21,642,714	20,878,159
Guarantee Trust Fund	<u>77,643,888</u>	<u>69,745,671</u>
	<u>99,383,652</u>	<u>90,721,896</u>

The guarantee trust fund is constituted by means of an irrevocable guarantee trust contract between the Company and The Bank of Nova Scotia (Panama), S.A., which consists of guaranteeing the registered holders of the issue, the payment of the sums in concept of capital, interest, default interest or other concepts, that the issuing trustor owes them, or may in the future owe them, according to the terms and conditions of the issuance bonds, and any other sums that the issuing trustor owes to registered holders and other beneficiaries in accordance with the issuance documents. This fund generates monthly interest at an average rate of 0.25%. See Note 11.

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The following 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:

	March 31 2021 (Unaudited)	December 31 2020 (Audited)
Total cash and bank deposits	<u>99,383,652</u>	<u>90,721,896</u>
Cash not available:		
Guarantee Trust Fund	<u>(77,643,888)</u>	<u>(69,745,671)</u>
Total cash and cash equivalents	<u>21,739,764</u>	<u>20,976,225</u>

8. Balances and transactions with related parties

The balances and transactions with related parties are summarized below:

	March 31, 2021 (Unaudited)	2020
Revenues:		
Concession of commercial areas	<u>35,554</u>	<u>33,891</u>
Expenses:		
Special Fund fo the Development of the National Aeronautics Infrastructure (b)	3,750,000	3,750,000
Procuraduría General de la Nación (Comisión Nacional para la Prevención de los Delitos de Explotación Sexual)	<u>33,889</u>	<u>151,494</u>
	<u>3,783,889</u>	<u>3,901,494</u>

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	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Assets:		
Cash and bank deposits:		
Banco Nacional de Panamá	21,385,692	20,744,842
Caja de Ahorros	257,022	133,317
	<u>21,642,714</u>	<u>20,878,159</u>
Accounts receivable:		
Post and telegraph	84,245	80,905
Autoridad de Turismo de Panamá	52,762	48,866
Banco Nacional de Panamá	6,839	-
	<u>143,846</u>	<u>129,771</u>
Liabilities:		
Accounts payable:		
Autoridad de Turismo de Panamá (d)	6,095,326	5,955,164
Universidad de Panamá (a)	6,000,000	6,000,000
Special Fund for the Development of the National Aeronautics Infrastructure (b)	4,500,000	750,000
Ministerio de Seguridad Pública (c)	3,500,000	3,500,000
Autoridad de Aeronáutica Civil	131,722	109,856
Procuraduría General de la Nación (Comisión Nacional para la Prevención de los Delitos de Explotación Sexual)	72,459	38,570
Caja de Ahorros	1,773	2,023
Lotería Nacional de Beneficencia	407	407
Banco Nacional de Panamá	-	11,411
	<u>20,301,687</u>	<u>16,367,431</u>
Equity		
Accounts receivable shareholder	<u>15,170,000</u>	<u>15,170,000</u>

The related accounts receivable and payable do not bear interest.

Accounts receivable and payable with related parties are not guaranteed.

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

The nature of transactions with related parties is detailed below:

a) *Universidad de Panamá*

By Public Deed No.5,373 of February 28, 2013, the Universidad de Panamá granted by way of transfer the real and effective sale title of property No.455263 resulting from the segregation of Property No.17,908 and Property No.18,454 in the amount of B/.109,852,167, according to the average of valuations made by the Ministry of Economy and Finance and the Comptroller General of the Republic.

In 2014, the Company requested the University to delay the payment in order to pay B/.20,000,000 in July 2015, and the remaining amount in 2016. In January 2015, the Company received a letter from the University accepting (a) the new terms of payment and (b) requesting an annual interest payment of 4% of the amount owed (c) to include in the addenda to the original contract the payment for the additional six (6) hectares of land of Plots A and B of Property 17908, Roll, Seat 1, located in the township of Tocumen which increased the amount owed by B/.6,000,000.

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As of March 31, 2021, the Company has recorded the amount related to balloons of land A and B, but has not recognized any amount related to interest since, according to Management's perspective, it was not included in the contractual terms of the original contracts.

b) Special Fund for the Development of the National Aeronautics 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 airfields, the Special Fund for the Development of the National Aeronautics Infrastructure (FEDIAN in Spanish) was created. The fund aims to ensure that resources for the development of the aviation sector will be used exclusively for investments in airports and airfields, 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 Aeropuerto Internacional de Tocumen, S.A. must make a non-reimbursable annual contribution to the Special Fund for the Development of the National Aeronautics Infrastructure (FEDIAN). On December 2, 2016, through Cabinet Resolution No. 95 of July 5, 2016, the annual contribution for 2017 was approved for an amount of B/.15,000,000. As was stated in the Executive Decree that regulated the operation of the Fund, the Cabinet Council approved the amount of the contribution.

As indicated in Note 1, the Airport is a wholly-owned Company of the Government of the Republic of Panama, and therefore, all tax and social security expenses and balances 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.

c) Ministerio de Seguridad Pública

During 2014, an agreement was concluded between the Aeropuerto Internacional de Tocumen, S. A. and the Ministry of Public Security, with the aim of executing the implementation of the second phase of the activities to guarantee airport security, meaning everything related to safeguarding the safety and integrity of people at the Aeropuerto Internacional de Tocumen, S.A. In this agreement, the Company undertakes to provide economic resources necessary for the purchase of the supply, installation and integration of a security facial recognition system, for which an amount of B/.8,500,000 was established, as of December 31, 2020 B/.5,000,000 have been contributed leaving a balance payable of B/.3,500,000.

d) Autoridad de Turismo de Panamá

In accordance with Law No.80 of December 31, 2009, in its Article 21. Article 4 g) of Decree-Law 22 of 1960 is as follows: Article 4. The heritage of the Autoridad de Turismo de Panamá shall consist of:

- Twenty-five percent (25%) of the fee that is established for the service to the international passenger at the Aeropuerto Internacional de Tocumen, S.A. and the income from the service on the issuance of the ticket or tickets to travel abroad, which is established in four balboas (B/.4.00) for each hundred or fraction of one hundred balboas (B/.100.00) of the commercial value of the ticket or air and land passenger.

The payments for this agreement are made on a monthly basis, where the Company after the end of the month, sends a detailed report corresponding to the invoices that are subject to the percentage of 25% and the Autoridad de Turismo de Panamá presents the account for the processing and make the payment effective.

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9. Accounts Payable to Constructora Norberto Odebrecht, S. A.

The Company maintains the following balances with Constructora Norberto Odebrecht, S.A., which are included in accounts payable and withholdings to contractors.

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Liabilities		
Accounts Payable	3,648,874	3,648,874
Withholdings to contractors	6,342,203	6,323,178
	<u>9,991,077</u>	<u>9,972,052</u>

10. Deferred revenue

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Payments obtained to secure the award of the lease contract	85,152,521	97,436,396
Current	23,347,732	23,495,692
Non-current	61,804,789	64,117,345
	<u>85,152,521</u>	<u>87,613,037</u>

The deferred revenue arises as a result of the benefit of the initial payments for key rights received from the concessionaires that participate in the concession contracts for the lease of commercial premises located in the free zone area of Aeropuerto Internacional de Tocumen, S.A. The concession contracts are executed in a term of 10 years.

The guaranteed minimum income is generally established for a 24-month period in which the concessionaire is required to pay between 6 and 12 months in advance and the other 12 months must be paid in the thirteenth month. The amounts received from advances received will begin to be applied once the client starts commercial operations.

The movement of deferred revenue is presented below:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at the beginning of the period/year	87,613,037	97,436,396
Key rights received and minimum revenue guaranteed	-	238,745
Amortization of key rights and minimum revenue guaranteed	<u>(2,460,516)</u>	<u>(10,062,104)</u>
Balance at the end of the period/year	<u>85,152,521</u>	<u>87,613,037</u>

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Bonds payable consist of the following:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
2016 Issuance	564,972,427	564,808,575
2018 Issuance	841,541,526	841,344,310
	<u>1,406,513,953</u>	<u>1,406,152,885</u>
Current portion	8,641,289	8,641,289
Non-current portion	<u>1,397,872,664</u>	<u>1,397,511,596</u>
	<u>1,406,513,953</u>	<u>1,406,152,885</u>

11.1 The detail of the 2016 issue is summarized below:

	Maturity	Annual interest rate	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Bonds	May 2036	5.625%	575,000,000	575,000,000
Debt issuance costs			<u>(10,027,573)</u>	<u>(10,191,425)</u>
			<u>564,972,427</u>	<u>564,808,575</u>

The movement of bonds payable is as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Product of bond issuance, net of costs	564,808,575	564,189,348
Amortization costs	<u>163,852</u>	<u>619,227</u>
Total	<u>564,972,427</u>	<u>564,808,575</u>

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The bond issuance costs is broken down as follows:

	March 31, 2021 (Unaudited)	Diciembre 31, 2020 (Audited)
Bond issuance costs at the beginning of the period/year	<u>12,784,090</u>	<u>12,784,090</u>
Accumulated amortization		
Balance at the beginning of the period/year	(2,592,665)	(1,973,438)
Increase for the period/year	<u>(163,852)</u>	<u>(619,227)</u>
Balance at the end of the period/year	<u>(2,756,517)</u>	<u>(2,592,665)</u>
Bond issuance costs, net	<u>10,027,573</u>	<u>10,191,425</u>

11.2 General issuance terms:

In accordance with the meeting of the Board of Directors of the Tocumen International Airport, SA, dated April 18, 2016 and Resolution No. 250-16 of April 26, 2016 of the Superintendency of the Securities Market of Panama, the issuance is authorized guaranteed senior bond in the amount of B / 575,000,000.

11.2.1 The detail of the 2018 issue is summarized below:

	Maturity	Annual interest rate	March 31, 2020 (Unaudited)	December 31, 2020 (Audited)
Bonds	November 2048	6.00%	867,146,309	867,146,309
Debt issuance costs			<u>(25,604,783)</u>	<u>(25,801,999)</u>
			<u>841,541,526</u>	<u>841,344,310</u>

The movement of bonds payable is as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	841,344,310	848,409,782
Payment	-	(7,853,691)
Amortization cost	<u>197,216</u>	<u>788,219</u>
Total	<u>841,541,526</u>	<u>841,344,310</u>

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The bond issuance costs is broken down as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Bond issuance cost	27,581,934	27,581,934
Acumulated amortization:		
Balance at the beginning of the period/year	1,779,935	991,716
Increase of the period/year	197,216	788,219
Balance at the end of the period/year	1,977,151	1,779,935
Bond issuance cost, net	25,604,783	25,801,999

General issuance terms:

On September 27, 2013, the Company, as settlor, Bank of Nova Scotia (Panamá), SA, not only as an individual but as trustee (the "Guarantee Trustee") and Prival Bank SA, as payment, registration and transfer agent for the 2013 Bonds (Prival"), entered into a trust agreement (the "Original Trust Agreement") by virtue of which a trust was created (the "Tocumen Trust") to which the Issuer transferred, and agreed to transfer in the future, certain income to guarantee the 2013 Bonds. As a result of the modification of the terms of the 2013 Bonds, the Guarantee Trustee and the other parts of the Original Trust Agreement modified and updated the Original Trust Agreement (the "Modified and Updated Trust Agreement") with the consent of the required majority of the 2013 Bondholders, in order to, among other changes, expand the subject income to the Tocumen Trust (the "Guarantee") as described below and allow the assets of the Tocumen Trust to guarantee the 2016 Bonds and the indebtedness that the Issuer is allowed to contract in the future and wishes to guarantee through the Guarantee with Equal Precedence (together with existing bonds and bonds, the "Debt Backed by Collateral") for the benefit of additional creditors.

On May 4, 2016, the trustee of the contract in relation to the 2016 Bonds, signed and granted an agreement to adhere to the Creditors' Agreement. On May 3, 2018, the Contract Trustee signed and granted an adhesion agreement to the Creditors Agreement with respect to the 2018 Bonds, by virtue of which the obligations contracted by the Issuer with respect to the 2018 Bonds are guaranteed by a Preferential lien on the Shared Guarantee, subject to the terms and conditions of the Modified and Updated Trust Agreement and the Creditors Agreement, and the Guarantee also constitutes a preferential lien and under equal conditions to support: (i) existing bonds, (ii) the 2018 bonds and (iii) the future debt that will be allowed to be issued and that will be guaranteed by the Guarantee with Priority on Equal Conditions. Notwithstanding the foregoing, in all cases, each Reserve Account for Debt Service and each Payment Account will guarantee as a priority only the specific Debt Backed by the Guarantee in respect of which said accounts have been established and are maintained.

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The relevant terms are as follows:

Guarantees The bonds will be backed by the issuer's general credit and guaranteed by a Guarantee Trust, for which an amendment and reform has been made between the Company, Bank of Nova Scotia (Panama), S.A. and Prival Bank, S.A., dated April 19, 2016. On May 4, 2016, the Indenture Trustee Agreement was signed between Tocumen as the issuer and Citibank N.A. such as the Indenture Trustee and payment and transfer agent. In November 2018, it added the second supplemental indenture to include the new Bond issue for 650MM. The flows assigned to guarantee the payment of the bonds issued and that comprise the aeronautical income and the non-aeronautical income, current and future (including the ceded flows but excluding the excluded income), are detailed below:

Aeronautical revenues: are all current and future revenues derived from services relating to the use of Airport facilities by airlines and passengers, including:

- I. Airport departure tax and other passenger departure rates, if any, transit charges, and any other charges including without limitation the "passenger service charge" and the "airport development fee".
- II. Security charges.
- III. Landing charges.
- IV. Parking charges and aircraft services.
- V. Charges for the use of boarding bridges.
- VI. Revenue from cargo/loading operations
- VII. Utility charges.
- VIII. Lease of airline club areas;
- IX. Any sub-leases or sub-contracts related to the above.

Non-Aeronautical Revenues: All current and future non-aeronautical service revenues that relate to the use of Airport facilities, including but not limited to parking revenues, advertising, certain leases and easement rights, including, without limitation, South Terminal Key Rights, after release of the lien to which they are subject.

Relevant compliance terms:

1. Insurance: To maintain the insurance in the ordinary course of its commercial activity and in the terms and conditions established in the Indenture 2016.
2. Rights to Inspections: Allow reasonable inspections of the Issuer's goods and assets by the representative of the majority of the bondholders once per calendar year, but such inspections shall only be effective if a written notice is sent to the Issuer with reasonable notice.
3. Notification of Certain Events: Immediately report (and, in all instances, within the deadlines established in the relevant documents) to the Issue Trustee and the Trustee of the Guarantee of:
 - (a) The occurrence of an *Event of Default* or a *Default*.
 - (b) In the event of an *Event of Default* or *Default*, a notice specifying the facts and measures that were and will be taken in respect of those events;
 - (c) Notification of any event that would have had a *Material Adverse Effect*; and
 - (d) Notice of commencement of a relevant proceeding before a court, other Governmental Authority or arbitrator in connection with a *Material Project Contract*).

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4. Information duties:

- (a) Copy of the Unaudited Quarterly Financial Statements: In the case of reports sent after the close of each accounting year, these must be accompanied by an independent audit report and a presentation of the Issuer's financial statement and the income statement. The obligation to send the aforementioned financial statements will be deemed fulfilled if the Issuer uploads them to its website, notifies the Trustee of this and maintains them on it for at least two years. On April 30, 2020, the Administration informed the Trustee that once the financial statements were available, it would comply with its obligation to send.
- (b) Certificate of Coverage Ratio: The Issuer shall deliver to the Trustee a Certificate from an Officer of the Issuer indicating the calculations of (A) the most recent DSCR and (B) the DSCR projected for the Calculation Period ending on the next payment date. The minutiae and contents of these calculations are detailed in Indenture 2016.
- (c) Traffic Information: Provide the Trustee with traffic information for each newly completed quarterly or annual period (the information for the annual period shall also include separate information for the fourth quarter of that annual period), indicating passenger traffic information for that quarterly or annual period (including geographic information).
- (d) Copies of Relevant Filings: Copies (including electronic copies) of each relevant public filing made by the Issuer and/or any of the Limited Subsidiaries to the SMV (Superintendency of the Securities Market of Panama), the BVP (Panamanian Stock Exchange) and/or any other agency or securities regulator or stock exchange authority. The Issuer shall be deemed to have provided such reports to the Issuer Trustee and the bondholders if the Issuer uploads them to its public website.

Likewise, within 10 days after such filing, the Issuer shall send to the Issuance Trustee copies of each relevant public filing made by the Issuer and/or any of its Subsidiaries Limited to the SMV, BVP and/or any other agency or securities regulator or stock exchange authority.

- 5. Annual operating budget: Deliver the Annual Operational Budget to the Trustor and Trustee within five (5) Business Days after its approval in each accounting year for the following fiscal year accompanied by a certificate from the Issuer's financial director, validating that the *Annual Operating Budget* constitutes a reasonable estimate for the period it comprises.
- 6. Ratings: Obtain and maintain international ratings of at least two Rating Agencies and pay the monitoring fees of said Rating Agencies in respect of the Bonds, and deliver the reports, records and documents to at least two Rating Agencies (at the exclusive expense of the Issuer), that they reasonably request to monitor or confirm the rating.
- 7. Projected Minimum DSCR: In the event that the projected minimum DSCR in a Calculation Period is less than 1.25: 1.0010, the Issuer shall immediately take reasonable measures to increase the projected DSCR above 1.25: 1.00.

Interests on bonds are paid semiannually in May and November of each year during the life of the bonds.

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The maturity of the principal payable in the next few years is as follows:

March 31, 2021 (Unaudited)	Issue 2016	Issue 2018	Total
Less than 1 year	-	8,641,289	8,641,289
1-2 years	-	9,924,405	9,924,405
2-3 years	-	10,782,383	10,782,383
3-4 years	-	11,615,053	11,615,053
4-5 years	-	12,284,439	12,284,439
More than 5 years	575,000,000	813,898,740	1,388,898,740
Total	575,000,000	867,146,309	1,442,146,309

December 31, 2020 (Audited)	Issue 2016	Issue 2018	Total
Less than 1 year	-	8,641,289	8,641,289
1-2 years	-	9,924,405	9,924,405
2-3 years	-	10,782,383	10,782,383
3-4 years	-	11,615,053	11,615,053
4-5 years	-	12,284,439	12,284,439
More than 5 years	575,000,000	813,898,740	1,388,898,740
Total	575,000,000	867,146,309	1,442,146,309

12. Loan payable

The facility will be of Pari Passu with the existing bonds, in compliance with the conditions established in the concept of "allowed debt" included in the informative prospectuses of the issues of April 26, 2016, for B/.575MM and November 27, 2018, for B/.875MM.

Line of credit for the amount of B/.25,000,000, with a facility term of up to 12 months maturing on September 22, 2021, renewable at the Bank's option. Repayment, payment to principal at maturity and semi-annual interest payment, at a 6-month + 1.95% revisable semi-annual or 12-month Libor + 1.95% fixed rate. Without any commission and disbursements through promissory notes and letter of request. This was approved by Cabinet Decree No. 17 of May 12, 2020 that authorizes the subscription of a Credit Line between Citibank, N.A. and Aeropuerto Internacional de Tocumen, S.A. The National Economic Council, in a session held on May 8, 2020, issued a favorable opinion on the request for authorization to subscribe a Credit Line between Aeropuerto Internacional de Tocumen, S.A. and Citibank, N.A., for the financing of the expansion plans, as well as for the operation and maintenance of the airports under its administration.

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13. Taxes

13.1 Income Tax

The income tax return of Aeropuerto Internacional de Tocumen, S.A. is subject to review by the tax authorities for the last three years, according to current tax regulations, including the year ended December 31, 2020.

As of February 3, 2005, the effective date of Law No.6 of February 2, 2005, Article 699 of the Tax Code indicates that entities must pay income tax at a rate of thirty percent (30%) on the greater of (1) the net taxable income calculated by the traditional method established in Title I of the Fourth Book of the Tax Code, or (2) the net taxable income resulting from deducting ninety-five point thirty-three percent (95.33%) from total taxable income. As of the year ended December 31, 2005, companies are required to make both income tax calculations, both the calculation according to the traditional method, as well as the Alternative Income Tax Calculation (CAIR).

Law No.8 of March 15, 2010, amends the application base for taxpayers to which the Alternate Calculation of Income Tax (CAIR) is applied and replaces it with another assumed form of income tax forcing any entity earning income in excess of one million five hundred thousand dollars (B/.1,500,000) to determine the taxable base of this tax as the sum greater between: (a) the net taxable income calculated by the ordinary method set out in the Tax Code and the net taxable income resulting from applying four sixty-seven percent (4.67%) to total taxable income. Entities that incur losses due to the tax calculated under the presumptive method or that, by reason of the application of such presumptive method, their effective rate exceeds the tax rates applicable for the fiscal period in question, may request the National Revenue Authority - "ANIP" (formerly DGI - "DGI") to authorize the tax calculation under the ordinary method of calculation.

Through Official Gazette No.26489-A, Law No.8 of March 15, 2010 was published whereby the general income tax rates (ISR in Spanish) applicable to entities are changed. However, all companies in which the Government has a stock ownership greater than 40% will continue to pay income tax at the rate of 30%.

The Law No. 33 of June 30, 2010, amended by Law No. 52 of August 28, 2013, added Chapter IX to Title I of Book Four of the Tax Code, called Standards of Adequacy to treaties or agreements to avoid the International Double Taxation, establishing the transfer pricing regime applicable to taxpayers who carry out operations their income, costs and deductions for tax purposes in their income returns, based on the price or amount that independent parties would have agreed under similar circumstances in conditions of free competition, using the methods established in the aforementioned Law No. 33. This law establishes the obligation to present an informative declaration of operations with related parties (report 930 implemented by the DGI) within the three months following the closing of the corresponding fiscal year, as well as to have, at the time of presentation of the report, with a transfer price study that supports what is declared through report 930. This study must be delivered at the request of the DGI, within a period of 45 days from the notification of the request. Failure to present the informative return will result in the application of a fine equivalent to one percent (1%) of the total value of the operations carried out with related parties. The Company does not have transactions with related parties, residents or domiciled abroad.

The amount of income tax caused and estimated to be paid by the Company for the period ended March 31, 2021 was determined in accordance with the CAIR method (2020: traditional method).

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The reconciliation between the tax rate and the effective rate of the income tax expense of the Company, as a percentage of the income before the income tax is detailed below:

	March 31, 2021	March 31, 2020
	(Unaudited)	
Alternate calculation (CAIR)		
Income	22,842,841	
Non-taxable income	<u>(663,856)</u>	
Taxable income	22,178,985	
Less: Deduction 95.33%	<u>(21,143,226)</u>	
Net taxable income	<u>1,035,759</u>	
Profit before income tax		<u>26,164,249</u>
Current year income tax	<u>(310,728)</u>	<u>(7,849,275)</u>
Effect of deferred income tax		
Non-taxable income	92,072	82,354
Non-deductible expenses	<u>-</u>	<u>(134,091)</u>
Total Income tax	<u>(218,656)</u>	<u>(7,901,012)</u>

The deferred income tax asset charged to comprehensive income is as follows:

	March 31, 2021	December 31, 2020
	(Unaudited)	(Audited)
Deferred income tax asset:		
Effect of revenue recognition for key rights according to cash method	6,302,640	6,470,057
Provision for asset losses	3,128,666	3,128,666
Provision for retiree benefit	969,017	969,017
Provision for impairment of doubtful accounts	2,350,420	2,091,682
Other provision	<u>658,488</u>	<u>657,737</u>
Deferred income tax asset	<u>13,409,231</u>	<u>13,317,159</u>

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The reconciliation of the deferred income tax from last year with this year's is as follows:

	December 31 2020	Charged to profit or loss	March 31 2021 (Unaudited)
Deferred income tax asset:			
Effect of revenue recognition for key rights according to cash method	6,470,057	(167,417)	6,302,640
Provision for asset losses	3,128,666	-	3,128,666
Provision for retiree benefits	969,017	-	969,017
Provision for impairment of doubtful accounts	2,091,682	258,738	2,350,420
Other provision	657,737	751	658,488
	<u>13,317,159</u>	<u>92,072</u>	<u>13,409,231</u>
Deferred income tax			
	<u>13,317,159</u>	<u>92,072</u>	<u>13,409,231</u>
	December 31 2019	Charged to profit or loss	December 31 2020 (Audited)
Deferred income tax asset:			
Effect of revenue recognition for key rights to cash method	7,139,727	(669,670)	6,470,057
Provision for asset losses	3,128,666	-	3,128,666
Provision for retiree benefits	1,133,002	(163,985)	969,017
Provision for impairment of doubtful accounts	919,383	1,172,299	2,091,682
Other provision	699,569	(41,832)	657,737
	<u>13,020,347</u>	<u>296,812</u>	<u>13,317,159</u>
Deferred income tax			
	<u>13,020,347</u>	<u>296,812</u>	<u>13,317,159</u>

14. Operating Income

Operating income is detailed below:

	2021	March 31, 2020 (Unaudited)
Airport operation services	14,468,559	36,992,899
Rentals	8,084,248	19,426,961
Others	290,034	669,192
	<u>22,842,841</u>	<u>57,089,052</u>
Total		
	<u>22,842,841</u>	<u>57,089,052</u>

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15. Personnel costs

The following is a breakdown of the composition of personnel costs:

	2021	March 31, 2020
	(Unaudited)	
Salaries and other employee benefits	4,868,374	6,731,724
Social benefits	794,589	1,153,374
13th Month	388,169	602,473
Seniority Premium	89,412	138,508
Severance Pay and forewarning	383,942	595,057
Bonuses	16,418	24,783
	<u>6,540,904</u>	<u>9,245,919</u>

16. Financial costs, net

Net financial costs are broken down as follows:

	2021	March 31, 2020
	(Unaudited)	
Interest expenses	21,301,163	21,257,726
Other financial cost	367,106	350,986
Interest income	(105,798)	(168,371)
Capitalized interest	(13,934,887)	(14,461,227)
	<u>7,627,584</u>	<u>6,979,114</u>

17. Risk management of financial instruments

The Board of Directors has the responsibility for establishing and monitoring the reference framework for the Company's risk management, and for developing and monitoring risk management policies for the Company.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set risk limits and controls that are deemed appropriate, and to track risk and compliance limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and 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 Company's Board of Directors verifies how Management monitors compliance with the Company's risk management policies and procedures in relation to the risks faced.

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

- Credit risk
- Liquidity and financing risk
- Market risk
- Operating risk

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

17.1 Concentration

Mostly, the main Panamanian airline company operating at the airport, which is Compañía Panameña de Aviación, S.A. (COPA), generates the revenues from airport service operations; and two economic groups mainly generate its rental income.

17.2 Credit risk

Credit risk is the risk of a financial loss arising for the Company if a client or counterpart of a financial instrument fails to comply with its contractual obligations. This risk originates mainly from accounts receivable and other accounts receivable.

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

The Company establishes a provision for impairment that represents its estimate of the losses suffered in relation to accounts receivable. The main components of this provision is a specific loss component that refers to significant exposures individually.

Accounts receivable have maturities as follows:

	March 31, 2021 (Unaudited)	Impairment	31 December, 2020 (Audited)	Impairment
Customers:				
Current	4,218,695	53,854	3,815,340	47,963
1 to 30 days	5,664,797	1,351,078	3,001,183	713,756
31 to 60 days	3,508,362	1,247,102	1,585,474	549,663
Over 61 days	9,953,664	9,105,252	10,879,411	9,583,444
	<u>23,345,518</u>	<u>11,757,286</u>	<u>19,281,408</u>	<u>10,894,826</u>
Related parties				
Current	-	-	2,585	36
1 to 30 days	17,447	36	1,783	423
31 to 60 days	16,797	423	1,783	615
Over 61 days	109,602	77,617	123,620	77,002
	<u>143,846</u>	<u>78,076</u>	<u>129,771</u>	<u>78,076</u>
Others				
Currents	11,362	-	11,719	-
	<u>23,500,726</u>	<u>11,835,362</u>	<u>19,422,898</u>	<u>10,972,902</u>

Aeropuerto Internacional de Tocumen, S.A.

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

Notes to the unaudited condensed financial statements for the three-month period ended on March 31, 2021

(In balboas)

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

	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
Balance at the beginning of the period/year	10,972,902	7,065,238
Plus: provision charged to expenses	862,460	3,907,664
	<u>11,835,362</u>	<u>10,972,902</u>
Balance at the end of the period/year		

Cash and cash equivalents:

The Company has cash for B/.21,739,764 (2020: B/.20,976,225). The cash is held in the banks Caja de Ahorros and Banco Nacional de Panamá, both state-owned banks and a guarantee trust fund for B/.77,643,888 (2020: B/.69,745,671) in the bank The Bank of Nova Scotia (Panama), S.A. These banking institutions enjoy prestige and solidity.

17.3 Liquidity and financing risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities settled by delivering cash or another financial asset. The Company's approach to managing 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 damage to the reputation of the Company.

Liquidity risk management

The Company ensures liquidity management by maintaining sufficient cash available to liquidate the expected operating expenses

17.4 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.

Sensitivity analysis

The Company has no significant 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 and for the loan payable at a Libor rate of 6M + 1.95.

17.5 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 that the capital position provides.

Aeropuerto Internacional de Tocumen, S.A.

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Notes to the unaudited condensed financial statements for the three-month period ended on March 31, 2021

(In balboas)

The Company's debt for the adjusted capital ratio at the end of the period is presented as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Total liabilities	1,645,055,180	1,618,166,669
Less: Cash	(99,383,652)	(90,721,896)
Net debt	<u>1,545,671,528</u>	<u>1,527,444,773</u>
Total equity	<u>522,224,958</u>	<u>527,952,672</u>
Debt-to-capital ratio	<u>2.96</u>	<u>2.89</u>

18. Fair value of financial instruments

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

Fair value estimates are made at a given 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 uncertainty and significant judgment; therefore, they cannot be determined accurately. Any changes in assumptions or criteria can significantly affect the estimates.

Fair value hierarchy

IFRS 13 specifies the hierarchy of valuation techniques based on the transparency of the variables used in determining the 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 include significant variables not based on observable market variables.

When the fair value measurements are determined for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would make the transaction and considers assumptions that a market participant would use when pricing the asset or liability. Where 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 data 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 the investment are factors considered in determining the liquidity of markets and the relevance of observed prices in these markets.

Aeropuerto Internacional de Tocumen, S.A.

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(In balboas)

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 are available in markets that are not active, fair value is estimated based on the quoted prices of other similar instruments, or if these prices are not available, internal valuation techniques will be used, primarily discounted cash flows models. These securities are classified within level 2 or 3 of the fair value hierarchy.

Fair value of financial assets and liabilities of the Company not measured at fair value (but require fair value disclosures)

Except for what is detailed in the following table, Management considers that the book values of financial assets and liabilities recognized at amortized cost in the unaudited condensed interim financial statements are close to their fair value.

	Fair value hierarchy			
	March 31, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Carrying value	Level 2 Fair value measurement	Carrying value	Level 2 Fair value measurement
Bonds payable	1,406,543,953	1,563,815,046	1,406,152,885	1,644,153,562
Loan payable	25,000,000	23,551,578	25,000,000	24,452,171

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

19. Cash flows disclosure

Non-monetary transactions

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

	2021	March 31, 2020 (Unaudited)
Decrease in constructions in progress through the accrual of withholdings payable to contractor.	102,595	145,842
Decrease in constructions in progress through the accumulation of interest expenses.	13,934,887	14,461,227
Decrease in constructions in progress through capitalization of fixed assets.	-	295,970

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Notes to the unaudited condensed financial statements for the three-month period ended on March 31, 2021

(In balboas)

20. Commitments and contingencies

20.1 Commitments

Acquisition of fixed assets

As of March 31, 2021, the Administration maintains the approval for the construction or acquisition of property, plant and equipment for an amount of B/. 38,929,602 approximately.

21. Operations segment

As disclosed in Note 1, the Company is engaged in the business of providing the public airport administration service. The Company does not provide services that require to be subjected to risks or returns of a different nature than the services provided by the Company that deserve to be disclosed by business segments and/or geographic segments.

22. Subsequent events

The Company has evaluated the events after March 31, 2021, to assess the need for possible recognition or disclosure in the accompanying unaudited condensed interim financial statements. Such events were evaluated until July 16, 2021, the date these unaudited condensed interim financial statements were available for issuance. Based on this evaluation and with the exception of the points summarized below, it was determined that there were no subsequent events that require recognition or disclosure in the unaudited condensed interim financial statements.

- Through Note No. PEAIT-DC-2989-MAR/21 dated March 17, 2021, the company CNO, S.A. requests the Aeropuerto Internacional de Tocumen, S. A., to extend the term of contract No. 038/12 until September 2021, as the date for the final delivery of the works included in the project. By means of which addendum No. 8 is endorsed on June 14, 2021, which extends the termination of the end date as September 30, 2021.

23. Approval of unaudited condensed interim financial statements

The unaudited condensed interim financial statements have been authorized by the Administration for issuance on July 7, 2021.

* * * * *

Aeropuerto Internacional de Tocumen, S.A.

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

Financial statements as of and for the years ended December 31, 2020, 2019 and 2018 and Independent Auditors' Report of July 7, 2021

"This document has been prepared with the knowledge that its contents will be made available to the investing and general public."

Aeropuerto Internacional de Tocumen, S.A.

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

Independent Auditors' Report and Financial Statements as of and for each of the three years in the period ended December 31, 2020, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Shareholder and Board of Directors of
Aeropuerto Internacional de Tocumen, S.A.

Opinion

We have audited the financial statements of **Aeropuerto Internacional de Tocumen, S.A.** (the "Company"), which comprise the statements of financial position as at December 31, 2020, 2019 and 2018 and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Aeropuerto Internacional de Tocumen, S.A.** as at December 31, 2020, 2019 and 2018 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities in accordance with these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent from the Company in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accounting Professionals (IESBA Code) and the Professional Code of Ethics for Authorized Public Accountants in Panama (Chapter V of Law 57 of September 1, 1978), and we have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 of the financial statements, which indicates that the Company evaluated its ability to continue as a going concern as of December 31, 2020 to assess the need for recognition or disclosure in the financial statements. Based on this evaluation, it was determined to disclose the impact of COVID-19, classified as a pandemic by the World Health Organization during the month of March 2020. The Administration has carried out an evaluation of the current situation according to the best information available to date. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Revenue recognition

Revenue recognition was identified as a key audit matter due to the varying recognition and measurement principles in underlying contracts across the revenue streams.

Assessing revenue recognition, measurement and disclosures required significant audit effort across each revenue stream and contract type.

As a result of COVID-19, revenues from operating and commercial airport services decreased substantially, and concessionaires were also granted lease concessions in the form of reductions to agreed rent as temporary reliefs related to space and use leases. This primarily affected rental revenue, therefore rental concessions were a key area of focus due to the complexity of the concession agreements, their individualized terms, and the value of the reductions granted.

How the matter was addressed in our audit

Our procedures included:

- Understanding processes and testing the key control over revenue streams, taking into consideration new or modified contracts.
- For the airport operation services revenue, we verified the contracts, usage logs, and reports to corroborate fluctuations, modifications, and correlation of revenue recognized.
- Requesting and obtaining confirmations from a sample of airlines of passenger numbers used in the procedures above;
- Checking and verifying a sample of COVID-19 lease abatement concessions granted for accuracy of measurement against the unique terms of the respective rental concession agreements.
- Assessing the relevant disclosures in the financial statements using our understanding obtained from our testing and against the requirements of the accounting standards.

Other Information

Management is responsible for the other information. The other information comprises the information included in the IN-A Report, but does not include the financial statements and our auditor's report thereon. This report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the IN-A report, if we conclude that there is a material statement therein, we are required to communicate the matter to those in charge of governance and to the regulatory authorities if applicable.

Responsibilities of Management and Those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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



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

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

The engagement partner of the audit resulting in this independent auditor's report is Lesbia Reyes.

A handwritten signature in black ink, appearing to read "Lesbia Reyes", followed by a period.

July 7, 2021

Panama, Republic of Panama

Aeropuerto Internacional de Tocumen, S.A.

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

Statements of financial position**December 31, 2020, 2019 and 2018**

(In balboas)

Assets	Notes	2020	2019	2018
Non-current assets				
Property, equipment and property improvements, net of depreciation	4	686,657,073	686,018,520	636,252,323
Constructions in progress	5	1,280,099,440	1,254,385,557	1,170,791,831
Deferred tax asset	15	13,317,159	13,020,347	13,134,348
Advance to contractors		140,844	233,527	641,509
Advance for purchases abroad	6	28,450,089	39,613,680	66,376,960
Inventories, net		2,411,339	2,415,063	2,688,147
Severance fund		4,174,548	3,995,851	3,847,218
Guarantee deposits		-	-	29,689
Total non-current assets		<u>2,015,250,492</u>	<u>1,999,682,545</u>	<u>1,893,762,025</u>
Current assets				
Cash and bank deposits	7, 8	90,721,896	157,255,819	236,089,452
Accounts receivable:				
Customers	22	19,281,408	18,207,618	19,132,627
Related parties	8, 22	129,771	213,967	82,634
Others		11,719	72,328	21,865
		<u>19,422,898</u>	<u>18,493,913</u>	<u>19,237,126</u>
Less: Provision for impairment of doubtful accounts		<u>(10,972,902)</u>	<u>(7,065,238)</u>	<u>(4,988,991)</u>
Total accounts receivable, net		<u>8,449,996</u>	<u>11,428,675</u>	<u>14,248,135</u>
Prepaid expenses		314,379	411,461	629,678
Prepaid income tax		<u>31,382,578</u>	<u>-</u>	<u>4,058,288</u>
Total current assets		<u>130,868,849</u>	<u>169,095,955</u>	<u>255,025,553</u>
Total assets		<u>2,146,119,341</u>	<u>2,168,778,500</u>	<u>2,148,787,578</u>

(Continued)

Aeropuerto Internacional de Tocumen, S.A.

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

Statements of financial position**December 31, 2020, 2019 and 2018**

(In balboas)

Equity and liabilities	Notes	2020	2019	2018
Equity				
Common shares; 1,000,000 authorized with par value of B/.20.00 each, all issued and outstanding		20,000,000	20,000,000	20,000,000
Additional paid-in capital		307,661,033	307,661,033	307,661,033
Retained earnings		230,329,202	216,016,282	162,997,633
Accounts receivable shareholder	8	(15,170,000)	(15,170,000)	(12,670,000)
Complementary tax		(14,867,563)	(14,148,106)	(12,960,106)
Total equity		<u>527,952,672</u>	<u>514,359,209</u>	<u>465,028,560</u>
Liabilities				
Non-current liabilities				
Deferred revenue	11	64,117,345	72,991,684	86,890,692
Bonds payable	12	1,397,511,596	1,404,745,440	1,411,281,443
Accounts payable to concessionaires		142,564	131,486	158,414
Concessionaires' guarantee deposits		7,087,792	7,112,818	6,202,977
Provision for retiree benefits	14	4,286,468	4,833,185	4,304,928
Seniority premium		3,525,875	3,665,316	3,361,076
Total non-current liabilities		<u>1,476,671,640</u>	<u>1,493,479,929</u>	<u>1,512,199,530</u>
Current liabilities				
Bonds payable	12	8,641,289	7,853,690	-
Loan payable	13	25,000,000	-	-
Interest payable		11,438,217	9,988,235	10,044,271
Withheld from contractors	9	12,197,355	17,543,060	32,522,263
Accounts payable related parties	8	16,367,431	15,318,887	15,114,919
Accounts payable and other accrued expenses payable	10	44,339,945	34,916,332	49,930,906
Accounts payable to concessionaires		15,100	26,928	30,838
Income tax payable		-	11,472,430	-
Other taxes payable	16	-	39,375,088	37,587,216
Deferred revenue	11	23,495,692	24,444,712	26,329,075
Total current liabilities		<u>141,495,029</u>	<u>160,939,362</u>	<u>171,559,488</u>
Total liabilities		<u>1,618,166,669</u>	<u>1,654,419,291</u>	<u>1,683,759,018</u>
Total equity and liabilities		<u>2,146,119,341</u>	<u>2,168,778,500</u>	<u>2,148,787,578</u>

The accompanying notes are an integral part of these financial statements.

(Conclude)

Aeropuerto Internacional de Tocumen, S.A.

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

**Statements of profit or loss and other comprehensive income
for the years ended December 31, 2020, 2019 and 2018**

(In balboas)

	Notes	2020	2019	2018
Continuing operations				
Operating revenues	8, 17	88,502,026	258,890,274	236,831,428
Other income	16	85,077,264	-	-
Depreciation	4	(17,997,902)	(18,213,758)	(16,597,769)
Personnel costs	18	(28,260,308)	(39,787,741)	(38,544,327)
Repairs and maintenance		(9,627,125)	(8,358,534)	(5,184,383)
Utilities		(6,092,929)	(8,320,645)	(6,610,651)
Special Fund for the Development of the National Aeronautics Infrastructure	8	(4,500,000)	(15,000,000)	(15,000,000)
International Civil Aviation Organization fees and other related expenses		(8,897,102)	(7,389,613)	(8,454,378)
Payment for Panama Pacific concession	26	(2,500,000)	(2,500,000)	(2,500,000)
Other expenses	20	(18,291,452)	(17,873,387)	(32,289,196)
Financial costs, net	19	(62,048,204)	(29,012,196)	(43,717,691)
Profit before income tax		<u>15,364,268</u>	<u>112,434,400</u>	<u>67,933,033</u>
Income tax:				
Current		(1,348,160)	(34,301,750)	(18,648,023)
Deferred		<u>296,812</u>	<u>(114,001)</u>	<u>2,089,190</u>
Total income tax	15	<u>(1,051,348)</u>	<u>(34,415,751)</u>	<u>(16,558,833)</u>
Net profit		<u>14,312,920</u>	<u>78,018,649</u>	<u>51,374,200</u>

The accompanying notes are an integral part of these financial statements.

Aeropuerto Internacional de Tocumen, S.A.

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

Statements of changes in equity

for the years ended December 31, 2020, 2019 and 2018

(En balboas)

	Note	Common shares	Additional paid-in capital	Retained earnings	Accounts receivable shareholder	Complementary tax	Total equity
Balance at December 31, 2017		20,000,000	307,661,033	131,923,433	-	(11,969,993)	447,614,473
Net profit		-	-	51,374,200	-	-	51,374,200
Shareholder contributions and distributions							
Declared dividends		-	-	(20,000,000)	-	1,188,000	(18,812,000)
Accounts receivable shareholder		-	-	-	(9,700,000)	-	(9,700,000)
Others		-	-	(300,000)	-	-	(300,000)
Dividend tax credited to accounts receivable shareholder		-	-	-	(2,970,000)	-	(2,970,000)
Complementary tax		-	-	-	-	(2,178,113)	(2,178,113)
Total shareholder contributions and distributions		-	-	(20,300,000)	(12,670,000)	(990,113)	17,414,087
Balance at December 31, 2018		20,000,000	307,661,033	162,997,633	(12,670,000)	(12,960,106)	465,028,560
Net profit		-	-	78,018,649	-	-	78,018,649
Shareholder contributions and distributions							
Declared dividends	21	-	-	(25,000,000)	-	-	(25,000,000)
Accounts receivable shareholder		-	-	-	(2,500,000)	-	(2,500,000)
Complementary tax		-	-	-	-	(1,188,000)	(1,188,000)
Total shareholder contributions and distributions		-	-	(25,000,000)	(2,500,000)	(1,188,000)	(28,688,000)
Balance at December 31, 2019		20,000,000	307,661,033	216,016,282	(15,170,000)	(14,148,106)	514,359,209
Net profit		-	-	14,312,920	-	-	14,312,920
Shareholder contributions and distributions							
Complementary tax		-	-	-	-	(719,457)	(719,457)
Total shareholder contributions and distributions		-	-	-	-	(719,457)	(719,457)
Balance at December 31, 2020		20,000,000	307,661,033	230,329,202	(15,170,000)	(14,867,563)	527,952,672

The accompanying notes are an integral part of these financial statements.

Aeropuerto Internacional de Tocumen, S.A.

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

Statements of cash flows**for the years ended December 31, 2020, 2019 and 2018**

(In balboas)

	Notes	2020	2019	2018
Cash flows from operating activities:				
Net profit		14,312,920	78,018,649	51,374,200
Adjustments for:				
Depreciation	4	17,997,902	18,213,758	16,597,769
Provision for property tax on improvements	16	(39,375,088)	1,787,872	1,787,873
Provision for impairment of doubtful accounts	20,22	3,907,664	2,076,247	4,901,041
Provision for retiree benefits	14	(546,717)	528,257	(122,637)
Provision for seniority premium		389,167	525,175	1,164,536
Loss on sale of fixed assets		80,077	(340,912)	420,084
Financial costs, net	19	60,640,758	27,694,509	43,717,691
Amortization of issuance costs	12	1,407,446	1,317,687	-
Income tax recognized in the statement of profit or loss and other comprehensive income	15	1,051,348	34,415,751	16,558,833
		<u>59,865,477</u>	<u>164,236,993</u>	<u>136,399,390</u>
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable		(928,985)	743,213	(7,919,573)
Decrease (increase) in inventories		3,724	273,084	(759,071)
Decrease (increase) in prepaid expenses and other assets		97,082	247,906	(4,392,588)
Decrease in advance for purchases abroad and contractor		8,595,802	24,939,175	13,851,355
(Decrease) increase in deferred revenue		(9,823,359)	(15,783,371)	67,644,211
Decrease in accounts payable and other accrued expenses payable		(6,141,790)	(15,905,168)	(18,333,089)
(Decrease) increase in accrued expenses payable and other liabilities		(44,783,407)	628,798	1,466,263
Increase (decrease) in accounts payable to related parties, net		1,048,544	203,968	(17,288,558)
Increase in severance fund		(178,697)	(148,633)	(131,936)
		<u>7,754,391</u>	<u>159,435,965</u>	<u>170,536,404</u>
Cash flows from operating activities:				
Income tax paid		-	(18,771,031)	(7,230,814)
Interest earned		489,598	932,487	1,125,812
Interest paid		(84,727,712)	(84,843,750)	(35,208,428)
Net cash (used in) provided by operating activities		<u>(76,483,723)</u>	<u>56,753,671</u>	<u>129,222,974</u>
Cash flows from investment activities:				
Payment for constructions in progress		(5,486,501)	(101,993,159)	(236,999,971)
Time deposit		-	-	82,717,260
Acquisition of fixed assets	4	(990,551)	(3,836,711)	(6,637,418)
Changes in advance to contractors		-	(1,069,434)	82,576
Net cash used in investment activities		<u>(6,477,052)</u>	<u>(106,899,304)</u>	<u>(160,837,553)</u>
Cash flows from financing activities:				
Dividends paid	21	-	(25,000,000)	(20,000,000)
Accounts receivable shareholder		-	(2,500,000)	(9,700,000)
Proceeds from issuance of corporate bonds, net of issuance cost	12	-	-	847,418,066
Product of credit line loan	13	25,000,000	-	-
Payment of bonds	12	(7,853,691)	-	(631,000,000)
Guarantee trust fund	7	(224,832)	(1,487,544)	(13,975,254)
Complementary tax		(719,457)	(1,188,000)	(990,113)
Net cash provided by (used in) financing activities		<u>16,202,020</u>	<u>(30,175,544)</u>	<u>171,452,699</u>
Net decrease in cash and cash equivalents		(66,758,755)	(80,321,177)	139,838,120
Cash and cash equivalents at the beginning of the year		<u>87,734,980</u>	<u>168,056,157</u>	<u>28,218,037</u>
Cash and cash equivalents at the end of the year	7	<u>20,976,225</u>	<u>87,734,980</u>	<u>168,056,157</u>

The accompanying notes are an integral part of these financial statements.

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1. General information

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 Aeropuerto Internacional de Tocumen (hereinafter “Airport”).

The activity of the Company is to manage the Airport’s 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.

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

1.1 COVID-19 Impact/ Going Concern

The Global pandemic due to COVID-19 has significantly affected the Panamanian and international economy, having significant adverse impacts on the entire aviation industry due to the aggressive measures to reduce the spread of the virus that many countries have adopted, including travel restrictions and bans. These measures, while necessary, resulted in a drastic decrease in airport operations and affected passenger confidence, resulting in an unprecedented drop in traffic volume at Aeropuerto Internacional de Tocumen, S.A.

In Panama, the Government through the Executive Decree No.244 of March 19, 2020 temporarily suspended international passenger flights to and from Panama, resulting in a full reopening of activities until October 12; as of this date, the airport's passenger traffic has experienced an average monthly growth of 94.3%, closing the year 2020 with a total of 4.5 million passengers in transit through the airport. While this figure represents a 72.7% decrease in passenger traffic compared to 2019, it is a significant increase from passenger traffic levels at the start of the COVID-19 pandemic.

Aircraft movement is expected to continue to increase in the near term, with an average monthly growth of 27.1%. The total movement of Aircraft (Operations), includes the total number of landings and takeoffs of aircraft at the Aeropuerto Internacional de Tocumen, S.A., which recorded a variation in December 2020 compared to the same month in 2019 of -56%.

The revenue during the year 2020 was affected by the Covid-19 impact. In the aeronautical industry, Covid-19 health crisis caused a slowdown in the air passenger transportation sector, which led to a 68% decrease in aeronautical revenues. Non-aeronautical revenues during the year 2020 show a decrease of 67% as they were directly impacted by the declaration of the State of Emergency at the national and international level generated provisional relief measures for commercial concession contracts.

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However, the road to the complete restoration of international air services will not be quickly resolved with vaccines for the prevention of COVID-19. The vaccinating process of the world's population will be too slow to allow for a comprehensive international opening in the short term. Even the distribution of vaccines faces significant logistical, political and economic obstacles. It is estimated that it will take at least two years to distribute the vaccine globally and vaccinate a significant proportion of the world's population. Because of this, governments will continue to be very cautious about opening borders and will rush to close them if the need arises. Despite the recovery in passenger traffic and aircraft movement that the Airport has experienced, the drop in traffic in 2020 was 72.7%, higher than the 56% we projected during the first half of the year. For this reason, we have revised our projections for the period 2020 – 2024, where a more moderate traffic recovery is estimated for the next three years, with international traffic returning to 2019 levels through the year 2024.

In the baseline scenario, global passenger traffic is expected to recover to 2019 levels from the second half of 2023 driven mainly by the recovery of domestic passenger traffic (globally, domestic traffic accounts for 58% of total passenger traffic as of 2019.)

By 2021, a total number of passengers in a range is estimated between 40% and 60% below 2019 levels (compared to 30% and 40% previously). We also lowered our expectations for 2022, to a range of 20% and 30% below 2019 levels (compared to 15% and 20%, previously).

Updated assumptions for air passenger traffic

<i>year</i>	<i>Current estimate</i>	<i>Previous estimate</i>
<i>2020</i>	<i>Negative 65%-80%</i>	<i>Negative 60%-70%</i>
<i>2021</i>	<i>Negative 40%-60%</i>	<i>Negative 30%-40%</i>
<i>2022</i>	<i>Negative 20%-30%</i>	<i>Negative 15%-20%</i>
<i>2023</i>	<i>Negative 10%-15%</i>	<i>Negative 10%-15%</i>

The Company has taken aggressive actions, focusing on reducing fixed costs, further strengthening its liquidity position and adjusting its size, for what it believes will be a weakened demand environment in the immediate future.

- **Personnel cost:** The Company resorted to the reduction of the labor force in the short and medium term as cost-saving strategies, through the negotiation of the suspension of non-essential hiring, the working hours of the employees and the payroll were initially reduced to 50% for two months (May and June), in the month of July a suspension of extendable contracts was made by 49%. In April 2021, 24% of the staff are suspended from their contracts for up to 8 additional months, in accordance with the amendments introduced by Law 201 of March 15, 2021, which allows the reinstatement of workers gradually by economic sector. This contributed to the cost of personnel for the year ended December 31, 2020 decreasing to B/.28,260,308 compared to B/.39,787,741 for the year 2019.

Expected credit losses on accounts receivable from customers

As a result of the pandemic, customer accounts receivable show an increase in delinquency as of December 31, 2020. Accounts over 60 days increased by 70% over the previous year which led to an increase in the provision of expected credit losses of B/. 3,907,665, which represents a 55% increase. However, the percentage of delinquency for the first half of 2021 is expected to fall, as by applying financial relief measures, concessionaires have expressed their interest in requesting payment arrangements, as well as paying past due accounts.

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In order to comply with the provisions issued by the National Government, regarding the State of National Emergency due to Covid-19, as well as, in response to the requests of commercial concessionaires to renegotiate their contracts, the Company has issued temporary and exceptional measures applicable to commercial concessionaires, during this period of affectation.

The temporary relief measures were divided into two (2) stages: 1-Closure of Operations where it was billed by virtue of the maintenance of the spaces to safeguard the inputs and assets; daily security service for the spaces of the concessionaires, etc. and Stage 2, the resumption of operations which consists of a temporary reduction of the concession fee, proportionally.

Construction in progress

The projects related to the expansion of the airport were affected by the temporary cessation of construction activity from March 25, 2020 according to Executive Decree No. 506 of March 24, the resumption took place from September 7, 2020 according to Executive Decree No. 1036 of September 4, 2020. This paralysis of the works also resulted in the suspension of the capitalization of the interest expenses from the bond debt destined to the expansion projects of the airport. The interest generated by the bond debt is for B/. 55,898,156, of which B/. 30,059,183 are capitalized to the works and B/. 25,838,973 were recognized as interest expense for the period from March 26 to September 6, 2020.

Liquidity position:

As of December 31, 2020, the Company has negative operating EBITDA of B/.76,483,723 and as of March 31, 2021, has positive operating EBITDA of B/.9,073,389 and net loss of B/.5,727,714.

The Company implemented certain initiatives to preserve cash and improve liquidity position, including:

- On May 12, 2020, the Company subscribed a Credit Line with Citibank, N.A. up to an amount of B/.25,000,000 for the financing of expansion plans, as well as for the operation and maintenance of airports under its management.
- The Company is in the process of negotiating a new bond issue to refinance existing bonds maturing in 2036 and 2048 with additional CAPEX capacity and an intermediated public offering with exit consent.

In the event that the new issue goes according to the plan, the transaction size will be approximately between B/.1,600 and B/.1,800 million in a new issuance of up to 40 years. The objective is to achieve ratings in the BBB area for a new issue, this being also in the short term an additional source of liquidity to cover a greater lack of resources, and in the medium and long term it would provide greater room for financial maneuverability.

This structure would allow the Airport to maximize savings during the first 5 years and reduce stress on cash flow during the traffic recovery period.

During October 2020, and as a measure to maintain its liquidity, the Company received consents from a majority of its bondholders. This consent approved the increase of the permitted debt basket from US\$ 25 million to US\$ 100 million. Following this, the Company has closed unsecured financings of US\$ 25 million as of December 31, 2020 and an additional US\$ 25 million by April 7, 2021.

The proposed structure allows the Company to have additional cash flow available for operations.

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This additional cash flow is a result of: (i) an expected reduction in the coupon of the new bond, (ii) a 5-year grace period for the payment of the principal, and (iii) the extension of the term of the proposed bond issue until 2061, with a weighted average life of approximately 26.8 years.

Given its strategic position, the Airport is one of the largest connection points in the region and one of the fastest growing in Latin America connecting North America, Central America, South America, the Caribbean and Europe. Aeropuerto Internacional de Tocumen is the largest and busiest airport in Central America, the third largest airport in Latin America and the fourth in connectivity in Latin America, which creates an advantage for the airport to continue experiencing the recovery of passenger traffic.

Although the pandemic brings a lot of uncertainty and estimates are still subject to future events, we expect to continue to manage our performance in accordance with our planning and strategies.

The Company's continued access to sources of liquidity depends on multiple factors, including global economic conditions, government regulation, the condition of global financial markets, the availability of sufficient amounts of financing, its operating performance, and its credit ratings.

As of December 31 2020, the Company has B/.20,976,225 in cash and cash equivalents.

Based on the liquidity analysis for the next 12 months, the recovery plan and the measures taken since the beginning of the Covid-19 pandemic, the financial statements as of December 31, 2020 have been prepared under the going concern basis.

2. Adoption of new International Financial Reporting Standards (IFRSs)

2.1 Standards and Interpretations adopted without effect on the financial statements

There were no IFRS or IFRIC interpretations, effective for the year that began on January 1st, 2020, that had a significant effect on the financial statements.

2.2 New and revised IFRS issued, but not yet effective

The Company has not adopted the following new and revised standards and interpretations that have been issued but are not yet effective.

Amendments to IAS 1	<i>Classification of liabilities as current and non-current</i>
Modifications to IFRS 3	<i>Reference to the conceptual framework</i>
Amendments to IAS 16	<i>Property, plant and equipment - Income before intended use</i>
Amendments to IAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
Annual improvements to IFRS	<i>Amendments to IFRS 1 Adoption for the first time of IFRS, IFRS</i>
Cycle 2018-2020	<i>9 Financial instruments, IFRS 16 Leases and IAS 41 Agriculture</i>

Management does not expect the adoption of the aforementioned standards to have a significant impact on the Company's financial statements in future periods.

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3. Summary of significant accounting policies

A summary of the accounting policies applied in the preparation of the financial statements is presented below:

3.1 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB").

3.2 Basis of presentation

The financial statements have been prepared on a historical cost basis. Generally, historical cost is based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants consider these characteristics when pricing the asset or liability at the measurement date. For measurement and/or disclosure purposes, the fair value in these financial statements is determined on such a basis. There are exceptions made for share-based payment transactions within the scope of IFRS 2, leasing transactions within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as the net realizable value in IAS 2 or the value-in-use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized as Level 1, 2 or 3 based on the degree to which the inputs in the fair value measurements are observable and the significance of the inputs in the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets and liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for an asset or liability.

3.3 Functional and presentation currency

The financial statements are expressed in balboas (B/.), the official currency of the Republic of Panama, which is at par and freely exchangeable with the dollar of the United States of America (US\$). The balboa is the functional and presentation currency of the Company's financial statements.

3.4 Financial instruments

Financial assets and liabilities are recognized when the Company becomes part of the contractual provisions of the instrument.

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Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and liabilities (other than financial assets and liabilities designated at fair value through profit or loss) are added to or deducted from the fair value of financial assets or liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities designated at fair value through profit or loss are recognized immediately in profit or loss.

3.5 Financial assets

The Company maintains three major classification categories for financial assets: measured at amortized cost (AC), at fair value through other comprehensive income (FVTOCI) and at fair value through profit and loss (FVTPL). The IFRS 9 classification is generally based on the business model in which a financial asset and its contractual cash flows are managed.

Financial assets are classified at amortized cost within the following specified categories: “cash and cash equivalents”, and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.5.1 Effective interest rate method

The effective interest rate method is a method of calculating the amortized cost of a financial instrument and allocating financial income over the relevant period. The effective interest rate is the discount rate that exactly discounts the estimated cash flows receivable or payable (including commission, basic points of interest paid or received, transaction costs and other premiums or discounts that are included in the calculation of the effective interest rate), over the expected life of the financial instrument or, where appropriate, in a shorter period, with the net carrying value on initial recognition.

Income is recognized based on the effective interest rate for debt instruments other than financial assets classified as at fair value through profit or loss.

The following are the financial assets at the date of the statement of financial position:

3.5.2 Accounts receivable

Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accounts receivable, including trade accounts, other accounts receivable, bank balance and cash, among others, are measured at amortized cost using the current interest method less any impairment.

Interest income is recognized when the current interest rate is applied, except for short-term accounts receivable when the effect of not discounting is immaterial.

3.5.3 Impairment of financial assets

Financial assets are tested for impairment at the end of each reporting period.

Under IFRS 9, provisions for expected credit losses are measured on either of the following bases:

- Expected credit losses (ECLs) for 12 months: are ECLs resulting from possible predetermined events within 12 months subsequent to the date of the report, and

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- Expected Credit Loss (ECLs) for Lifetime: ECLs resulting from all predetermined possible events during the expected useful life of a financial instrument.

The Company has chosen to estimate the provision, using the Roll Rates model, the expected loss from the impairment of accounts receivable and its recognition in the financial statements with reference to IFRS 9. This method determines, through mathematical calculations, a collective percentage of the balances that migrate or are transferred from a certain range of antiquity to another of greater antiquity until reaching the point where it constitutes an impairment, in order to perform a calculation, which can easily estimate a provision and give it the due follow-up by adjusting its value in books according to the results obtained. Establish a horizon for evaluating historical information on the behavior of outstanding balances month by month. The base historical information should be a minimum of 24 months; the ranges of antiquity must be in intervals of 30 days and at more than 360 days, makes a provision matrix with the historical outstanding balances, and calculates the percentage of the debt that migrates from one age to another.

Expected Loss Rate, which represents the estimate of the loss given default payment of the accounts receivable (Default) for each of the PX. All the PX must be multiply from the next PX that is calculating from now on.

The carrying value of the financial asset is reduced directly by the impairment loss for all financial assets with the exception of trade receivables, where the carrying value is reduced using a provision account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying value of the provision account are recognized in profit or loss and other comprehensive income.

3.5.4 Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers or retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying value and the amount of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On partial derecognition of a financial asset (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying value of the financial asset between the part it continues to recognize under continued involvement and the part it no longer recognizes on the basis of the relative fair value of those parts on the date of the transfer. The difference between the carrying value allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized based on the relative fair values of those parts.

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3.6 Financial liabilities and equity instruments

3.6.1 Financial liabilities and equity instruments

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.6.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a Company after deducting all of its liabilities. Equity instruments issued by a Company entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or settlement of the Company's own equity instruments.

3.6.3 Other financial liabilities

Other financial liabilities (including bonds payable and trade and other payables) are subsequently measured at amortized cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial liability and allocating financial expense over the relevant period. The effective interest rate is the discount rate that exactly discounts the estimated cash flows receivable or payable (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) over the expected life of the financial liability or, (where appropriate) in a shorter period to the net carrying value on initial recognition.

3.7 Inventories

Inventories consist of parts, spare parts and materials that are valued at acquisition cost, less provision for impairment or obsolescence. The Company evaluates annually the need to record any adjustment for inventory obsolescence.

3.8 Constructions in progress

Constructions in progress represent project costs considered in the "Expansion Plan of the South Terminal" and other infrastructure projects, which are under construction.

The costs of the projects under construction are transferred to property and property improvements in exploitation over the fiscal period or at the end of the financial year once the infrastructure has been commissioned to enter into commercial exploitation and the corresponding minutes of substantial or final acceptance are available.

The costs of constructions in progress include the costs of salaries, employee benefits, loan interest attributable to construction and other direct costs directly associated with the project.

Interest incurred on borrowings acquired for the projects under construction are capitalized as a component of cost of constructions in progress. Capitalization ends when the infrastructure under development is available for use. Other interests are recognized as financial costs when incurred. For the year ended December 31, 2020, capitalized interest was B/.30,109,772 (2019: B/.56,189,988 and 2018: B/.58,076,589).

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3.9 Property, equipment and property improvements

i. Recognition and measurement

Property, equipment and property improvements for use in the production or supply of goods and leasing services to third parties or for administrative purposes are stated at cost less accumulated depreciation and subsequent accumulated impairment losses, except for the land, which is valued at cost.

Costs include expenses that are directly attributable to the acquisition of the asset. Cost of the constructed assets include the cost of materials and direct labor, borrowing costs capitalized in accordance with the Company accounting policy and any other costs directly related to the asset in order to be in the required conditions and to operate as intended.

Gains and losses on disposal of an item of property, equipment and property improvements are determined by comparing the disposal proceeds with the carrying amount of the assets and are recognized net within "other income" in the statement of profit or loss and other comprehensive income.

The Company classifies as property and property improvements as the portion of the assets that is used for purposes of generating income when these assets cannot be sold separately and when the portion of the asset used for production or supply purposes of goods or services or administrative purposes is not significant.

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value of the asset and is recognized in profit or loss.

ii. Depreciation

Depreciation of property, equipment and property improvements is recognized in profit or loss. Depreciation is recognized until the cost of the assets is written off (other than land and property under construction less its residual value over its useful life).

The items of property, equipment and property improvements are depreciated using the straight-line method in profit and loss based on the estimated useful lives of each component. Land does not depreciate. The items of property, equipment and property improvements are depreciated from the date in which they are installed and ready for use, or in the case of assets constructed internally, from the date in which the asset is completed and in conditions to be used.

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The estimated useful lives of the assets are as follows:

	<u>Estimated useful life</u>
Furniture and fixtures	10
Vehicles	5
Sweeping equipment	10
Computer equipment	5
Machinery, equipment and others	10
Office equipment	10
Boarding bridge equipment	18
Infrastructure and improvements	40

The estimated useful life, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

iii. Subsequent costs

The cost of replacing an item of property, equipment and property improvements is recognized in the carrying value of the item if it is likely that future economic benefits associated with the item will flow to the entity and its cost can be measured reliably. The carrying value of the replaced item is derecognized. The daily maintenance cost of furniture, equipment and improvements is recognized in the line of repair and maintenance in the statement of profit or loss and other comprehensive income the period in which it is incurred.

3.10 Impairment of non-financial assets

The carrying value of the non-financial assets of the Company are reviewed at each reporting date to determine if there is an indication of impairment. If such an indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are assigned to the individual cash-generating units, or else assigned to the smaller group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable value of an asset or its cash-generating unit is the greater of its value-in-use and its fair value less costs required for its disposal. In assessing the value-in-use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to which the asset belongs. For purposes of impairment testing, assets are brought together in the lower group of assets that generates cash inflows from continued use, having great independence of the cash inflows from other assets or groups of assets (the cash-generating unit).

An impairment loss is recognized if the carrying value of an asset or its cash-generating unit exceeds its estimated recoverable value. Impairment losses are recognized in the statement of profit or loss and other comprehensive income.

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With respect to other assets, impairment losses recognized in prior years are assessed at each reporting date with respect to any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount; however so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3.11 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) due to a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying value is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered, a receivable is recognized as an asset if it is virtually certain that the reimbursement will be received and the amount receivable can be measured reliably.

3.12 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is for estimated customer returns, rebates and other similar allowances.

3.12.1 Provision of services

Revenue from contracts to provide services is recognized when the service is provided or by reference to the completion phase of the contract.

Revenues from providing airport operation services include:

- a) *Operations* - Correspond to the right of landing of an aircraft, ground handling services, equipment leasing of ramp and boarding bridge for commercial, private and cargo flights, as well as the rate applied to each of the persons as national and international passengers to use the terminal facilities of the Company on outbound flights. These revenues are recognized once the service invoice is issued each month, on an accrual basis.
- b) *Business* - Includes revenues from use of parking lots for vehicles entering the airport facilities and the fuel marketing margins, which is the margin invoiced to the oil companies for the sale of fuel to aircrafts dispatched within the Company's facilities.

These revenues are recognized on an accrual basis, considering the monthly sales reports of the sales agents.

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3.12.2 Rental income

The Company's policy for the recognition of revenue from operating leases is described in note 3.13.1 below:

3.12.3 Interest income

Interest income from a financial asset is recognized when it is likely that the economic benefits will flow into the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, with respect to the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash flows receivable or payable through the expected life of the financial asset to that asset's net carrying value on initial recognition.

3.13 Leases

3.13.1 The Company as a lessor

Concession agreements generally include a payment for key rights, a fixed rental income per square meter of leased commercial premises and a variable income based on a percentage of gross income generated in leased premises by the tenant, which is determined according to the commercial activity and is usually in the range of 5% to 10%.

Payments for key rights received from administrative concessions for the lease of commercial premises in the airport terminal are recognized as income over the term of the contract and are included as part of the rental income in the statement of profit or loss and other comprehensive income.

Fixed rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Variable income is recognized when it is probable that the economic benefit will flow to the Company and the amount of income can be measured reliably.

3.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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3.15 Income tax

Income tax expense comprises current and deferred tax and is recognized in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognized directly in equity or in other comprehensive income, if any, in which case it is recognized in other comprehensive income and presented in equity.

The calculation of the current tax payable is based on the taxable profit for the year, using the tax rates in effect or to take effect on the reporting date and any adjustment to the tax payable in respect of previous years.

The deferred tax is recognized with respect to temporary differences between the carrying value of assets and liabilities for financial accounting purposes and the values used for tax purposes. Deferred tax is not recognized for temporary differences related to the initial recognition of assets and liabilities in a transaction other than a business combination and that neither affects the accounting profit nor the taxable income and differences related to the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applicable to the temporary differences when they are reversed, based on the laws that are in effect or are expected to be in effect on those dates. Deferred tax assets and liabilities are offset, if there are enforceable legal rights to offset tax assets and liabilities and these are related to income taxes determined by the same authority on the same tax paying entity, or on different tax paying entities but are intended to liquidate current tax assets and liabilities in a compensated manner so that their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is likely that future taxable net profits will be available, against which they can be used for temporary differences. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is unlikely that related tax benefits will be realized.

3.16 Provision for seniority premium and severance fund

The Labor Code establishes in the Panamanian labor law the recognition of a premium for seniority services. To this end, the Company has established a provision calculated based on one week of severance pay per every year of work or what an amount equal to 1.92% of wages paid during the year.

According to the Labor Code of the Republic of Panama, at the termination of any contract of indefinite duration, regardless of the cause, the employee is entitled to a seniority premium at the rate of one week's salary for each year worked since the beginning of the employment relationship.

Law No.44 of December 12, 1995 provides as of its entry into effect, that it is the obligation of the employers to set up a severance fund to pay employees the seniority premium and compensation for unfair dismissal established by the Labor Code.

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3.17 Provision for retiree benefits

In accordance with Article No. 34 of Law No. 21 of October 18, 1982, and Official Gazette No. 19678 of October 25, 1982, relating to Special Retirements, the Board of Directors recognized as of January 1, 2009, a provision for employee benefits charged to income. The provision was established based on the last salary of the employees upon reaching 25 years of continuous service, and the years that follow until they meet the age required to apply for Retirement from the Social Security. The information used for the recognition of the provision for retirement benefits is determined based on the eligible firefighters who remained employed by the Company.

A defined benefit plan is a post-employment plan different from a defined contribution plan. The net obligation of the Company related to defined pension benefits is calculated separately for the plan, calculating the amount of future benefits that retirees have earned in exchange for their services in the current and prior periods; that benefit is discounted to determine its present value. The cost for previously unrecognized services and the fair value of any asset of a plan are deducted. The discount rate or cost is a financial measure that is applied to determine the present value of a future payment. In Panama, there is no active market for observable securities, so the rate related to the bonds issued by the Government of the Republic of Panama has been considered in US dollars for the discount of this obligation.

A qualified actuary using the projected credit unit method performs the calculation annually. When the calculation produces a benefit to the Company, the recognized asset is limited to the net total of any unrecognized prior service cost and the present value of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, any minimum funding requirements that apply to any plan of the Company must be considered. An economic benefit is available to the Company if it is realizable in the duration of the plan, or to the liquidation of the obligations of the plan. When the benefits of a plan are improved, the portion of the improved benefit that relates to past services performed by employees is recognized in profit or loss using the straight-line method over the average period until the benefits are delivered. To the extent benefits are granted immediately, the expense is immediately recognized in profit or loss.

The Company recognizes all actuarial gains and losses arising from defined benefit plans and all related expenses, personnel costs, in profit or loss.

When reductions or liquidations take place in the defined benefit plan, the Company shall recognize gains or losses arising thereof. These gains or losses will include any changes that could result in the present value of the defined benefit obligations incurred by the entity, any actuarial gains and losses and past service costs that had previously been unrecognized.

3.18 Service concession arrangements

The Company recognizes service concession arrangements in accordance with the requirements of IFRIC 12 - Service Concession Arrangements.

This interpretation is applicable for concessions in which:

- The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price; and
- The grantor controls, through ownership, from beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

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The Company does not recognize these infrastructures as property, plant and equipment. The Company recognized the consideration received on contracts that meet the above conditions at their fair value as intangible assets, to the extent that the Company receives a right to make charges to users of the service. That is, provided these rights are conditioned to the use of the service, or as a financial asset, to the extent that there is an unconditional contractual right to receive cash or another financial asset, whether directly from the transferor or a third party. In cases where construction services are paid to the Company in part by a financial asset and partly by an intangible asset, each component of the consideration is accounted for separately.

Financial assets of service concession arrangements are recognized in the statement of financial position as operating financial assets and are subsequently measured at amortized cost using the effective interest rate. The assessment of impairment of these financial assets is performed according to the policy for impairment of financial assets.

Intangible assets of service concession arrangements are recognized in the statement of financial position as intangible assets called "intangible assets for service concession arrangements" and are amortized linearly within the duration of the same.

Revenues from ordinary activities and costs associated with operating services are recognized according to the accounting policy for ordinary revenue.

3.19 Segment information

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.

3.20 Funds withheld from contractors

The Company withholds five percent (5%) to ten percent (10%) from the amount owed for each payment made to contractors subject to the provisions of construction contracts, as established by each contract. Upon completion of the works and satisfactorily received, the withheld funds are paid to the respective contractors.

3.21 Dividends

Dividends are recognized in the statement of financial position as liabilities when the Company has the obligation to make the payment for the distribution approved by the Board of Directors.

3.21.1 The complementary tax

It is an advance of the dividend tax that is recognized based on 4% of the taxable net profit of each period. This tax is amortized when the Company files its tax return and pays dividends, which are discounted from the dividend tax caused.

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3.22 Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies described in Note 3, Management must make judgments, estimates and assumptions about the carrying value of assets and liabilities not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

3.22.1 Critical judgments in applying accounting policies

Presented below are Management's judgments, apart from those involving estimates (see Note 3.22.2), made during the process of applying the Company's accounting policies and that have a significant effect on the amounts recognized in the financial statements.

Recognition of items in the financial statements

As part of the control and supervision of the Company, in some circumstances the endorsement of the General Comptroller of the Republic is legally required for the transaction to be valid. In circumstances where it is probable that the economic benefits associated with the transaction will flow to or from the entity, the item has a cost or value that can be measured reliably, reaching an agreement with the counterparty. Also, the Company has obtained all the required approvals from Management, thus the transaction is still recognized without the approval of the Comptroller as it is considered a transaction with a high probability of execution.

3.22.2 Key sources of estimation uncertainty

The information about assumptions and estimates in cases of uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Provision for impairment of financial assets (Note 22.3).
- Provision for retiree benefits (Note 14).

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

Property, equipment and property improvements is broken down as follows:

Cost	Balance at January 1, 2020	Acquisitions	Asset disposal or withdrawal	Capitalization	Reclassification	Balance at December 31, 2020
Land	270,393,709	-	-	-	-	270,393,709
Infrastructure and improvements	475,435,260	-	-	16,947,353	4,489	492,387,102
Furniture and fixtures	6,743,882	66,076	(61,009)	47,943	-	6,796,892
Vehicles	12,860,714	-	(24,264)	-	-	12,836,450
Sweeping equipment	689,753	-	-	-	-	689,753
Computer equipment	16,385,985	375,422	(19,876)	-	168,215	16,909,746
Machinery, equipment and others	46,367,736	549,053	(6,772)	522,887	34,446	47,467,350
Office equipment	63,762	-	(1,523)	-	648	62,887
Boarding bridge equipment	21,185,762	-	-	-	-	21,185,762
Works of art	70,360	-	-	-	-	70,360
Other cultural assets	19,860	-	-	-	-	19,860
Other assets	1,793,472	-	-	-	-	1,793,472
Total	852,010,255	990,551	(113,444)	17,518,183	207,798	870,613,343

Depreciation	Balance at January 1, 2020	Depreciation expense	Asset disposal or withdrawal	Capitalization	Reclassification	Balance at December 31, 2020
Infrastructure and improvements	86,683,858	11,621,727	-	-	-	98,305,585
Furniture and fixtures	2,683,299	490,455	(164)	-	-	3,173,590
Vehicles	11,108,904	646,451	(24,264)	-	-	11,731,091
Sweeping equipment	598,731	36,408	-	-	-	635,139
Computer equipment	12,128,268	1,513,631	(644)	-	-	13,641,255
Machinery, equipment and others	39,661,802	2,399,256	(6,772)	-	-	42,054,286
Office equipment	38,417	4,978	(1,523)	-	-	41,872
Boarding bridge equipment	12,128,272	1,110,348	-	-	-	13,238,620
Otros activos	960,184	174,648	-	-	-	1,134,832
Total	165,991,735	17,997,902	(33,367)	-	-	183,956,270
	686,018,520					686,657,073

Cost	Balance at January 1, 2019	Acquisitions	Asset disposal or withdrawal	Capitalization	Reclassification	Balance at December 31, 2019
Land	270,393,709	-	-	-	-	270,393,709
Infrastructure and improvements	407,136,586	366,750	-	67,931,924	-	475,435,260
Furniture and fixtures	4,076,160	1,528,104	-	1,139,618	-	6,743,882
Vehicles	12,725,534	135,180	-	-	-	12,860,714
Sweeping equipment	689,753	-	-	-	-	689,753
Computer equipment	13,566,208	1,190,405	-	550,517	1,078,855	16,385,985
Machinery, equipment and others	45,271,653	609,250	-	359,153	127,680	46,367,736
Office equipment	56,740	7,022	-	-	-	63,762
Boarding bridge equipment	21,185,762	-	-	-	-	21,185,762
Works of art	70,360	-	-	-	-	70,360
Other cultural assets	19,860	-	-	-	-	19,860
Other assets	10,444,663	-	(1,265,776)	-	(7,385,415)	1,793,472
Total	785,636,988	3,836,711	(1,265,776)	69,981,212	(6,178,880)	852,010,255

Depreciation	Balance at January 1, 2019	Depreciation expense	Asset disposal or withdrawals	Capitalization	Reclassification	Balance at December 31, 2019
Infrastructure and improvements	75,844,753	10,839,105	-	-	-	86,683,858
Furniture and fixtures	2,323,268	360,031	-	-	-	2,683,299
Vehicles	9,918,923	1,189,981	-	-	-	11,108,904
Sweeping equipment	562,323	36,408	-	-	-	598,731
Computer equipment	10,306,991	1,821,277	-	-	-	12,128,268
Machinery, equipment and others	36,982,368	2,679,434	-	-	-	39,661,802
Office equipment	33,546	4,871	-	-	-	38,417
Boarding bridge equipment	11,017,924	1,110,348	-	-	-	12,128,272
Other cultural assets	19,860	-	(19,860)	-	-	-
Other assets	2,374,709	172,303	(1,586,828)	-	-	960,184
Total	149,384,665	18,213,758	(1,606,688)	-	-	165,991,735
	636,252,323					686,018,520

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Cost	Balance at January 1, 2018	Acquisitions	Asset disposal or withdrawal	Capitalization	Reclassification	Balance at December 31, 2018
Lands	270,393,709	-	-	-	-	270,393,709
Infrastructure and improvements	393,511,952	3,291,315	-	10,333,319	-	407,136,586
Furniture and fixtures	3,576,821	506,765	(7,426)	-	-	4,076,160
Vehicles	11,759,246	1,041,463	(75,175)	-	-	12,725,534
Sweeping equipment	689,753	-	-	-	-	689,753
Computer equipment	12,474,163	1,132,234	(40,189)	-	-	13,566,208
Machinery, equipment and others	43,044,839	303,888	(5,963)	-	1,928,889	45,271,653
Office equipment	48,068	8,672	-	-	-	56,740
Boarding bridge equipment	21,185,762	-	-	-	-	21,185,762
Works of art	70,360	-	-	-	-	70,360
Other cultural assets	19,860	-	-	-	-	19,860
Other assets	9,229,892	353,081	(404,086)	-	1,265,776	10,444,663
Total	766,004,425	6,637,418	(532,839)	10,333,319	3,194,665	785,636,988

Depreciation	Balance at January 1, 2018	Depreciation expense	Asset disposal or withdrawal	Capitalization	Reclassification	Balance at December 31, 2018
Infrastructure and improvements	66,131,329	9,713,424	-	-	-	75,844,753
Furniture and fixtures	2,056,847	271,892	(5,471)	-	-	2,323,268
Vehicles	8,605,170	1,374,901	(61,148)	-	-	9,918,923
Sweeping equipment	525,915	36,408	-	-	-	562,323
Computer equipment	9,001,634	1,345,530	(40,173)	-	-	10,306,991
Machinery, equipment and others	32,416,497	2,642,945	(5,963)	-	1,928,889	36,982,368
Office equipment	28,996	4,550	-	-	-	33,546
Boarding bridge equipment	9,907,576	1,110,348	-	-	-	11,017,924
Other cultural assets	19,860	-	-	-	-	19,860
Other assets	1,011,162	97,771	-	-	1,265,776	2,374,709
Total	129,704,986	16,597,769	(112,755)	-	3,194,665	149,384,665
	636,299,439					636,252,323

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5. Constructions in progress

Constructions in progress are broken down as follows:

	Balance at January 1, 2020	Additions	Capitalizations	Reclassification	Balance at December 31, 2020
South Terminal	1,143,966,368	34,704,090	-	-	1,178,670,458
Other contracts:					
Celmec, S. A.	-	124,356	(124,356)	-	-
Mota-Engil, Engenharia e Construção, S.A.	10,402,535	3,028,929	-	-	13,431,464
Constructora RODSA	14,410,091	1,082,287	-	-	15,492,378
Sampol Ingeniería y Obras, S. A.	10,637,466	1,273,925	(11,911,391)	-	-
Administración e Inversiones del Istmo, S.A.	2,488,304	51,581	-	-	2,539,885
Concreto Asfáltico Nacional, S.A.	4,014,957	259,193	(4,274,150)	-	-
Others constructions (OACI)	67,577,589	-	(522,887)	2,407,085	69,461,787
Other under B/.2,000,000	888,247	252,677	(637,456)	-	503,468
	110,419,189	6,072,948	(17,470,240)	2,407,085	101,428,982
	1,254,385,557	40,777,038	(17,470,240)	2,407,085	1,280,099,440

	Balance at January 1, 2019	Additions	Capitalizations	Reclassification	Balance at December 31, 2019
South Terminal	1,054,683,075	89,283,293	-	-	1,143,966,368
Other contracts:					
Celmec, S. A.	30,886,774	670,517	(31,557,291)	-	-
Mota-Engil, Engenharia e Construção, S.A.	-	10,402,535	-	-	10,402,535
Constructora RODSA	10,854,472	3,555,619	-	-	14,410,091
Sampol Ingeniería y Obras, S. A.	10,146,502	490,964	-	-	10,637,466
Transeq, S.A.	9,065,169	616,709	(9,681,878)	-	-
Constructora MECO	19,279,954	3,717,326	(22,997,280)	-	-
Administración e Inversiones del Istmo, S.A.	713,269	1,775,035	-	-	2,488,304
Concreto Asfáltico Nacional, S.A.	-	4,014,957	-	-	4,014,957
Others constructions (OACI)	31,378,650	-	-	36,198,939	67,577,589
Other under B/.2,000,000	3,783,966	799,756	(3,695,475)	-	888,247
	116,108,756	26,043,418	(67,931,924)	36,198,939	110,419,189
	1,170,791,831	115,326,711	(67,931,924)	36,198,939	1,254,385,557

	Balance at January 1, 2018	Additions	Capitalizations	Balance at December 31, 2018
South Terminal	883,961,645	170,721,430	-	1,054,683,075
Other contracts:				
Celmec, S. A.	12,257,398	18,629,376	-	30,886,774
Landscape Vison Corporation	8,741,897	758,103	(9,500,000)	-
Constructora RODSA	7,269,094	3,905,423	(320,045)	10,854,472
Sampol Ingeniería y Obras, S. A.	4,981,245	5,165,257	-	10,146,502
Transeq, S.A.	4,264,570	4,800,599	-	9,065,169
Constructora MECO	2,258,979	17,020,975	-	19,279,954
Administración e Inversiones del Istmo, S.A.	-	713,269	-	713,269
Other constructions (ICAO)	-	31,378,650	-	31,378,650
Others under B/.2,000,000	3,296,028	1,001,212	(513,274)	3,783,966
	43,069,211	83,372,864	(10,333,319)	116,108,756
	927,030,856	254,094,294	(10,333,319)	1,170,791,831

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The Company started construction of the South Terminal in 2013. The construction of Terminal 2 under the work contract consists of a new passenger terminal, an access boulevard from 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 constructions in progress reflect the expenditures 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 the year ended December 31, 2020, the net capitalized interest costs amounted to B/.30,109,772 (2019: B/.56,189,988 and 2018: B/.58,076,589).

As at December 31, 2020, contracts other than the one for the South Terminal were for an amount of B/.40,813,376 of which a total of B/.32,123,404 have been invoiced.

The most important contract terms related to the South Terminal are listed below:

(a) *CNO, S. A.*

Contract No. 038/12, dated May 31, 2013, between the Company and Constructora Norberto Odebrecht, S.A., the object of the contract is stipulated for the project called "Expansion Program of the Tocumen International Airport, S.A." for an amount of B/.679,428,600 and additionally, the Company will recognize and pay for the execution of other works, services and constant supplies of the form "Costs Associated to Tocumen" that are formally ordered by the Company to the construction company or other concepts up to the sum of B / .100,000,000 and the Company may order, through the Addendum to the Contract, the execution of "Optional Works" as established in the tender documents up to an amount of B/.157,109,170. The contract has a maximum execution time of 48 months.

On July 7, 2016, Addendum No.2 038/12 was signed for B/.99,004,391, which was ratified by the Comptroller on the same day. This addendum modifies:

- a) The "Third" clause of contract No.038/12, which modifies the construction terms of Phase 2 of the South Terminal and includes additional work for priority jobs;
- b) The "Sixth" clause, which modifies the term and delivery date of the work, to finish in a period of 62 calendar months from the tenth working day as of the notification of the order to proceed is subject to the Company obtaining approval of the environmental impact;
- c) The "Seventh" clause, which modifies the amount of the contract up to an amount of B/.878,432,990;
- d) The "Eleventh" clause, which modifies the fines for non-compliance and bonuses, to include the acceptance of a fine for delay in delivery of the work, which will be measured and imposed upon final receipt of the works at a 4% of the value equivalent to the portion left to deliver or execute and the Contractor accepts the waiver of bonuses for this contract;
- e) The "Fifteenth" clause, which modifies the performance bond for an amount of B/.219,608,247.

This addendum was endorsed by the Comptroller General of the Republic on July 7, 2016.

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On July 12, 2018, Addendum No. 3 to Contract No. 038/12 was signed whereby modifications are made to the Third Clause of the Scope of the Work, the Sixth Clause of the Period of Duration and Delivery of the Work, and grants the contractor an extension of time until October 10, 2018; the Seventh Clause of the Contract Amount Increased the amount of Costs Associated with Tocumen (CAT) by thirteen million nine hundred seventy three thousand six hundred eight balboas with 34/100 (B/.13,963,608.34); and the Fifteenth Clause of the Performance Bond.

On December 8, 2018, Addendum No. 4 to Contract No.038/12 was signed, whereby the following clauses are modified:

This addendum was endorsed by the Comptroller General of the Republic on July 27, 2018.

On December 8, 2018, Addendum No. 4 to Contract No.038/12 was signed, whereby the following clauses are modified:

- a) Third Clause of Contract No.038/12, which refers to the scope of the work, is modified, extending the deadline for delivery of the works established for Phase 2, which will be May 31, 2019.
- b) Added to the Fourth Clause of Contract No.038/12, which refers to "Contractor Obligations" (the Contractor exempts the subcontractor from the Baggage Handling System, Vanderlande, to enable the outstanding system consisting of 2 lines of the 3-level security system to be completed later, and to perform the installation and integration of the physical connection with the BHS system of Terminal 1, directly with AITSA).
- c) Sixth Clause of Contract No.038/12, which refers to the term of duration and delivery of the work (The contractor undertakes to execute the work of this Contract, within a maximum term of seventy four (74) months and 25 calendar days, counted from the tenth business day following the notification of the order to proceed issued by Tocumen to the contractor, and the works of Phase 1 must be executed within a maximum period of forty six (46) months counted from the tenth (10) business day following the notification and delivery of the order to proceed, plus the extensions of the execution period of the works that the contractor is entitled to, as established in the Contract. The above terms are subject to Tocumen obtaining the approval of the Environmental Impact Study according to the term established in Clause Five of this Contract).
- d) The Seventh Clause regarding the Contract Amount is modified increasing the amount of the Costs Associated with Tocumen (CAT) by B/.18,341,584.
- e) The Fifteenth Clause of Contract No.038/12, which in turn was amended by Addendum 1, 2 and 3 that refers to the performance bond (to guarantee compliance with each and every one of the obligations assumed in this contract and guarantee them, the contractor consigns in favor of Aeropuerto Internacional de Tocumen, SA and the General Comptroller of the Republic, a performance bond for compliance with the contract.
- f) No.85B64877/85B64878/85B64879, modified Endorsements No. 1, 2, 3, 4, 5, 6, 7, 8 and 2 issued by ASSA Compañía de Seguros, S.A., for a maximum limit of B/.229,491,185.
- g) Aeropuerto Internacional Tocumen, S.A., recognizes that it will pay the contractor for the execution of the work detailed in this Contract 38/12, the amount of B/.917,964,742.

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The Comptroller General of the Republic endorsed this addendum on January 11, 2019. The contract establishes a price adjustment mechanism in which the contract amount should be adjusted by increasing or decreasing it, as appropriate, in order to take into account increases or reductions in prices of inputs from civil construction, according to the level of relevance for the composition of the total amount offered for the works.

To ensure payment to the contractor, the Company is required to create a trust or other legal instrument on which an autonomous patrimony can be established, created for that purpose and to transfer revenue cash flows to the trust that will be proceeds from the concession of areas for the new South Terminal.

On May 31, 2019, Addendum No.5 is signed to Contract No.038/12, whereby the following clauses were modified:

- a) Twelfth Clause of Contract No. 038/12, which refers to the concession of extensions, is modified as follows: Delays that are caused by reasons not attributable to the Contractor shall entitle the Contractor to extend the term of the contract for a period no less than the delay.

Without prejudice to the provisions established, the extensions will modify, proportionally, the terms established in the contract and will document as additions or addenda to the originally signed contract.

In this case, the Contractor will be compensated by AITSA for the corresponding longer stay costs.

- b) Sixth Clause of Contract No.038/12, which refers to the Period of Duration and Delivery of the Work, shall be as follows: The Contractor undertakes to carry out the work under this Contract, within a maximum period of Seventy-Eight (78) Months and 24 Calendar Days, counted as of the tenth day following the notification of the Order to Proceed issued by AITSA to the Contractor. Likewise, the works of Phase 1 shall be executed within a maximum period of forty-six (46) months counted from the tenth (10) working day following the notification and delivery of the Order to Proceed, plus the extensions of time for execution of the works that the Contractor is entitled to, as established in the Contract. The above terms are subject to AITSA obtaining the approval of the Environmental Impact Study in accordance with the term set forth in Clause Five of this Contract.

This addendum was endorsed by the Comptroller General of the Republic on July 2, 2019, blic, a performance bond for compliance with the contract.

On November 15, 2019, Addendum No. 6 to Contract No.038/12 was signed, whereby the following clauses were modified:

- a) Third Clause of the Contract is modified, referring to the scope of the work, extending the deadline for delivery of the works established for phase No.2, which was June 30, 2020. On June 29, 2020, by means of Resolution of Board of Directors 089-JD20, the general manager of the Airport was authorized to subscribe addendum in time with the company CNO, S.A. with the purpose of maintaining in force the contract 038/12 and its performance bond until December 31, 2020 in order to guarantee the complete execution and definitive delivery of the works in the "Expansion Program of the Aeropuerto Internacional de Tocumen" to the Aeropuerto Internacional de Tocumen, S.A. and the General Comptroller of the Republic of Panama:

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- b) Letter "Y" is added to the Fourth Clause of Contract No. 038 /12, which refers to "CONTRACTOR OBLIGATIONS", whereby the irrevocable consent is obligatory to be granted to each and every one of its Subcontractors for the execution of AITSA's "Expansion Program" Project so that they can contract with AITSA, in case of being required, once the term of the contract has expired, as established in the Sixth Clause of Contract 038/12, without any responsibility for the Subcontractors and/or Tocumen.
- c) Sixth Clause of Contract No.038 /12, which refers to the Period of Duration and Delivery of the Works, the Contractor undertakes to execute the work under this Contract, within a maximum period of Eighty-Three (83) Months and 24 Calendar Days for the Substantial Delivery of the Works and within a period not exceeding Eighty-Seven (87) Months 24 calendar days for the Final Delivery of the Works, counted as of the tenth working day following the notification of the Order to Proceed issued by AITSA to the Contractor. Likewise, the works of Phase 1 shall be executed within a maximum period of forty-six (46) months counted as of the tenth (10) working day following the notification and delivery of the Order to Proceed, plus the extensions of time for execution of the works that the Contractor is entitled to, as established in the Contract. The previous terms are subject to AITSA obtaining approval of the Environmental Impact Study in accordance with the term set forth in the Fifth Clause of this Contract.
- d) Seventh Clause of Contract No. 038/12 is amended, exclusively with respect to the updating of budget items, in order to guarantee payments during fiscal year 2020 to the Contractor.
- e) Another ground for the Administrative Termination of the Contract was added to the Nineteenth Clause. Regardless of all the grounds established in Contract No. 038/12, the following is added as a new ground for Administrative Termination due to breach of Contract No. 038 /1. Failure to comply with three objectives, indicated in the updated Work Schedule for Addendum No. 6, which present delays of up to a maximum of 10 calendar days each, will authorize AITSA to administratively terminate the Contract and to request the execution of the Performance Bond of the Contract, understanding that these breaches disrupt the commitment assumed by the Contractor and materially affect AITSA's planning to open and operate.

This addendum was endorsed by the Comptroller General of the Republic on November 11, 2019.

As at December 31, 2020, the Company has not constituted any trust or other legal instrument.

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 engage a financing to defer payments for due to the progress of the work or advance, to avoid impacts on the project implementation. The amount and term of the financing 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. During 2020, no financing activity was required in relation to this clause.

As of December 31, 2020, the Company has recognized construction in process invoices related to this contract in the amount of B/.907,933,786 (2019: B/.905,692,360 and 2018: B/.877,243,960).

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(b) Consorcio PM Terminal Sur Tocumen, S.A.

Contract No. 054/13 dated February 15, 2013, between the Company and Consorcio PM Terminal Sur Tocumen, SA, which states the purpose of advising on the development of a Comprehensive Master Plan and Technical Assistance in administration, comprehensive supervision, inspection and control of the project related to the construction and commissioning of the new South terminal (T2) of the Aeropuerto Internacional de Tocumen, SA for an amount of B/.19,802,220.

On October 2015, the Board of Directors approved the addendum to Contract No. 054/13 signed with PM South Terminal Consortium for the sum of B/.322,000.

In August 2017, the Board of Directors approved the addendum No. 2 to Contract No. 054/13 signed with Consorcio PM Terminal Sur, S.A., for the sum of B/.4,625,000.

In July 2018, the Board of Directors approved the addendum No. 2 to Contract No. 054/13 signed with Consorcio PM Terminal Sur, S.A., for the sum of B/.3,660,044.

In November 2018, the Board of Directors approved the addendum No. 2 to Contract No. 054/13 signed with Consorcio PM Terminal Sur, S.A., for the sum of B/.1,825,394.

As at December 31, 2020, the Company has recognized invoices related to the present contract for B/.35,102,671 (2019: B/.32,389,104 and 2018: B/.27,967,968).

(c) Mota-Engil, Engenharia e Construção, S.A.

Contract No. 029/18 dated June 15, 2018, between the Company and Mota-Engil, Engenharia e Construção, S.A., which establishes the purpose of carrying out the project relating to the "PHASE 1-FREE ZONE OF THE AEROPUERTO INTERNACIONAL DE TOCUMEN", for an amount of B/.13,981,736.

On February 28, 2020, Addendum No.1 to Contract No. 029/18 is signed, by means of which the following clauses are modified:

- a) Clause One is modified, in relation to the total cost of the work, being as follows: for the sum of B/.17,411,991.
- b) Second Clause, which refers to the scope of the work, is modified. The Contractor and AITSA agree, by means of Addendum No. 1, to formalize the orders of Change No. 1, 2, 3 and 4 which allows the contractual regularization of the Work, in response to activities or works that are eliminated, included, decreased and works that are increased, and that, in its final balance, increase the costs of the project.
- c) Third Clause is modified, which refers to the beginning and duration of the Contract, the contractor undertakes to deliver the project completely finished and accepted by AITSA in eight hundred and ten (810) calendar days, counted from the date of notification of the order to proceed, term which will be divided as follows : Delivery of lots or plots and progress throughout the project 270 calendar days, Design of Plans and Approvals 60 calendar days, Completion and total delivery of the project 460 calendar days, Closure of the project and final administrative procedures 20 calendar days.

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- d) The Fourth Clause of Contract No.029/18 is modified, in relation exclusively to the updating of the budget items, in order to guarantee the Contractor payments during the fiscal years 2019, 2020 and 2021.
- e) Clause Five of Contract No. 029/18 is amended, which refers to the Guarantee of Fulfillment of Contract No.070-001-000018800-000000, modified by Endorsement No. 1 issued by The International Insurance Company, S.A. for a maximum limit of B/.8,778,386, in force until January 8, 2021.
- f) Clause Six of Contract No. 029/18 is modified, only the text of the policy of all construction risks is modified.

This addendum was endorsed by the Office of the Comptroller General of the Republic on July 20, 2020.

As of December 31, 2020, the Company has recognized invoices relating to this contract for an amount of B/.13,234,846 (2019: B/.10,311,908 and 2018: B/.0.00).

(d) Constructora RODSA, S.A.

- Contract No 021/15:

Dated August 26, 2015, between the Company and Constructora RODSA, S.A., which establishes the purpose of executing the project regarding the design and reconstruction of pavements, lighting, signage, drainages and beacons of taxiway H and threshold 03L, for an amount of B/.4,697,484.

In September 2016, the Board of Directors approved addendum No.1, which modifies the amount to B/.5,863,603., the conditions of the works, the amount to the contract assigned to the budget items, the compliance bond and the withholding of taxes.

In December 2016, the Board of Directors approved Addendum No.2, which modifies the period of duration and delivery of the work, the amount to the contract assigned to the budget items, the compliance bond and insurance policies.

In July 2017, addendum No.3 was signed, in relation to adjusting the amount to the contract allocated to the budget items.

In November 2017, the Board of Directors approved addendum No.4, which modifies the conditions of the works by decreasing and adding changes without increase to the amount of the contract, extension of time, the amount to the contract assigned to the budget items, compliance bond and insurance policies.

In November the Board of Directors approved addendum No.5, which modifies the period of duration and delivery of the work, the amount to the contract assigned to the budget items, compliance bond and insurance policies.

In February 2019, the Board of Directors approved addendum No.6, which modifies the duration and delivery period of the work, the amount of the contract assigned to the budget items, compliance bond and insurance policies.

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As of December 31, 2020, the Company has recognized invoices relating to this contract in the value of B/.5,669,784 (2019: B/.5,669,784 and 2018: B/.5,549,207).

- **Contract No 064/16:**

Dated December 6, 2016, between the Company and Constructora RODSA, S.A., which establishes the purpose of the construction of phase I parking of terminal 2 of the Aeropuerto Internacional de Tocumen, for an amount of B/.8,073,135

In September 2017; the Board of Directors approved Addendum No.1, which modifies the duration of the contract, the amount to the contract allocated to the budget items, the compliance bond and the policy of all construction risks.

In May 2018; the Board of Directors approved Addendum No.2, which modifies the scope of the contract, duration of the contract, the amount of the contract assigned to the budget items, performance bond and policy of all construction risk.

In April 2019; addendum No.3 is signed, which modifies the scope of the contract, duration of the contract, the amount to the contract assigned to the budget items, compliance bond and policy of all construction risk.

In October 2019; addendum No.4 is subscribed, which modifies the duration of the contract, the amount to the contract allocated to the budget items, security of compliance, civil liability policy and all construction risk policy.

As of December 31, 2020, the Company has recognized invoices related to this contract in the value of B/.7,737,434 (2019: B/.6,872,773 and 2018: B/. 4,472,095).

- **Contract No 066/16:**

Dated December 6, 2016, between the Company and Constructora RODSA, S.A., which establishes the purpose of study and construction of phase II of parking lots of terminal 2, for an amount of B/.2,393,900.

In September 2017, addendum No.1 is signed, which modifies the period of duration and delivery of the work, the amount to the contract assigned to the budget items, compliance bond and insurance policies.

In July 2018; addendum No.2 is subscribed, which modifies the period of duration and delivery of the work, the amount to the contract assigned to the budget items, compliance bond and insurance policies.

In April 2019; addendum No.3 is subscribed, which modifies the period of duration and delivery of the work, the amount to the contract assigned to the budget items, compliance bond and insurance policies.

In February 2020; addendum No.4 is subscribed, which modifies the period of duration and delivery of the work, the amount to the contract assigned to the budget items, compliance bond and insurance policies.

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In June 2020; addendum No.5 is subscribed, which modifies the period of duration and delivery of the work, the amount to the contract assigned to the budget items, compliance bond and insurance policies.

As of December 31, 2020, the Company has recognized invoices relating to this contract in the value of B/.2,080,338 (2019: B/.1,866,273 and 2018: B/. 833,170).

(e) *Administración e Inversiones del Istmo, S.A.*

Contract No. 006/18 dated February 9, 2018, between the Company and Administración e Inversiones del Istmo, S.A., which establishes the purpose of executing the project of study, design and construction of storm drainage of zone E2, E3, E4, and E5, south of runway 03R-21L and cleaning of storm channels, for an amount of B/.3,140,182.

In April 2019; addendum No.1 is signed, which modifies the duration of the contract, the amount to the contract allocated to the budget items and bonds.

This addendum was endorsed by the Office of the Comptroller General of the Republic on September 2, 2019.

As of December 31, 2020, the Company has recognized invoices relating to this contract for the value of B/.2,459,658 (2019: B/.2,459,658 and 2018: B/. 713,269).

6. Advances for purchases abroad

The movement of the advance to purchases abroad is presented below:

	2020	2019	2018
Beginning balance	39,613,680	66,376,960	80,228,315
Plus:			
Advances paid	-	10,940,347	26,366,942
Interest earned	148,108	615,716	687,806
	39,761,788	77,933,023	107,283,063
Less:			
Acquisition of assets	(7,511)	(909,670)	(1,474,230)
Constructions in progress	(4,827,382)	(30,641,365)	(31,378,650)
Supplies and other costs	(6,476,806)	(6,768,308)	(8,053,223)
	28,450,089	39,613,680	66,376,960

The Company contributed to OACI in 2019 B/.10,940,347, which will be used for the development of improvements as set forth in Contract No. PAN/03/902. During the year 2020, OACI reported expenditures in the amount of B/.6,476,806 (2019: B/.6,768,308 and 2018: B/. 8,053,223), constructions in process in the amount of B/.4,827,382 (2019: B/.30,641,365 and 2018: B/.31,378,650) and fixed assets in the amount of B/.7,511 (2019: B/.909,670 and 2018: B/.1,474,230).

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OACI's assistance to Aeropuerto Internacional de Tocumen, S.A., as an international agency specialized in civil aviation, ensures that technical cooperation in its area of action is based on internationally adopted standards, recommended methods and procedures, in the provision of facilities and support services for international air navigation in accordance with the regional plan.

The OACI Project PAN 03/902 assists the company Aeropuerto Internacional de Tocumen, S.A. in its management and has had the responsibility of updating the Master Development Plan that is structured in four special projects: The expansion of the passenger terminal; the equipment Communication, Navigation and Surveillance / Air Traffic Management, the recovery of runways; the recovery of tracks, platforms and construction of the third runway; and that of public buildings and maintenance.

7. Cash and bank deposits

Cash and bank deposits are broken down as follows:

	2020	2019	2018
Cash	98,066	97,300	100,300
Current accounts	20,878,159	87,637,680	167,955,857
Guarantee trust fund	69,745,671	69,520,839	68,033,295
	<u>90,721,896</u>	<u>157,255,819</u>	<u>236,089,452</u>

The guarantee trust fund was created by an irrevocable guarantee trust between the Company and The Bank of Nova Scotia (Panama), S.A. It guarantees the payment of principal, interest, default interest or other fees owed or that may be owed to the registered holders of the issuance by the trustor issuer in the future under the terms and conditions of the issuance bonds. It also guarantees the payment of any other amounts that the trustor issuer owes the registered holders and other beneficiaries, in accordance with the issuance documents (See Note 12). This fund generates monthly interest at an average rate of 0.25%.

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

	2020	2019	2018
Total cash and bank deposits	<u>90,721,896</u>	<u>157,255,819</u>	<u>236,089,452</u>
Restricted cash:			
Guarantee trust fund	<u>(69,745,671)</u>	<u>(69,520,839)</u>	<u>(68,033,295)</u>
Total cash and cash equivalents	<u>20,976,225</u>	<u>87,734,980</u>	<u>168,056,157</u>

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8. Balances and transactions with related parties

Balances and transactions with related parties are summarized as follows

	2020	2019	2018
Revenues:			
Concession of commercial areas	91,392	136,547	140,268
Expenses:			
Special Fund fo the Development of the National Aeronautics Infrastructure	4,500,000	15,000,000	15,000,000
Procuraduría General de la Nación (Comisión Nacional para la Prevención de los Delitos de Explotación Sexual)	194,645	688,913	593,835
	<u>4,694,645</u>	<u>15,688,913</u>	<u>15,593,835</u>
	2020	2019	2018
Assets:			
Cash and bank deposits:			
Banco Nacional de Panamá	20,744,842	86,973,633	167,630,068
Caja de Ahorros	133,317	664,047	325,789
	<u>20,878,159</u>	<u>87,637,680</u>	<u>167,955,857</u>
Accounts receivable:			
Banco Nacional de Panamá	-	110,195	9,416
Caja de Ahorros	-	310	285
Autoridad de Turismo de Panamá	48,866	34,870	16,826
Post and telegraph	80,905	68,592	56,107
	<u>129,771</u>	<u>213,967</u>	<u>82,634</u>
Liabilities:			
Accounts payable:			
Universidad de Panamá (a)	6,000,000	6,000,000	6,000,000
Autoridad de Turismo de Panamá (d)	5,955,164	5,674,493	5,431,480
Ministerio de Seguridad Pública (c)	3,500,000	3,500,000	3,500,000
Special Fund fo the Development of the National Aeronautics Infrastructure (b)	750,000	-	-
Autoridad de Aeronáutica Civil	109,856	25,014	12,933
Procuraduría General de la Nación (Comisión Nacional para la Prevención de los Delitos de Explotación Sexual)	38,570	118,973	170,099
Banco Nacional de Panamá	11,411	-	-
Caja de Ahorros	2,023	-	-
Lotería Nacional de Beneficencia	407	407	407
	<u>16,367,431</u>	<u>15,318,887</u>	<u>15,114,919</u>
Equity:			
Declared dividends	-	25,000,000	20,000,000
Accounts receivable shareholder	<u>15,170,000</u>	<u>15,170,000</u>	<u>12,670,000</u>

Accounts receivable and payable with related parties do not generate interest.

Accounts receivable and payable with related parties are not guaranteed.

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

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Below is the detailed nature of transactions with related parties:

(a) Universidad de Panamá

By Public Deed No.5,373 of February 28, 2013, the Universidad de Panamá granted by way of transfer the real and effective sale title of property No.455263 resulting from the segregation of Property No.17,908 and Property No.18,454 in the amount of B/.109,852,167, according to the average of valuations made by the Ministry of Economy and Finance and the Comptroller General of the Republic.

As at December 31, 2020, the Company owed to Universidad de Panamá the amount of B/.6,000,000 (2019 and 2018: B/.6,000,000), which had a contractual payment date of December 2014.

In 2014, the Company requested the University to delay the payment in order to pay B/.20,000,000 in July 2015, and the remaining amount in 2016. In January 2015, the Company received a letter from the University accepting (a) the new terms of payment and (b) requesting an annual interest payment of 4% of the amount owed (c) to include in the addenda to the original contract the payment for the additional six (6) hectares of land of Plots A and B of Property 17908, Roll, Seat 1, located in the township of Tocumen which increased the amount owed by B/.6,000,000.

As at December 31, 2020, the Company has recorded the amount related to the land of Plots A and B but has not recognized any amount related to interest, as according to Management's perspective, it was not included in the contractual terms of the original contracts.

(b) Special Fund for the Development of the National Aeronautics Infrastructure

In accordance with Law No. 23 of April 20, 2003, which establishes the regulatory framework for the management of Panama's airports and airfields, the Special Fund for the Development of the National Aeronautics Infrastructure (FEDIAN in Spanish) was created. The fund aims to ensure that resources for the development of the aviation sector will be used exclusively for investments in airports and airfields, 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 Aeropuerto Internacional de Tocumen, S.A. must make a non-reimbursable annual contribution to the Special Fund for the Development of the National Aeronautics Infrastructure (FEDIAN). On December 2, 2016, through Cabinet Resolution No. 95 of July 5, 2016, the annual contribution for 2017 was approved for an amount of B/.15,000,000. As was stated in the Executive Decree that regulated the operation of the Fund, the Cabinet Council approved the amount of the contribution.

Through note No. AAC-NOTE-2020-1998 of August 18, 2020, the Civil Aviation Authority, aware of the situation that national and international aviation is going through, indicated that it has no objection to the request by the Company, where it has been affected by the impact of COVID-19; For the non-disbursement of a commitment of B / .10,500,000, the remaining amount to the annual contribution of B/.15,000,000 corresponding to the Special Fund for the Development of National Aeronautical Infrastructure and Administration (FEDIAN) for the year 2020.

As indicated in Note 1, the Airport is a wholly-owned Company of the Government of the Republic of Panama, and therefore, all tax and social security expenses and balances 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.

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(c) Ministerio de Seguridad Pública

During 2014, an agreement was concluded between the Aeropuerto Internacional de Tocumen, S. A. and the Ministry of Public Security, with the aim of executing the implementation of the second phase of the activities to guarantee airport security, meaning everything related to safeguarding the safety and integrity of people at the Aeropuerto Internacional de Tocumen, S.A. In this agreement, the Company undertakes to provide economic resources necessary for the purchase of the supply, installation and integration of a security facial recognition system, for which an amount of B/.8,500,000 was established, as of December 31, 2020 B/.5,000,000 have been contributed leaving a balance payable of B/.3,500,000.

(d) Autoridad de Turismo de Panamá

In accordance with Law No.80 of December 31, 2009, in its Article 21. Article 4(g) of Decree-Law 22 of 1960 is as follows: Article 4. The heritage of the Panama Tourism Authority shall consist of:

(g) Twenty-five percent (25%) of the fee that is established for the service to the international passenger at the Airport of Tocumen and the income from the service on the issuance of the ticket or tickets to travel abroad, which is established in four balboas (B/.4.00) for each hundred or fraction of one hundred balboas (B/.100.00) of the commercial value of the ticket or air and land passenger.

The payments for this agreement are made on a monthly basis, where the Company after the end of the month, sends a detailed report corresponding to the invoices that are subject to the percentage of 25% and the Panama Tourism Authority presents the account for the processing and make the payment effective.

Under applicable tax legislation, improvements to new facilities shall be exempt from the payment of property tax for a period of ten (10) or twenty (20) years (according to the regulations applicable in each case) from the date of the occupation permit, or the date of registration of improvements, whichever occurs first (as the case may be) in accordance with The Provisions of Article No. 81 of Law No.6 of 2005 and its modifications. This exemption is made automatically once the improvements have been registered in the Public Registry with an indication of the data of the construction permit and occupation in the deed of improvements, in accordance with the provisions of Article No. 764, paragraph 1 of the Tax Code.

By means of Resolution No. 201-5363 issued by the Dirección General de Ingresos (DGI) of March 30, 2015, the exemption from property tax is granted to all properties registered in the Public Registry as established in Article 25 of Law No. 23 of January 29, 2003, which establishes that the land, buildings and other permanent constructions made or that are made on said grounds of airports and aerodromes are exempt from property tax.

The transferred land ("estates") were registered and began to cause real estate taxes from the date of registration; taxes that had been cancelled as of December 31, 2013; therefore, the Airport requested the DGI to recognize the credit for the payments made. In the month of July 2020, the Dirección General de Ingresos by means of Note No. MEF-2020-32780 of July 31, 2020, proceeds to make the transfer of the credit that the Company maintained in item 130-Real Estate Tax to item 102-Legal Income in the amount of B/.45,702,176,

The Airport proceeds with this action to carry out the reversal for the provision of property tax on the improvements, which constitute: buildings, runways, parking lots and other unallocated constructions in the farms that were transferred to the company for the amount of B/.39,375,088.

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9. Accounts payable to Constructora Norberto Odebrecht, S. A.

As at December 31, 2020, the Company maintains the following balances with Constructora Norberto Odebrecht, S.A.:

	2020	2019	2018
Accounts payable	3,648,874	3,648,874	18,031,493
Withholding to contractors	6,323,178	13,303,391	25,994,572
	<u>9,972,052</u>	<u>16,952,265</u>	<u>44,026,065</u>

With regard to withholdings to contractors, the contract establishes that the payments of accounts related to the construction in progress will be made within a period no longer than ninety (90) days from the date of presentation. In the event that the Company so requests, the contractor will do everything possible to obtain financing in order to defer payments due and related to the progress of the work or advances, to avoid impacts on the execution of the project. 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 full by the Government through the Company and will not be part of the contract price.

10. Accounts payable and other accrued expenses payable

The breakdown of accounts payable and other accrued expenses payable is as follows:

	2020	2019	2018
Suppliers and others	24,808,539	4,282,542	33,492,008
Legal reserves	10,715,098	10,715,098	-
Compañía Panameña de Aviación, S.A.	3,333,898	3,333,898	-
Constructora Norberto Odebrecht, S.A. (a)	3,648,874	13,786,903	13,786,903
Labor reserves payable	1,128,417	1,506,202	1,749,152
Employer obligations payable	705,119	1,291,689	902,843
	<u>44,339,945</u>	<u>34,916,332</u>	<u>49,930,906</u>

- (a) As a result of the labor strike of the Sindicato Único Nacional de Trabajadores de la Industria de la Construcción y Similares (SUNTRACS), which occurred in the months of April and May 2018, and according to the terms of the contract for the construction of the southern terminal and other indirect contracts, the Company must compensate for the indirect costs of the labor strike. As of December 31, 2020, the Company has registered a provision for B/.3,648,874 (2019 and 2018: B/.3,648,874) to cover such costs, which is presented in the line of accounts payable and other accrued expenses payable in the statement of financial position.

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11. Deferred revenue

	2020	2019	2018
Payments obtained to secure the award of the lease contract	87,613,037	97,436,396	113,219,767
Current	23,495,692	24,444,712	26,329,075
Non-current	64,117,345	72,991,684	86,890,692
	87,613,037	97,436,396	113,219,767

Deferred revenue arises from the benefit of the initial payments for the key rights 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 have terms of 10 years.

The guaranteed minimum income is generally established for a 24-month period in which the concessionaire is required to pay between 6 and 12 months in advance and the other 12 months must be paid in the thirteenth month.

The movement of deferred revenue is as follows:

	2020	2019	2018
Balance at the beginning of the year	97,436,396	113,219,767	45,575,556
Key rights received and minimum revenue guaranteed	238,745	15,522,410	90,707,450
Amortization of key rights and minimum revenue guaranteed	(10,062,104)	(31,305,781)	(23,063,239)
Balance at the end of the year	87,613,037	97,436,396	113,219,767

12. Bonds payable

Bonds payable consist of the following:

	2020	2019	2018
2016 Issuance	564,808,575	564,189,348	563,781,583
2018 Issuance	841,344,310	848,409,782	847,499,860
	1,406,152,885	1,412,599,130	1,411,281,443
Current portion	8,641,289	7,853,690	-
Non-current portion	1,397,511,596	1,404,745,440	1,411,281,443
	1,406,152,885	1,412,599,130	1,411,281,443

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12.1 Detail of the 2016 issuance is as follows:

	Maturity	Annual interest rate	2020	2019	2018
Bonds	May 2036	5.625%	575,000,000	575,000,000	575,000,000
Debt issuance costs			(10,191,425)	(10,810,652)	(11,218,417)
			<u>564,808,575</u>	<u>564,189,348</u>	<u>563,781,583</u>

The movement of bonds payable is as follows:

	2020	2019	2018
Proceeds form bond issuance, net of costs	564,189,348	563,781,583	563,212,855
Amortization cost	<u>619,227</u>	<u>407,765</u>	<u>568,728</u>
Total	<u>564,808,575</u>	<u>564,189,348</u>	<u>563,781,583</u>

The balance, as of December 31, of the bond issuance costs is broken down as follows:

	2020	2019	2018
Bond issuance costs	<u>12,784,090</u>	<u>12,784,090</u>	<u>12,784,090</u>
Accumulated amortization:			
Balance at the beginning of the year	(1,973,438)	(1,565,673)	(996,945)
Increase for the year	<u>(619,227)</u>	<u>(407,765)</u>	<u>(568,728)</u>
Balance at the end of the year	<u>(2,592,665)</u>	<u>(1,973,438)</u>	<u>(1,565,673)</u>
Bond issuance costs, net	<u>10,191,425</u>	<u>10,810,652</u>	<u>11,218,417</u>

General issuance terms:

According to the Minutes of the meeting of the Board of Directors of Aeropuerto Internacional de Tocumen, S.A., dated April 18, 2016, and Resolution No.250-16 of April 26, 2016 of the Superintendency of Securities Market of Panama, the issuance of senior bonds guaranteed by an amount of B/.575,000,000 was authorized.

12.2 Detail of the 2018 issuance is as follows:

	Maturity	Annual interest rate	2020	2019	2018
Bonds	November 2048	6.00%	867,146,309	875,000,000	875,000,000
Debt issuance costs			(25,801,999)	(26,590,218)	(27,500,140)
			<u>841,344,310</u>	<u>848,409,782</u>	<u>847,499,860</u>

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The movement of bonds payable is as follows:

	2020	2019	2018
Beginning balance	848,409,782	847,499,860	-
Capital paid	(7,853,691)	-	847,418,066
Amortization cost	<u>788,219</u>	<u>909,922</u>	<u>81,794</u>
Total	<u>841,344,310</u>	<u>848,409,782</u>	<u>847,499,860</u>

The balance, as of December 31, of the bond issuance costs are broken down as follows:

	2020	2019	2018
Bond issuance cost	<u>27,581,934</u>	<u>27,581,934</u>	<u>27,581,934</u>
Accumulated amortization:			
Balance at the beginning of the year	(991,716)	(81,794)	-
Increase of the year	<u>(788,219)</u>	<u>(909,922)</u>	<u>81,794</u>
Balance at the end of the year	<u>(1,779,935)</u>	<u>(991,716)</u>	<u>81,794</u>
Bond issuance cost, net	<u>25,801,999</u>	<u>26,590,218</u>	<u>27,500,140</u>

General issuance terms:

On September 27, 2013, the Company, acting as trustor, Bank of Nova Scotia (Panama), S.A., acting not only as an individual but as a fiduciary (the "Guarantee Trustee") and Prival Bank SA, acting as agent of payments, registration and transfer for the 2013 Bonds (Prival "), entered into a trust agreement (the "Original Trust Agreement ") by virtue of which a trust was created (the "Tocumen Trust ") to which the Issuer transferred, and committed to transfer in the future, certain income to guarantee the 2013 Bonds. As a result of the modification of the terms of 2013 Bonds, the Guarantee Trustee and the other parties of the Original Trust Agreement modified and updated the Original Trust Agreement (the "Modified and Updated Trust Agreement") with the consent of the required majority of the Bondholders of 2013, in order, among other changes, to expand the assets and profits subject to the Tocumen Trust (the "Guarantee") as described below and allow the assets of the Tocumen Trust to guarantee the 2016 Bonds and the indebtedness that the Issuer is permitted to contract in the future and wish to guarantee through the Priority Equal Conditions Guarantee (together with the existing bonds and the bonds, the "Debt Backed by the Guarantee") for the benefit of additional creditors.

On May 4, 2016, the contract trustee in relation to 2016 Bonds, subscribed and granted an agreement of adhesion to the Creditors' Agreement. On May 3, 2018, the Contract Trustee signed and granted an agreement to adhere to the Creditors Agreement with respect to the 2018 Bonds, pursuant to which the obligations assumed by the Issuer with respect to the 2018 Bonds are guaranteed by a preferential lien on the Shared Guarantee, subject to the terms and conditions of the Modified and Updated Trust Agreement and the Creditors Agreement, and the Guarantee also constitutes a preferential taxation and in equal conditions to support: (i) the Existing Bonds, (ii) the bonds and (iii) the future debt that we will be allowed to issue and which will be guaranteed by the Priority Guarantee in Equality of Conditions. Notwithstanding the foregoing, in all cases, each Reserve Account for Debt Service and each Payment Account will guarantee as a priority only the specific Debt Supported by the Guarantee in respect of which said accounts have been established and maintained.

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The relevant terms are as follows:

Guarantees The bonds will be backed by the issuer's general credit and guaranteed by a Guarantee Trust, for which an amendment and reform has been made between the Company, Bank of Nova Scotia (Panama), S.A. and Prival Bank, S.A., dated April 19, 2016. On May 4, 2016, the Indenture Trustee Agreement was signed between Tocumen as the issuer and Citibank N.A. such as the Indenture Trustee and payment and transfer agent. In November 2018, it added the second supplemental indenture to include the new Bond issue for 650MM. The flows assigned to guarantee the payment of the bonds issued and that comprise the aeronautical income and the non-aeronautical income, current and future (including the ceded flows but excluding the excluded income), are detailed below:

Aeronautical revenues: are all current and future revenues derived from services relating to the use of Airport facilities by airlines and passengers, including:

- i. Airport departure tax and other passenger departure rates, if any, transit charges, and any other charges including without limitation the "passenger service charge" and the "airport development fee".
- ii. Security charges.
- iii. Landing charges.
- iv. Parking charges and aircraft services.
- v. Charges for the use of boarding bridges.
- vi. Revenue from cargo/loading operations.
- vii. Utility charges.
- viii. Lease of airline club areas.
- ix. Any sub-leases or sub-contracts related to the above.

Non-Aeronautical Revenues: All current and future non-aeronautical service revenues that relate to the use of Airport facilities, including but not limited to parking revenues, advertising, certain leases and easement rights, including, without limitation, South Terminal Key Rights, after release of the lien to which they are subject.

Relevant compliance terms:

1. Insurance: To maintain the insurance in the ordinary course of its commercial activity and in the terms and conditions established in the Indenture 2016.
2. Rights to Inspections: Allow reasonable inspections of the Issuer's goods and assets by the representative of the majority of the bondholders once per calendar year, but such inspections shall only be effective if a written notice is sent to the Issuer with reasonable notice.
3. Notification of Certain Events: Immediately report (and, in all instances, within the deadlines established in the relevant documents) to the Issue Trustee and the Trustee of the Guarantee of:
 - (a) The occurrence of an *Event of Default* or a *Default*.
 - (b) In the event of an *Event of Default* or *Default*, a notice specifying the facts and measures that were and will be taken in respect of those events;
 - (c) Notification of any event that would have had a *Material Adverse Effect*; and
 - (d) Notice of commencement of a relevant proceeding before a court, other Governmental Authority or arbitrator in connection with a *Material Project Contract*).

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4. Information duties:

- (a) Copy of the Unaudited Quarterly Financial Statements: In the case of reports sent after the close of each accounting year, these must be accompanied by an independent audit report and a presentation of the Issuer's financial statement and the income statement. The obligation to send the aforementioned financial statements will be deemed fulfilled if the Issuer uploads them to its website, notifies the Trustee of this and maintains them on it for at least two years. On April 30, 2020, the Administration informed the Trustee that once the financial statements were available, it would comply with its obligation to send.
- (b) Certificate of Coverage Ratio: The Issuer shall deliver to the Trustee a Certificate from an Officer of the Issuer indicating the calculations of (A) the most recent DSCR and (B) the DSCR projected for the Calculation Period ending on the next payment date. The minutiae and contents of these calculations are detailed in Indenture 2016.
- (c) Traffic Information: Provide the Trustee with traffic information for each newly completed quarterly or annual period (the information for the annual period shall also include separate information for the fourth quarter of that annual period), indicating passenger traffic information for that quarterly or annual period (including geographic information).
- (d) Copies of Relevant Filings: Copies (including electronic copies) of each relevant public filing made by the Issuer and/or any of the Limited Subsidiaries to the SMV (Superintendency of the Securities Market of Panama), the BVP (Panamanian Stock Exchange) and/or any other agency or securities regulator or stock exchange authority. The Issuer shall be deemed to have provided such reports to the Issuer Trustee and the bondholders if the Issuer uploads them to its public website.

Likewise, within 10 days after such filing, the Issuer shall send to the Issuance Trustee copies of each relevant public filing made by the Issuer and/or any of its Subsidiaries Limited to the SMV, BVP and/or any other agency or securities regulator or stock exchange authority.

- 5. Annual operating budget: Deliver the Annual Operational Budget to the Trustor and Trustee within five (5) Business Days after its approval in each accounting year for the following fiscal year accompanied by a certificate from the Issuer's financial director, validating that the *Annual Operating Budget* constitutes a reasonable estimate for the period it comprises.
- 6. Ratings: Obtain and maintain international ratings of at least two Rating Agencies and pay the monitoring fees of said Rating Agencies in respect of the Bonds, and deliver the reports, records and documents to at least two Rating Agencies (at the exclusive expense of the Issuer), that they reasonably request to monitor or confirm the rating.
- 7. Projected Minimum DSCR: In the event that the projected minimum DSCR in a Calculation Period is less than 1.25: 1.0010, the Issuer shall immediately take reasonable measures to increase the projected DSCR above 1.25: 1.00.

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The maturity of the principal payable in the next few years is as follows:

2020	Issue 2016	Issue 2018	Total
Less than 1 year	-	8,641,289	8,641,289
1-2 years	-	9,924,405	9,924,405
2-3 years	-	10,782,383	10,782,383
3-4 years	-	11,615,053	11,615,053
4-5 years	-	12,284,439	12,284,439
More than 5 years	575,000,000	813,898,740	1,388,898,740
Total	575,000,000	867,146,309	1,442,146,309

2019	Issue 2016	Issue 2018	Total
Less than 1 year	-	7,853,690	7,853,690
1-2 years	-	8,641,289	8,641,289
2-3 years	-	9,924,405	9,924,405
3-4 years	-	10,782,383	10,782,383
4-5 years	-	11,615,053	11,615,053
More than 5 years	575,000,000	826,183,180	1,401,183,180
Total	575,000,000	875,000,000	1,450,000,000

2018	Issue 2016	Issue 2018	Total
Less than 1 year	-	-	-
1-2 years	-	7,853,690	7,853,690
2-3 years	-	8,641,289	8,641,289
3-4 years	-	9,924,405	9,924,405
4-5 years	-	10,782,383	10,782,383
More than 5 years	575,000,000	837,798,233	1,412,798,233
Total	575,000,000	875,000,000	1,450,000,000

13. Loan payable

The facility will be of Pari Passu with the existing bonds, in compliance with the conditions established in the concept of "allowed debt" included in the informative prospectuses of the debt issues of April 26, 2016, for B/.575MM and November 27, 2018, for B/.875MM. Line of credit for the amount of B/.25,000,000, with a facility term of up to 12 months maturing on September 22, 2021, renewable at the Bank's option. Repayment, payment to principal at maturity and semi-annual interest payment, at a 6-month + 1.95% revisable semi-annual or 12-month Libor + 1.95% fixed rate. Without any commission and disbursements through promissory notes and letter of request. This was approved by Cabinet Decree No. 17 of May 12, 2020 that authorizes the subscription of a Credit Line between Citibank, N.A. and Aeropuerto Internacional de Tocumen, S.A. The National Economic Council, in a session held on May 8, 2020, issued a favorable opinion on the request for authorization to subscribe a Credit Line between Aeropuerto Internacional de Tocumen, S.A. and Citibank, N.A., for the financing of the expansion plans, as well as for the operation and maintenance of the airports under its administration.

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14. Provision for retiree benefits

The Company maintains a labor liability of B/.4,286,468 (2019: B/.4,833,185 and 2018: B/.4,304,928) for a Complementary Pension Plan for firefighters. The liability is based on firefighters that have reached the retirement age established by the Social Security Institution (women: 57 years and men: 62 years) and who, in addition, have 30 years of service, the seniority required to opt for said plan, which is not backed by assets.

To calculate the present value of the obligation, the behavior of some factors was estimated, such as: base date of the valuation; currency of valuation; projected credit unit method; base population; probability of death of active and retired participants; leaving due to retirement; leaving due to old age; end of job position for other causes; annual wage growth; discount rate and duration of commitment; value of unit annuity income and value of the temporary unitary rent.

The main assumptions used for the actuarial calculation of the supplementary pension plan are presented below:

	2020	2019	2018
Discount rate	3.50%	3.50%	3.50%
Increase rate of salaries:			
Up to B/.1,000	5.00%	5.00%	5.00%
B/.1,001 to B/.2,000	4.00%	4.00%	4.00%
Over B/.2,001	3.00%	3.00%	3.00%

- Number of participants: estimated for each of the assets, when they will die, retire or leave the Company for other reasons and estimates how many of these employees survive up to December 31st of each year until the expiration of the collective agreement.
- Monthly base salary for each of the active participants: the monthly salary is estimated each year until reaching the estimated retirement year, considering the growth rate of 3%, 4% and 5%, considering the new collective agreement in force as of 2017.
- Capital value of special retirement: considering the probability that the participant survives up to the age at which he can obtain special retirement, the amount of projected salary up to that age and the unitary temporary income that corresponds to that age.
- Capital value of the difference to be paid as of the retirement due to old age.
- Projected credit unit where two values are estimated for the credit unit, one considering the probable increases in the future salary and the other without considering such increases.
- Accrued obligation as at December 31st of each year valued.
- Cost per service in each valued year corresponding to the following year equal to the UCP, considering the probable salary increases, plus the interest that this amount can produce in the following year.

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The movement in the present value of defined benefit obligations is as follows:

	2020	2019	2018
Beginning balance	4,833,186	4,304,928	4,382,532
Service costs	153,911	126,643	121,589
Interest cost	140,076	179,854	152,512
Actuarial (profit) loss	(566,359)	395,455	121,592
Benefits paid by the plan	(274,346)	(173,695)	(473,297)
	<u>4,286,468</u>	<u>4,833,185</u>	<u>4,304,928</u>

The amounts recognized in the statement of profit or loss and other comprehensive income are as follows:

	2020	2019	2018
Actuarial profit	(883,833)	(48,433)	121,592
Service costs	153,911	126,643	121,589
Interest costs	<u>140,076</u>	<u>179,854</u>	<u>152,512</u>
	<u>(589,846)</u>	<u>258,064</u>	<u>395,693</u>

15. Taxes

15.1 Income tax

The income tax return of Aeropuerto Internacional de Tocumen, S.A. is subject to review by the tax authorities for the last three years, according to current tax regulations, including the year ended December 31, 2020.

As of February 3, 2005, the effective date of Law No.6 of February 2, 2005, Article 699 of the Tax Code indicates that entities must pay income tax at a rate of thirty percent (30%) on the greater of (1) the net taxable income calculated by the traditional method established in Title I of the Fourth Book of the Tax Code, or (2) the net taxable income resulting from deducting ninety-five point thirty-three percent (95.33%) from total taxable income. As of the year ended December 31, 2005, companies are required to make both income tax calculations, both the calculation according to the traditional method, as well as the Alternative Income Tax Calculation (CAIR).

Law No.8 of March 15, 2010, amends the application base for taxpayers to which the Alternate Calculation of Income Tax (CAIR) is applied and replaces it with another assumed form of income tax forcing any entity earning income in excess of one million five hundred thousand dollars (B/.1,500,000) to determine the taxable base of this tax as the sum greater between: (a) the net taxable income calculated by the ordinary method set out in the Tax Code and the net taxable income resulting from applying four sixty-seven percent (4.67%) to total taxable income. Entities that incur losses due to the tax calculated under the presumptive method or that, by reason of the application of such presumptive method, their effective rate exceeds the tax rates applicable for the fiscal period in question, may request the National Revenue Authority - "ANIP" (formerly DGI - "DGI") to authorize the tax calculation under the ordinary method of calculation.

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Through Official Gazette No.26489-A, Law No.8 of March 15, 2010 was published whereby the general income tax rates (ISR in Spanish) applicable to entities are changed. However, all companies in which the Government has a stock ownership greater than 40% will continue to pay income tax at the rate of 30%.

The Law No. 33 of June 30, 2010, amended by Law No. 52 of August 28, 2013, added Chapter IX to Title I of Book Four of the Tax Code, called Standards of Adequacy to treaties or agreements to avoid the International Double Taxation, establishing the transfer pricing regime applicable to taxpayers who carry out operations their income, costs and deductions for tax purposes in their income returns, based on the price or amount that independent parties would have agreed under similar circumstances in conditions of free competition, using the methods established in the aforementioned Law No. 33. This law establishes the obligation to present an informative declaration of operations with related parties (report 930 implemented by the DGI) within the three months following the closing of the corresponding fiscal year, as well as to have, at the time of presentation of the report, with a transfer price study that supports what is declared through report 930. This study must be delivered at the request of the DGI, within a period of 45 days from the notification of the request. Failure to present the informative return will result in the application of a fine equivalent to one percent (1%) of the total value of the operations carried out with related parties. The Company does not have transactions with related parties, residents or domiciled abroad.

15.2 Income tax recognized in profit and loss

	2020	2019	2018
Current income tax:			
Tax related to current year	<u>(1,348,160)</u>	<u>(34,301,750)</u>	<u>(22,829,319)</u>
Difference in the estimate of the previous year	-	-	746,538
Credits for tax positions approved by the authorities	<u>-</u>	<u>-</u>	<u>3,434,758</u>
Deferred income tax:	<u>(1,348,160)</u>	<u>(34,301,750)</u>	<u>(18,648,023)</u>
Tax related to the current year	<u>296,812</u>	<u>(114,001)</u>	<u>2,089,190</u>
Total income tax	<u>(1,051,348)</u>	<u>(34,415,751)</u>	<u>(16,558,833)</u>

The amount of income tax caused and estimated to be paid by the Company for the year ended December 31, 2020 was determined in accordance with the CAIR method (2019 and 2018: traditional method).

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The reconciliation between the tax rate and the effective rate of the income tax expense of the Company, as a percentage of the income before the income tax is detailed below:

	2020	2019	2018
Alternate calculation CAIR:			
Non-taxable income	96,228,385		
Taxable income	<u>77,350,905</u>		
	173,579,290		
Less: Deduction 95.33%	<u>(91,734,520)</u>		
Net taxable income	<u>4,493,865</u>		
Profit before income tax		<u>112,434,400</u>	<u>67,933,033</u>
Income tax using the corporate rate (30%)	(1,348,160)	(33,730,320)	(20,379,910)
Effect of:			
Difference from previous year's estimate	-	-	746,538
Credit from tax position approved by the authorities	-	-	4,018,337
Non-taxable income	966,482	279,746	337,744
Non-deductible expenses	<u>(669,670)</u>	<u>(965,177)</u>	<u>(1,281,542)</u>
Current year income tax	<u>(1,051,348)</u>	<u>(34,415,751)</u>	<u>(16,558,833)</u>

The deferred income tax asset charged to comprehensive income is as follows:

	2020	2019	2018
Deferred income tax asset:			
Effect of revenue recognition for key nights according to cash method	6,470,057	7,139,727	7,809,397
Provision for asset losses	3,128,666	3,128,666	3,128,666
Provision for retiree benefits	969,017	1,133,002	1,291,479
Provision for impairment of doubtful accounts	2,091,682	919,383	-
Other provision	<u>657,737</u>	<u>699,569</u>	<u>904,806</u>
Deferred income tax asset	<u>13,317,159</u>	<u>13,020,347</u>	<u>13,134,348</u>

The reconciliation of the deferred income tax from last year with this year's is as follows:

	2019	Charged to profit or loss	2020
Deferred income tax asset:			
Effect of revenue recognition for key rights according to cash method	7,139,727	(669,670)	6,470,057
Provision for asset losses	3,128,666	-	3,128,666
Provision for retiree benefits	1,133,002	(163,985)	969,017
Provision for impairment of doubtful accounts	919,383	1,172,299	2,091,682
Other provision	<u>699,569</u>	<u>(41,832)</u>	<u>657,737</u>
Deferred income tax	<u>13,020,347</u>	<u>296,812</u>	<u>13,317,159</u>

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	2018	Charged to profit or loss	2019
Deferred income tax asset:			
Effect of revenue recognition for key rights according to cash method	7,809,397	(669,670)	7,139,727
Provision for asset losses	3,128,666	-	3,128,666
Provision for retiree benefits	1,291,479	(158,477)	1,133,002
Other provision	904,806	714,146	1,618,952
	<u>13,134,348</u>	<u>(114,001)</u>	<u>13,020,347</u>
Deferred income tax			
	2017	Charged to profit or loss	2018
Deferred income tax asset:			
Effect of revenue recognition for key rights according to cash method	5,716,838	2,092,559	7,809,397
Provision for asset losses	3,128,666	-	3,128,666
Provision for retiree benefits	1,314,760	(23,281)	1,291,479
Other provision	884,894	19,912	904,806
	<u>11,045,158</u>	<u>2,089,190</u>	<u>13,134,348</u>
Deferred income tax asset			

15.3 Other taxes

According to Law No.125, which amends Law No.23 of 2003 and Law No.32 of 2001, promulgated and effective as of January 3, 2014, the payment of property tax is exonerated for all land, buildings and other permanent constructions made or to be made on such land, that is owned or part of airports and airfields under the management of companies that manage airports and airfields, whether they have the title registered or not in the Property Section of the Public Registry.

According to Law No.125, which amends Law No.23 of 2003 and Law No.32 of 2001, enacted and effective as of January 3, 2014, in its Article 22-A states that services provided for entities that are concessionaires and operate in a free zone located within the perimeter of an international airport located in the country are exempted from the transfer tax for movable goods and rendering of services (ITBMS).

16. Other taxes payable

In accordance with the applicable tax legislation, improvements on new facilities will be exempt from the payment of property tax for a period of ten (10) or twenty (20) years (according to current regulations applicable in each case) from the date of the occupancy permit, or the date of registration of improvements, whichever occurs first (as the case may be) according to the provisions of Article No. 81 of Law No. 6 of 2005 and its amendments. Said exemption is carried out automatically once the improvements are registered in the Public Registry with indication of the data of the construction and occupancy permit in the improvement deed, by virtue of the provisions of Article No. 764 paragraph 1 of the Fiscal Code.

Through Resolution No. 201-5363 issued by the Dirección General de Ingresos (DGI) of March 30, 2015, exemption from property tax is granted to all properties registered in the Public Registry as established in article 25 of Law No. 23 of January 29, 2003, which establishes that the land, buildings and other permanent constructions made or that are made on said lands of the airports and aerodromes are exempt from property tax.

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The transferred lands ("farms") were registered and began to cause real estate taxes from the date of registration; taxes that as of December 31, 2013 had been paid; Therefore, the Airport requested the DGI to recognize the credit for the payments made. In the month of July 2020, the Dirección General de Ingresos through Note No. MEF-2020-32780 of July 31, 2020, proceeds to transfer the credit that the Company maintained in item 130-Property Tax to item 102-Corporate income for the amount of B/.45,702,176.

The Airport proceeds with this action to carry out the reversal for the provision of property tax on the improvements, which constitute: buildings, runways, parking lots and other constructions not assigned on the farms that were transferred to the company for the amount of B/.39,375,088.

Details of the movement for the provision of property tax on improvements is presented below:

	2020	2019	2018
Balance at the beginning of the year	39,375,088	37,587,216	35,799,343
Increase for surcharges and interest	-	1,787,872	1,787,873
Tax credit recognition reversal	(39,375,088)	-	-
Balance at the end of the year	-	39,375,088	37,587,216

17. Operating revenues

Operating revenues are broken down as follows:

	2020	2019	2018
Airport operations services	53,758,355	165,998,778	155,524,989
Rentals	30,912,607	87,709,909	76,637,394
Others	3,831,064	5,181,587	4,669,045
Total	88,502,026	258,890,274	236,831,428

As of December 31, 2020, by Resolution No.022 of the Board of Directors of the Civil Aviation Authority dated December 2, 2015, the amendment was approved for international landing fees, international aircraft parking, use of boarding bridges and the new airport development rate was created that shall apply to the Aeropuerto Internacional de Tocumen, S.A. The new tax rate for airport development was established at B/.12 per passenger, without exception.

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18. Personnel costs

The following is a breakdown of the composition of personnel costs:

	2020	2019	2018
Salaries and other employee benefits	19,889,819	28,186,690	27,690,746
Employee benefits	3,427,336	5,022,881	4,589,436
XIII Month	1,685,657	2,382,750	2,319,606
Bonuses	117,739	2,305,722	2,296,263
Indemnity and advance notice	2,751,726	1,366,468	483,740
Seniority premium	388,031	523,230	1,164,536
	<u>28,260,308</u>	<u>39,787,741</u>	<u>38,544,327</u>

19. Financial costs, net

Net financial costs are broken down as follows:

	2020	2019	2018
Interest expenses	86,177,694	84,787,714	84,071,604
Other financial cost	6,469,880	1,346,957	18,848,488
Interest income	(489,598)	(932,487)	(1,125,812)
Capitalized interest	<u>(30,109,772)</u>	<u>(56,189,988)</u>	<u>(58,076,589)</u>
	<u>62,048,204</u>	<u>29,012,196</u>	<u>43,717,691</u>

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20. Other expenses

The other expenses are detailed as follows:

	2020	2019	2018
Other commercial and financial services	3,926,917	1,231,199	1,288,968
Provision for impairment of doubtful accounts	3,907,664	2,076,247	4,901,042
Insurance	3,145,079	2,662,790	2,772,005
Fines and surcharges	1,582,815	2,165,838	1,790,217
Rentals	1,392,115	2,075,477	1,247,037
Materials and supplies	994,679	1,710,783	2,252,963
Consultancies and professional fees	679,647	934,507	1,399,608
Spare parts	291,734	747,797	360,212
Office expenses	227,804	653,856	907,724
Procuraduría General de la Nación (Comisión Nacional para la Prevención de los Delitos de Explotación Sexual)	194,645	688,913	593,835
Diets	144,000	169,000	165,000
Fuel and transportation	136,170	194,553	218,659
Taxes and licenses	129,192	137,036	128,307
Viatics and transportation	94,090	387,942	695,489
Staff training	90,887	93,512	213,122
Feeding expense	89,871	550,798	330,775
Advertising and public relations	51,510	310,116	561,130
Uniforms	35,539	121,547	488,211
Other expenditure	1,177,094	961,476	860,920
Strike cost provision CNO, S.A.	-	-	3,648,874
Legal reserve	-	-	7,465,098
	<u>18,291,452</u>	<u>17,873,387</u>	<u>32,289,196</u>

21. Dividends

During the year ended December 31, 2020, there was no distribution of dividends and for the year 2019, by instructions of the Ministry of Economy and Finance, distribution of dividends was made for B/.25,000,000 (2018: B/. 20,000,000).

22. Risk management of financial instruments

22.1 Objectives of financial risk management

The Board of Directors has the responsibility for establishing and monitoring the reference framework for the Company's risk management, and for developing and monitoring risk management policies for the Company.

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The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set risk limits and controls that are deemed appropriate, and to track risk and compliance limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and 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 Company's Board of Directors verifies how Management monitors compliance with the Company's risk management policies and procedures in relation to the risks faced.

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

- Credit risk
- Liquidity and financing risk
- Market risk
- Operating risk

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

22.2 Concentration

Mostly, the main Panamanian airline company operating at the airport, which is Compañía Panameña de Aviación, S.A. (COPA), generates the revenues from airport service operations; and two economic groups mainly generate its rental income.

22.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations arising. This risk arises mainly from accounts receivable and other receivables.

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

The Company establishes a provision for impairment that represents its estimate of losses incurred in connection with accounts receivable. The main components of this provision is a specific loss component that relates to individually significant exposures.

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Accounts receivable have maturities as follows:

	2020	Impairment	2019	Impairment	2018	Impairment
Customers:						
Current	3,815,340	47,963	8,826,437	685,153	11,644,176	-
1 to 30 days	3,001,183	713,756	2,050,264	822,184	757,406	-
31 to 60 days	1,585,474	549,663	945,202	890,699	220,893	-
Over 61 days	10,879,411	9,583,444	6,385,715	4,453,495	6,510,152	4,988,991
	<u>19,281,408</u>	<u>10,894,826</u>	<u>18,207,618</u>	<u>6,851,531</u>	<u>19,132,627</u>	<u>4,988,991</u>
Related parties:						
Current	2,585	36	3,027	3,018	10,052	-
1 to 30 days	1,783	423	11,413	11,163	2,686	-
31 to 60 days	1,783	615	14,187	14,186	2,433	-
Over 61 days	123,620	77,002	185,340	185,340	67,463	-
	<u>129,771</u>	<u>78,076</u>	<u>213,967</u>	<u>213,707</u>	<u>82,634</u>	<u>-</u>
Others:						
Currents	11,719	-	72,328	-	21,865	-
	<u>19,422,898</u>	<u>10,972,902</u>	<u>18,493,913</u>	<u>7,065,238</u>	<u>19,237,126</u>	<u>4,988,991</u>

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

	2020	2019	2018
Balance at the beginning of the year	7,065,238	4,988,991	1,800,294
Less: write-offs for the year	-	-	(1,712,344)
Plus: provision charged to expenses	<u>3,907,664</u>	<u>2,076,247</u>	<u>4,901,041</u>
Balance at the end of the year	<u>10,972,902</u>	<u>7,065,238</u>	<u>4,988,991</u>

The Company's Board of Directors in exercise of the legal powers established in Law 23 of January 29, 2003 and its amendments, in order to comply with the provisions issued by the National Government, regarding the State of National Emergency by the Covid-19, as well as, in response to requests from commercial concessionaires to renegotiate their contracts, has issued temporary and exceptional measures applicable to commercial concessionaires, during this period of impact.

The temporary relief measures were divided into two (2) stages: 1-Closure of Operations where it was billed by virtue of the maintenance of the spaces to safeguard the inputs and assets; daily security service for the spaces of the concessionaires, etc. and Stage 2, the Resumption of operations which consists of a temporary reduction of the concession fee, proportionally.

As a result of the pandemic, accounts receivable from customers show an increase in delinquency as of December 31, 2020, accounts with more than 60 days increased by 70% compared to the previous year, which led to an increase in the provision of expected credit losses in B/.3,907,665 which represents a 55% increase.

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Cash and cash equivalents:

The Company has cash for B/.20,976,225 (2019: B/.87,734,980 and 2018: B/.168,056,157). Cash is held in Caja de Ahorros and Banco Nacional de Panamá, both state-owned banks, and a guarantee trust fund for B/.69,745,671 (2019: B/.69,520,839 and 2018: B/. 68,033,295) in The Bank of Nova Scotia (Panamá), S.A. These banks have prestige and solidity.

22.4 Liquidity and financing risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities settled by delivering cash or another financial asset. The Company's approach to managing 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 damage to the reputation of the Company.

Liquidity risk management

The Company ensures liquidity management by maintaining sufficient cash available to liquidate the expected operating expenses.

The contractual maturities of financial liabilities are as follows:

	Carrying value	2020			
		Contractual cash flows			
		Total	6 months or less	7 to 12 months	More than one year
Bonds payable	1,406,152,885	1,406,152,885	4,183,330	4,457,959	1,397,511,596
Loan payable	25,000,000	25,000,000	-	25,000,000	-
Interest payable	11,438,217	11,438,217	11,438,217	-	-
Accounts payable concessionaries	157,664	157,664	-	15,100	142,564
Guarantee deposits from concessionaries	7,087,792	7,087,792	-	-	7,087,792
Accounts payable	60,707,376	60,707,376	26,907,261	2,500,000	31,300,115
Withholdings to contractors	12,197,355	12,197,355	-	12,197,355	-
	1,522,741,289	1,522,741,289	42,528,808	44,170,414	1,436,042,067

	Carrying value	2019			
		Contractual cash flows			
		Total	6 months or less	7 to 12 months	More than one year
Bonds payable	1,412,599,130	1,412,599,130	3,867,942	3,985,748	1,404,745,440
Interest payable	9,988,235	9,988,235	9,988,235	-	-
Accounts payable concessionaries	158,414	158,414	-	26,928	131,486
Guarantee deposits from concessionaries	7,112,818	7,112,818	-	-	7,112,818
Accounts payable	50,235,219	50,235,219	20,894,774	12,089,326	17,251,119
Withholdings to contractors	17,543,060	17,543,060	-	17,543,060	-
	1,497,636,876	1,497,636,876	34,750,951	33,645,062	1,429,240,863

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	Carrying value	2018 Contractual cash flows			
		Total	6 months or less	7 to 12 months	More than one year
Bonds payable	1,411,281,443	1,411,281,443	-	-	1,411,281,443
Interest payable	10,044,271	10,044,271	10,044,271	-	-
Accounts payable concessionaires	189,252	189,252	-	30,838	158,414
Guarantee deposit from concessionaires	6,202,977	6,202,977	-	-	6,202,977
Accounts payable	65,045,825	65,045,825	55,545,825	-	9,500,000
Withholdings to contractors	32,522,263	32,522,263	-	32,522,263	-
	1,525,286,031	1,525,286,031	65,590,096	32,553,101	1,427,142,834

Outflows disclosed in the above table represent contractual cash flows related to non-derivative financial liabilities held for risk management purposes and are not usually settled before contractual maturity. The disclosure shows amounts of cash flows for obligations settled in cash.

22.5 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.

Sensitivity analysis

The Company has no significant 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 and for the loan payable at a Libor rate of 6M + 1.95.

22.6 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 that the capital position provides.

The Company's debt for the adjusted capital ratio at the end of the period is presented as follows:

	2020	2019	2018
Total liabilities	1,618,166,669	1,654,419,291	1,683,759,018
Less: cash	(90,721,896)	(157,255,819)	(236,089,452)
Net debt	1,527,444,773	1,497,163,472	1,447,669,566
Total equity	527,952,672	514,359,209	465,028,560
Debt-to-capital ratio	2.89	2.91	3.11

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23. Fair value of financial instruments

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

Fair value estimates are made at a given 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 uncertainty and significant judgment; therefore, they cannot be determined accurately. Any changes in assumptions or criteria can significantly affect the estimates.

Fair value hierarchy

IFRS 13 specifies the hierarchy of valuation techniques based on the transparency of the variables used in determining the 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 include significant variables not based on observable market variables.

When the fair value measurements are determined for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would make the transaction and considers assumptions that a market participant would use when pricing the asset or liability. Where 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 data 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 the 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 are available in markets that are not active, fair value is estimated based on the quoted prices of other similar instruments, or if these prices are not available, internal valuation techniques will be used, primarily discounted cash flows models. These securities are classified within level 2 or 3 of the fair value hierarchy.

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Fair value of financial assets and liabilities of the Company not measured at fair value (but require fair value disclosures)

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

	Fair value hierarchy					
	2020		2019		2018	
	Carrying value	Level 2 fair value measurement	Carrying value	Level 2 fair value measurement	Carrying value	Level 2 fair value measurement
December 31						
Bonds payable	1,406,152,885	1,644,153,562	1,412,599,130	1,789,400,000	1,411,281,443	1,464,145,750
Loan payable	25,000,000	24,452,171	-	-	-	-

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

24. Cash flows disclosure

24.1 Non-monetary transactions

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

	2020	2019	2018
Increase in constructions in progress through the accrual of unpaid invoices in accounts payable and other accrued expenses.	1,021,999	8,731,935	12,870,526
Increase in constructions in progress through the accrual of withholdings payable to contractor.	722,601	5,067,845	2,255,409
Increase in construction in progress through the accumulation of interest expenses.	30,109,772	-	-
Increase in advance to contractors through accrual of withholdings payable to the contractor.	-	118,128	-
Decrease in constructions in progress through capitalization of fixed assets.	17,470,240	67,931,924	10,333,319
Declared dividends credited to accounts receivable shareholder	-	-	2,070,000
Decrease in advance to contractors through capitalization of fixed assets	92,683	1,139,618	
Increase in other income as a result of the recognition of tax credit for property taxes.	45,702,176	-	-
Increase in other income as a result of the reversal of the property tax liability on improvements.	39,375,088	-	-

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24.2 Changes in liabilities for financing activities

The reconciliation of the liabilities arising from financing activities is as follows:

2020						Changes other than cash	
Reconciliation of liabilities arising from 2020 financing activities	Beginning balance	Loan product	Repayments of bonds	Issuance of new bonds	Bond issuance costs incurred	Amortized cost	Balance final
Bonds payable	1,412,599,130	-	(7,853,691)	-	-	1,407,446	1,406,152,885
Loans payable	-	25,000,000	-	-	-	-	25,000,000
Total liabilities from financing activities	1,412,599,130	25,000,000	(7,853,691)	-	-	1,407,446	1,431,152,885

2019					Changes other than cash	
Reconciliation of liabilities arising from 2019 financing activities	Beginning balance	Repayment s of bonds	Issuance of new bonds	Bond issuance costs incurred	Amortized cost	Final balance
Bonds payable	1,411,281,443	-	-	-	1,317,687	1,412,599,130
Total liabilities from financing activities	1,411,281,443	-	-	-	1,317,687	1,412,599,130

2018					Changes other than cash	
Reconciliation of liabilities arising from 2018 financing activities	Beginning balance	Repayment of bonds	Issuance of new bonds	Bond issuance costs incurred	Amortized cost	Ending balance
Bonds payable	1,191,499,136	(631,000,000)	875,000,000	(27,581,934)	3,364,231	1,411,281,433
Total liabilities from financing activities	1,191,499,136	(631,000,000)	875,000,000	(27,581,934)	3,364,231	1,411,281,433

25. New airports

According to Executive Decree No. 654 of the Ministry of Economy and Finance dated June 5, 2012, it was resolved to transfer the management and operation free of charge of the assets and liabilities of Enrique Malek airport (David), Scarlet Raquel Martinez Airport (Rio Hato) and Enrique A. Jimenez Airport (Colon) to Aeropuerto Internacional de Tocumen, S.A.

Under this Decree, it was also resolved that:

- Aeropuerto Internacional de Tocumen, S.A. will be responsible for managing the airports mentioned above, as well as their assets and liabilities, including assets intended for their operation and development.

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(In balboas)

- The Ministry of Economy and Finance and the Comptroller General of the Republic were instructed to take inventory and perform the valuation of all goods intended for the operation and development of the airports to be transferred. Aeropuerto Internacional de Tocumen, S.A. will start operating all three airports, once the Civil Aviation Authority signs with the Comptroller General of the Republic the Minutes of the final acceptance of the work done in each of the terminals. As of that date, a period of ninety (90) calendar days is established to make changes and adjustments in each of them, as well as the relevant regulations. If the transition period is considered as completed before the deadline, they will become effective when the administrator so establishes it through the corresponding resolution.

According to Resolutions of the Board of Directors of the Civil Aviation Authority number 026 of September 19, 2013; number 027 of November 27, 2013, and number 002-2014, of February 24, 2014, the following is approved: (a) the transfer of assets and liabilities owned by the Civil Aviation Authority at the Enrique Malek, Scarlett Martinez and Enriquez A. Jimenez Airports; (b) to authorize the Director General of the Civil Aviation Authority to transfer the assets and liabilities of the airports mentioned above as property and free of charge to Aeropuerto Internacional de Tocumen, S.A. owned by the Civil Aviation Authority; (c) the rights and obligations under the contracts, resolutions of concessions and leasing agreements held with private or public entities in accordance with the provisions of the law; (d) the labor obligation required to compensate workers of the Civil Aviation Authority which qualify for Option 1 of Article 26 of Law No. 23 of 2003 on the assumption provided in said standard; and (e) to authorize the General Director of the Civil Aviation Authority to sign the Public Deed whereby the real property owned by the Civil Aviation Authority and all documents required to ensure full implementation of the resolutions are transferred.

On October 21 and December 4, 2013 and March 12, 2014, the Minutes for the "Transfer by Management of the Assets and Liabilities" of the Enrique Malek (David), Scarlet Raquel Martinez (Rio Hato) and Enrique A. Jimenez (Colon) airports were signed, respectively. These dates are those in which the Company began operating the aforementioned airports.

As stipulated in the single text of Article 19 of Law No. 23 of 2003, the transfer of the lands that constitute the equity of airports and airfields, as well as buildings involved in their operation and those acquired in the future for further expansion, must be approved by the Cabinet. This approval would be made using the corresponding information of inventories and appraisals conducted by the Ministry of Economy and Finance and the Comptroller General's Office as reference to identify the actual amount of property subject to transfer.

In accordance with a Board of Directors' meeting dated November 12, 2015, the process to invalidate or rescind Executive Decree No. 654 of the Ministry of Economy and Finance was approved in order to request a new contract clarifying that the requirement for the Company was the management and operation of the New Airports without transferring the assets and liabilities.

As at December 31, 2020, neither the transfer nor the process to invalidate or rescind the Executive Decree had been approved. Since the transfer was not approved as at December 31, 2020, Management considers the Company was not in control of the airport's assets and, therefore, have not been recognized in the financial statements.

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26. Concession – Panama Pacific Airport

Through Concession Agreement No. 005-13, countersigned by the Comptroller General of the Republic in August 2013, the concession is awarded for the operation, exploitation, administration, maintenance and development of the facilities and the Panama Pacific airport facilities and movable property pertaining to the provision of aeronautical and non-aeronautical services covered by the concession. The duration of the concession shall be twenty (20) years, renewable for twenty (20) additional years, at the discretion of the parties. The extension is subject to the modifications agreed by the parties in accordance with the economic conditions of the country and the realities prevailing at the time. Based on this contract and according to the minutes of starting the execution of the contract dated October 1, 2013, the Company began operations from the airport.

Details of the main terms of the agreement are detailed below:

- The concession fee is set for the first five years and shall be for B/.1,500,000 for the first three (3) years, B/.2,000,000 for the fourth (4) year plus 20% of gross income above B/.10,000,000 and B/.2,500,000 for the fifth (5) year plus 20% of gross income above B/.12,500,000. Under the five-year review of the airport business evolution, the new concession fees may be established at the discretion of the parties.
- During the years 2013-2017, the licensee shall make an initial investment program aimed at solving the operating problems and restrictions of the airport and improve the capacity allowing air operations to start more easily. These investments shall reach a value of B/.9,300,000 and shall be implemented in accordance with the schedule of the works. Given that the contract was endorsed on April 11, 2014 and that the budget did not contain the 2014 investments, for B/.1,300,000, the Company requested the counterparty that the investment would begin as of 2015.

In addition, the operator is required to file future five-year investment plans for the review and approval of the agency every six months before the expiration of each five-year period. These plans must contain the studies and designs needed to advance the works proposed in those plans, as well as implementation schedules with their new specific task execution dates and financial projections to support their viability.

- The assets of the concession and the assets assigned to the concession should be returned without cost and in good conditions; otherwise the agency can apply actions and/or guarantees aimed at repairing deteriorated assets to the licensee's accounts. On the effective termination date, the agency or its designee will resume possession of the concession assets and assets subject to the concession, which shall be delivered, free of any liens or liabilities, operating under optimal conditions for its use and assume the operation, commercial exploitation and maintenance thereof.
- The concessionaire shall require the approval of the Civil Aviation Authority to establish rates and fees for aeronautical services of the airport that are provided to aircrafts on the ground, including but not limited to embarking and disembarking services of passengers and cargo, counter service to check in passengers and luggage and airline offices. The licensee may establish rates of non-aeronautical commercial services and minimum rentals for the use of premises of the Panama Pacific International Airport in accordance with its procedures and regulations. The contract may be terminated by administrative resolution for breach of the concessionaire based on the grounds mentioned in Article 113 of Law No.27 of June 2006 that regulates public contracting. In the event of default by the concessionaire, the agency has the right to demand compliance of the contract or to resolve it administratively and terminate it and may enforce the fulfillment of the contract bonds (bonds for B/.900,000) and investment bonds (bonds for B/.450,000, which represent 5% of the amount invested during the first five years) that would have been consigned, unless such default was due to force majeure.

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According to Management's assessment, this concession contract is eligible to be recognized under IFRIC 12 "Service Concession Arrangements" on which these investments shall be recognized as an intangible asset since their recovery will be through service revenues to be received from customers.

27. Commitments and contingencies

27.1 Commitments

Acquisition of fixed assets

As of December 31, 2020, the Administration has approved the construction or acquisition of property, plant and equipment for an amount of B/.38,929,602 (2019: B/.28,400,000 and 2018: B/. 34,400,000) approximately.

28. Subsequent events

The Company has evaluated events subsequent to December 31, 2020, to assess the need for possible recognition or disclosure in the accompanying financial statements. Based on this evaluation, the following was determined to be disclosed:

- On January 20, 2021, Addendum No. 7 is signed to Contract No.038/12, by means of which only the delivery time of the works established for Stage N°2 is modified and extended:

Stage 2: 96 months and 24 calendar days; counted from the tenth working day following the notification of the Order to Proceed by TOCUMEN to THE CONTRACTOR. The completion date of stage 2 is March 31, 2021.

- By Means of Note No. PEAIT-DC-2989-MAR/21 of March 17, 2021, the company CNO, S.A. requests the Aeropuerto Internacional de Tocumen, S. A., to extend the term of contract No. 038/12 until September 2021, as the final date for the final delivery of the works included in the project. By which addendum No. 8 is endorsed on June 14, 2021, which extends the termination of the as final date September 30, 2021.

29. Approval of the financial statements

The financial statements have been authorized by the Board of Directors for issuance on July 7, 2021.

* * * * *

THE ISSUER

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US\$

Aeropuerto Internacional de Tocumen, S.A.

US\$ % Senior Secured Notes due

US\$ % Senior Secured Notes due

OFFERING MEMORANDUM

, 2021

Joint bookrunners and joint lead arrangers

BofA Securities

Citigroup

Joint lead arranger and local structuring agent

Banco General

Research Update:

Aeropuerto Internacional de Tocumen's New \$1.85 Billion Senior Secured Notes Rated Preliminary 'BBB', Outlook Stable

July 27, 2021

Rating Action Overview

- Aeropuerto Internacional de Tocumen S.A. (Tocumen or the project) is planning to issue \$1.85 billion senior secured amortizing notes in two tranches, due August 2041 and August 2061. The project will use most of the proceeds to repay its \$1.4 billion senior secured notes (BB+/Watch Neg), \$50 million of its credit facilities, and to a lesser extent, to pay transaction expenses and fund the "COVID Recovery Account".
- On July 27, 2021, S&P Global Ratings assigned its preliminary 'BBB' issue-level rating to the new notes.
- The stable outlook mainly reflects our view that the funds deposited in the COVID account should be enough to cover any potential shortfall in the upcoming 12 months amid a slower-than-expected recovery in air traffic and higher costs. The outlook also reflects our view that we continue to expect a very high likelihood of government support, as seen in 2020 through a delay in distribution payments and the write-off of some regulatory fees.

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Project Description And Key Credit Factors

Tocumen International Airport, inaugurated in 1947, is located about 25 kilometers from Panama City (home to more than half of the country's population of approximately 4 million). It is Panama's primary commercial airport and its main international gateway, having handled more than 16 million passengers in 2019. Tocumen also operates as the regional hub for Copa Airlines (not rated).

The project completed a major expansion that doubled its existing capacity to about 25 million passengers per year, through the construction of a second terminal of 85,000 square meters and new boarding gates.

Given unique characteristics of the issuance, which defined that not all revenue stream (95%) will be used to repay the financial obligations, we rate the debt based on our "Principles Of Credit

Ratings" methodology. In particular, we rate Tocumen's notes according to our Principles of Credit Ratings criteria that combines our project finance and GRE methodologies. We believe that the project finance criteria still provides the best framework to analyze the credit risk of the limited purpose entity (LPE), although some characteristics of project finance transaction are not fully met; specifically 5% of the revenues won't be pledged to the repayment of the new notes. However, the common characteristic of limited-recourse transactions, such as project financings, is that debtholders can only use a project's dedicated cash flows for the servicing and repayment of the project's debt.

Strengths

- Satisfactory competitive position: Tocumen is the main gateway to Panama, handling almost all international traffic, gaining most of traffic upside.
- Robust liquidity reserves: In addition to the typical debt service, and operational and maintenance reserve accounts, as of the closing date of the transaction, the project will benefit from additional financial flexibility from the "COVID Recovery Account". We expect the cash that will be deposited in this account to be sufficient to cover any shortfall in the next two to three years even if the traffic recovery were weaker than in our base-case scenario, which we view as positive from a financial perspective.
- Government's key asset: We consider Tocumen as an economically and strategically important asset for the country, mainly given the government's broader economic development plan, which is intended to facilitate the expansion of Panama's logistics and tourism sectors. Moreover, the government participates actively in Tocumen's daily decisions and annual budget, including providing expansionary capex, new debt, contracts with third parties, and tariff adjustments. We believe that under a stress scenario such as the one the project experienced in 2020, there's a very high likelihood that the government will provide extraordinary liquidity support, which we also tend to view as positive from a financial perspective.

Risks

- Market risk exposure: Tocumen is exposed to air traffic variability, similar to majority of the global airports that we rate. Any downturn in the economy, a terrorist attack, unfavorable climatic conditions, or pandemic-related restrictions could dent traffic levels and reduce the project's cash flows. Therefore, we apply a stress scenario every 10 years, which is the typical economic cycle among airports globally. Such a stress scenario consists of traffic levels 15% below the base-case scenario and a recovery in three years. Under such a scenario, we expect cash flows available for debt service (CFADS) to drop 20%-25% from our base-case assumptions.

Rating Action Rationale

The preliminary 'BBB' issue-level rating on the proposed notes mainly reflects our view of the project's operational risk that's mainly attributable to the relatively low complexity of the operation of an airport with Tocumen's characteristics and a low market risk exposure. We don't believe the project will be exposed to construction risk at this stage. This is because Odebrecht

Engenharia (the EPC contractor) delivered in 2020 the new terminal, together with the guarantees associated with the contractual obligations. Moreover, the pending works mainly relate to finetuning some of the new gates and stores, which the project will pay with its cash flows and without incurring new debt. Moreover, the project has the flexibility to postpone these works, such as the case in 2020, without incurring any penalties if traffic levels don't recover as expected, given that such works are not mandatory. Given all these factors, we believe the risks associated with pending works are minimal at this stage.

We assess Tocumen's operational phase in two stages: the first stage starts at financial closing and ends in July 2024, one month before the "COVID Recovery Account" will be released. The second phase starts in August 2024 and ends in August 2061, when the notes are due.

As of the closing date of the transaction, Tocumen will fund a "COVID Recovery Account", proceeds of which could only be used to pay operating and maintenance (O&M) costs and service debt if the cash deposited in the O&M and Debt Service Payment Accounts aren't sufficient to do so. The cash trapped in the COVID Recovery Account won't be used for other purposes, unless the project met the restricted payment test (RPT). The latter consists of reaching an annual backward- and forward-looking debt service coverage ratio (DSCR) of 1.25x or above. Our base-case scenario assumes that the project will meet the RPT in August 2024, when we assume Tocumen to return to pre-pandemic traffic levels.

During the first stage, we expect the project to benefit from robust liquidity, which will be sufficient to cover any shortfall even if the traffic recovery were weaker than expected. As such, we believe the DSCRs in our base-case scenario are not representative. Therefore, we override the first-phase adjusted operations stand-alone credit profile (SACP) by the project's resilience to our downside-case scenario, which we assess as 'bbb'.

The downside-case scenario incorporates a traffic recovery of 5% below the base-case assumptions for 2021, and 10% below in 2022-2024; 10% higher operating costs and capex; Panama's CPI down 0.5%; and commercial revenue 5% below those in our base-case scenario. Under such a scenario, we expect a shortfall for 2021-2024 of about \$80 million and the cash trapped in the reserve accounts for the same period totaling \$170 million. Given that the project will maintain a sound liquidity position in the first phase even under the downside scenario, we assess the latter at the middle end of the 'bbb' area sub-score.

For the second phase (2024 and 2061), we view the project's operations phase business assessment (OPBA) as '6' (on a scale of '1' to '12', with '1' as the lowest risk), which reflects the project's responsibilities of operating and maintaining the airport. We view the project's cash flow stability exposed to market risk, given the inherent traffic volatility at an airport focused on international travel, which is mitigated by its competitive position as the main gateway to Panama.

Our base-case scenario for the second phase assumes minimum and average annual DSCR of about 1.32x (in August 2024) and 1.85x, respectively, which combined with our view of the project's operational risk, results in a preliminary SACP of 'bb'. We reach a 'bbb-' adjusted operations phase SACP after assigning positive adjustment for the project's resilience under the downside-case scenario, and an additional adjustment for Tocumen's consistently higher DSCR starting in 2024.

The preliminary 'BBB' issue-level rating on the proposed notes also reflects our expectations that the project will continue to benefit from a very high likelihood of support, which provides a one-notch uplift to the rating above from the project's 'bbb-' SACP.

Our assessment of government support reflects Tocumen's status as Panama's only international airport. We believe it's an economically and strategically important asset for the country, given the government's broader economic development plan that aims to expand Panama's logistics and tourism sectors. Moreover, the airport provides an essential transport service that can't be

substituted easily in the short to intermediate term due to the constraints of alternative modes of transport (notably, time and capacity) and the difficulty of building new airports with easy access.

Our assessment also incorporates the airport's ownership structure (Panama owns all of the shares), the government has more than one representative on Tocumen's board, it participates in the project's daily decisions, and our belief that the airport wouldn't be privatized.

In addition, we believe that if the project requires additional liquidity to meet its short-term obligations, we expect the government to provide access to additional funding, pause dividend distribution payments, or provide some technical assistance to help Tocumen reorganize its cost structure and provide some spending relief, as seen in 2020. However, the absence of any of these actions, while Tocumen's cash flows continue to deteriorate, could signal a diminishing support from the government, which could prompt us to revise the likelihood of extraordinary support to a weaker category.

Outlook

The stable outlook on Tocumen mainly reflect our view that the additional liquidity cushion under the new structure should be enough to cover any potential shortfall in the upcoming 12 months amid a slower traffic recovery and higher costs. The stable outlook also reflects our view that we continue to expect a very high likelihood of government support, as seen in 2020 through a delay in distribution payments and the write-off of some regulatory fees.

Downside scenario

In the next 12 months, we could lower the rating or revise the outlook to negative, following a similar action on the sovereign rating and/or outlook, while the project's SACP and very high likelihood of support remains unchanged. We could also lower the rating if we revise downwards the project's SACP. This could occur if we expect lower traffic levels in the medium and long term, for example, amid a change in passengers' behavior, which would impact our projected CFADS, resulting in a minimum DSCR of 1.25x or below starting in 2024.

Upside scenario

Although a positive rating action is currently unlikely, we could raise the rating on Tocumen in the next 12 months if we were to do the same for the sovereign, while we revise upwards Tocumen's SACP. The latter could occur if its CFADS recovers consistently faster than expected amid a rebound in traffic levels, resulting in DSCRs close to 1.40x or above starting in 2024.

Performance Update

We now expect traffic levels in 2021 to remain 50% below the 2019 figures, compared with our previous forecast of 60% below 2019. The main rationale behind the revision of our expectations is the faster traffic recovery pace during the first half of the year. As of June 2021, the number of passengers were 62% below that of 2019, while we previously assumed 70% below. More precisely, as of June 2021, traffic levels remained only 44% below 2019 figures, mainly due to an increase in tourists from U.S. and South America. For the second half of the year, we now assume the traffic level to be 30%-45% lower than that in 2019, while we previously projected it to be 40%-60% lower. Nevertheless, we continue to expect Tocumen to reach pre-pandemic traffic

levels by the end of 2024.

Despite the more contagious virus variants, we currently believe that it's highly unlikely that the Panamanian government will close international borders again. Almost 15% of Panama's GDP depends on tourism. Therefore, travel restrictions will continue to damage Panama's economy. In addition, given the aggressive vaccination program the government has implemented, we expect at least 80% of the population will be inoculated by the end of the year, which will reduce considerably the risk of infections and the pandemic's harsh effect on the economy.

Base Case

Assumptions

- Passenger volume of 8 million - 9 million in 2021 (50% of the 2019 level), 12 million - 13 million in 2022 (75%), 14 million - 15 million in 2023 (90%), and 16 million - 17 million in 2024.
- For the long-term outlook, we continue using macroeconomic variables that we view as relevant for the transportation segment, particularly GDP growth, which is mainly correlated to passenger traffic level, and CPI growth to which Tocumén's operating costs are adjusted.
- According to our last report on Panama published on Nov. 24, 2020, its GDP is likely to grow 7.0%, 4.5%, and 5.0% in 2021, 2022, and 2023, respectively. Moreover, we expect CPI of 0.5% in 2021 and 1.5% starting in 2022.
- No increases in aeronautical fees, given that they're adjusted on a discretionary basis.
- Commercial revenue to plummet about 55% in 2021, 5% lower than the expected drop in passenger level, and in line with the 2020 results. In 2022, we expect revenue to remain only 10% below the 2019 figures, given that we assume all stores at Terminal II will be completed by mid-year. Therefore, the expected increase in revenues in the second half of 2022 will offset the lower levels of the first half.
- Guaranteed Minimum Income (GMI) collections from tenants of about \$5.1 million in 2021 and \$36.1 million in 2022, given that most of the stores will be finished next year.
- Payroll costs to remain 10% below the 2019 figure in 2021, given that a high portion of Tocumén's workforce is still furloughed. For 2022, we expect an increase of about 12%, assuming both terminals will be fully operational, which will slightly increase Tocumén's workforce, and all contracts that were suspended in 2020 will be restored.
- Capex, related to finetuning of gates and stores, of about \$30 million in 2021 and 2022, which will be funded with cash proceeds after debt service payments.
- Maintenance costs to increase about 25% in 2021 and 50% in 2022 over the 2019 figures, given that we assume both terminals will be fully operational by September 2021.
- Additional permitted debt will be more than \$100 million or 35% of CFADS for the two calculation periods most recently ended. We assume 100% of the permitted debt will be withdrawn as of the closing date of the transaction until the due date of August 2061.

Key metrics

In 2021-2024, DSCRs are not representative, given that the project will maintain a robust liquidity

position, which we believe will be sufficient to cover any shortfall. For 2024-2061, we expect the project to post a minimum and average DSCR of 1.32x (in August 2024) and 1.85x, respectively.

Downside Case

Assumptions

- Passenger volume of 7 million - 8 million in 2021 (45% of the 2019 level), 10 million - 11 million in 2022 (65%), 13 million - 14 million in 2023 (80%), and 14 million - 15 million in 2024 (90%).
- A drop in traffic levels of about 15% every 10 years starting in 2031, with a recovery in three years for each period.
- Commercial revenue 5% below that of the base-case scenario in 2021.
- A 10% increase in capex and O&M costs during the notes' term. This is consistent with the past down cycles and with those of other transportation assets with similar OPBAs.
- Panama's CPI 0.5% lower than in our base-case scenario during the notes' term, because the latter has a positive effect on revenues.

Key metrics

We expect shortfalls in the first and second stage to reach about \$80 million and \$10 million, respectively. Still, we believe Tocumen's sound liquidity will be sufficient to cover the remaining amount of interest and principal payments that won't be paid with the CFADS.

Liquidity

We consider the project's liquidity to be neutral. We assume that Tocumen will use part of the current sources to fund a debt service reserve account covering six months of senior debt payments, an O&M reserve account with three months of operating costs, and a major maintenance and capex reserve account, which under normal situations, should cover at least six months of the projected capital expenditure. We expect those reserves to totalize about \$70 million.

Moreover, restricted payments will be allowed following a backward- and forward-distribution test, with a minimum DSCR of 1.25x, among other clauses such as default, events of default, and completion investments (certified by an independent engineer). The project doesn't have financial covenants that would cause the notes' payment acceleration.

Finally, the remaining net proceeds from the notes will be used to fund a "COVID Recovery Account", which we expect to total about \$100 million. The account will be used only for paying any O&M costs and debt service payment if needed until the project met the restricted payment test detailed above, and won't be used for capex.

Rating Score Snapshot

Construction phase SACP (senior debt)

- Not applicable

Operations phase SACP (senior debt)

- Operations phase business assessment: 6 (1=best to 12=worst)
- Preliminary SACP: 'bb'
- Downside impact on preliminary SACP: 'bbb'(+1 notch)
- Capital structure and average DSC impact on preliminary SACP: +1 notch
- Liquidity: Neutral
- Comparative analysis assessment: No impact
- Operations phase SACP: 'bbb-'

Modifiers (senior debt)

- Parent linkage: Delinked
- Structural protection: Neutral
- Extraordinary government support: Very high (+1 notch)
- Sovereign rating limit: 'BBB'
- Full credit guarantees: None

Senior debt issue rating: 'BBB'

Related Criteria

- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | Project Finance: Project Finance Transaction Structure Methodology, Sept. 16, 2014
- Criteria | Corporates | Project Finance: Project Finance Operations Methodology, Sept. 16, 2014
- Criteria | Corporates | Project Finance: Project Finance Framework Methodology, Sept. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | Project Finance: Project Finance Construction And Operations Counterparty Methodology, Dec. 20, 2011
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

New Rating

Aeropuerto Internacional de
Tocumen S.A.

Senior Secured BBB/Stable

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ISSUER IN-DEPTH

26 July 2021

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Aeropuerto Internacional de Tocumen, S.A.

Pre-sale report - \$1,852 million senior secured notes

Summary

- » Moody's assigned a first-time Baa2 rating to the proposed \$1,852 Senior Secured notes to be issued by Aeropuerto Internacional de Tocumen S.A. ("AITSA"). The rating outlook is stable.
- » AITSA is a company fully owned by the [Government of Panama](#) (Baa2 Stable) that owns, operates, maintains and develops the Tocumen International Airport ("Tocumen"). Tocumen is located acts as a regional hub for transit travel across the Americas, mainly through Compañía Panameña de Aviación, S.A. ("Copa Airlines").
- » The rating incorporates the framework for Government Related Issuers (GRI) because of the 100% ownership by the Government of Panama. Specifically, as a GRI, AITSA's Baa2 rating considers the following four input factors:
 - AITSA's Baseline Credit Assessment (BCA) of baa3 as a measure of its standalone creditworthiness,
 - the Baa2 rating of the Panamanian government,
 - an assumption of high default dependence between AITSA and the government
 - strong likelihood of extraordinary support from the Panamanian government.
- » The credit profile reflects Tocumen's strong asset fundamentals such as a strategic location, an important role as a critical gateway for travel across the Americas and a diversified service area, which supports a leading market position. A recently completed expansion allows Tocumen to accommodate potential future growth.
- » AITSA's concession and regulatory framework are a key credit strength because all airport assets are held in perpetuity and controlled by the company. AITSA has a successful track record of implementing tariff increases, supported by a framework that allows the company's board to request tariff adjustments as needed.

- » Tocumen has a meaningful exposure to transfer traffic and to a single airline. The rating acknowledges Tocumen's role as a hub attracts passengers and brings revenue diversification but also that traffic could quickly decline if Copa Airlines chooses to change its operating patterns or if the airline fails. That said, the rating also recognizes that revenue is mostly driven by O&D passengers, that Copa Airlines has a strong market position and that it is unlikely that another regional airport facility could offer similar capacity and competitive advantages as Tocumen. In addition, airlines are typically able to continue operations even when in financial distress.
- » The Baa2 rating incorporates our expectation of weak credit metrics for the rating category for the first several years of the financing because of debilitated cash flows due to the slow traffic recovery and high debt levels. Nevertheless, the credit profile is supported by a comfortable debt maturity profile and additional sources of liquidity, such as a 6 month DSRA, a \$100 million COVID cash reserve account with restricted use limited to the payment of debt service and O&M if needed, available credit facilities for \$75 million and a refreshed liquidity basket for up to \$100 million.
- » The rating acknowledges the structural protections and collateral package contemplated in the transaction which provides a one and a half notch uplift to the fundamental underlying credit quality.

Rating outlook

The stable outlook acknowledges the liquidity embedded in the financial structure, that buffers the slow recovery of cash flows as traffic numbers recover to pre pandemic levels. Moreover, as the airport benefits from a sizable and diverse service area across the Americas, the outlook also reflects the expected economic growth rebound in the US and the Latin America and Caribbean region for 2021. Finally, the stable outlook incorporates Moody's expectation of continued support from the Government of Panama, that currently also carries a stable outlook.

Factors that could lead to an upgrade

Given the still ongoing recovery of traffic levels and the initial high leverage resulting in the expected narrow credit metrics for the first several years of the transaction, there is limited potential for the rating to be upgraded over the next 12 to 18 months. Nevertheless, better-than-expected traffic growth after the pandemic abates, could exert upward pressure. Specifically, a FFO to Debt ratio, as measured by Moody's, above 6% could lead to positive rating pressure. Moody's would also consider an upgrade if the Government of Panama is upgraded given its role as the support provider.

Factors that could lead to a downgrade

Given the stable outlook, a rating downgrade over the rating horizon is unlikely. Nevertheless, a significant reduction of anticipated cash flows due to lower than expected traffic levels, which causes leverage metrics to deteriorate, could exert downward pressure on the rating. Quantitatively, a FFO to Debt ratio, as measured by Moody's, below 3% could lead to a rating downgrade. In addition, Moody's would consider a downgrade if the Government of Panama is downgraded.

Overview of Transaction

AITSA plans to issue \$555.6 million senior secured notes due 2041 and \$1296.4 million senior secured notes due 2061. Proceeds of the notes will be used to finance the purchase of the issuer's existing notes (\$575 million notes due 2036 and \$875 million notes due 2048), to pay the expenses of such tender offer and consent solicitation, to fund the payment account and debt service reserve for the notes and to repay outstanding bank debt. Any remaining proceeds will be transferred to the "COVID Recovery Account".

The proposed notes will be secured by a collateral consisting of a security interest in and to the COVID Recovery Account, each Debt Service Reserve Account and each Payment Account and a shared collateral consisting of a security interest in and to: the Issuer's Committed Revenues (95% of the Aeronautical Revenues and 95% of the Non-Aeronautical Revenues), that are transferred to the Trustee General Account; and the Trustee General Account and any funds deposited therein.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Exhibit 1

Sources and Uses

Sources of Funds	\$ Million	%	Uses of Funds	\$ Million	%
New bond issuance	\$ 1852.0	100%	Refi Bond '36	\$ 575.0	31%
Tranche A	\$ 555.6	30%	Refi Bond '48	\$ 863.0	47%
Tranche B	\$ 1296.4	70%	Tender Premium & Others	\$ 230.1	12%
			Existing bonds - Accrued Interest	\$ 19.2	1%
			Lines of Credit	\$ 50.0	3%
			Fees and Expenses	\$ 12.3	1%
			Covid Recovery Account	\$ 102.5	6%
Total Sources	\$ 1852	100%	Total Uses	\$ 1852	100%

Source: Aeropuerto Internacional de Tocumen S.A.

Corporate Profile

Aeropuerto Internacional de Tocumen S.A. (AITSA) is 100% owned by the [Government of Panama](#) (Baa2 Stable). AITSA owns, operates, maintains and develops the Tocumen International Airport (Tocumen) in perpetuity. Tocumen is the 3rd busiest airport in Latin America and the Caribbean based on international passenger traffic and it is the main international airport directly serving Panama City. In 2019, Tocumen recorded 16.6 million passengers and \$259 million in revenue. Tocumen acts as a network hub for Compañía Panameña de Aviación, S.A (Copa Airlines). As of June 2021, 90% of passengers using Tocumen traveled on Copa Airlines. Tocumen's traffic profile is comprised by about 20% Origin and Destination (O&D) passengers and 80% transit passengers (as of June 2021).

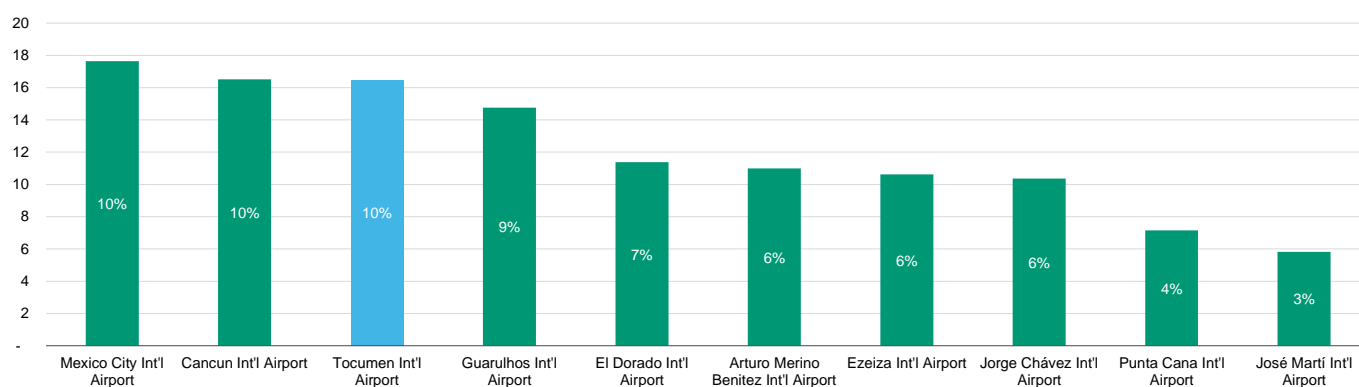
Detailed credit considerations**Very strong asset fundamentals that support a predominant market position**

Tocumen has a leading market position as the third busiest airport in Latin America and the Caribbean based on international passenger traffic and the main international airport directly serving Panama City (see exhibit 2). Tocumen is a critical gateway, linking travel across the Americas and Europe due to its strategic location in the middle of the Americas and its role as the network hub for Copa Airlines.

Exhibit 2

Tocumen has a dominant market position in Latin America and the Caribbean

Number of international passengers and market share in Latin America-Caribbean as of 2019



Source: ACI-LAC airports ranking

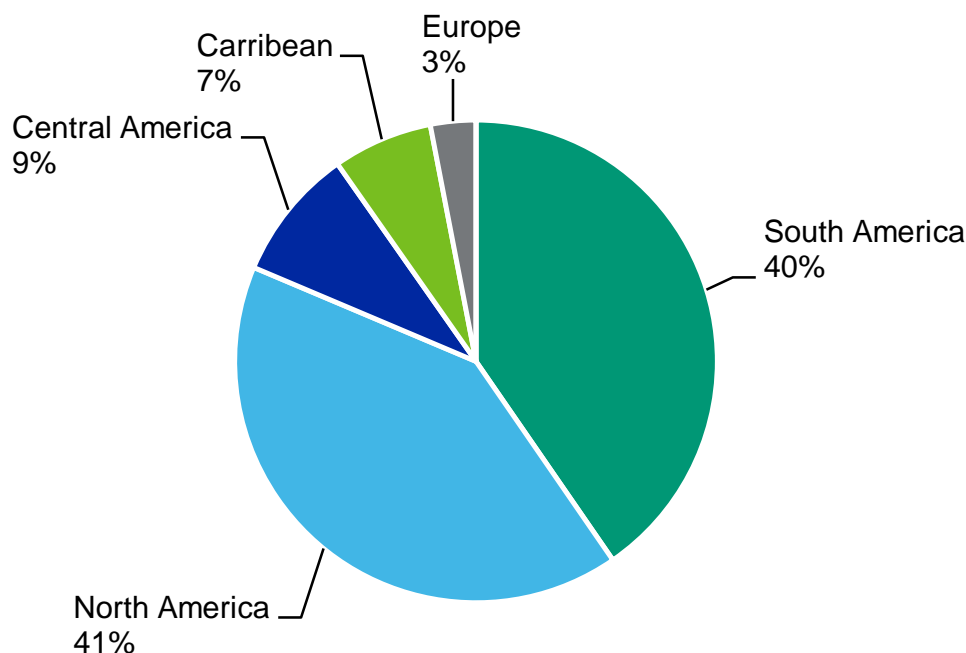
Other hub airports in the region, such as for example Miami International Airport ([Miami-Dade \(County of\) FL Airport Enterprise](#), A2 Stable), Mexico City Airport ([Mexico City Airport Trust NAFIN F/80460](#), Baa3 Negative), El Dorado International Airport in Colombia and Jorge Chavez International Airport in Peru, pose competition for Tocumen, but this is mitigated by the airport's strategic location and price competitiveness. Tocumen's transit passenger fee is \$1.14 per passenger, one of the lowest in the region. Moreover, the airport is not exposed to competition from other forms of travel.

Revenue diversification from an extensive and diverse service area expected to experience economic growth in 2021

Due to its role as a regional hub, Tocumen benefits from an extensive service area with a diversified economic base. The airport is located in Panama City, but it serves the entire country as the main international airport. In addition, being a regional hub, Tocumen serves the Caribbean and Central America region and operates as a link to connect North and South America. Tocumen's broad service area allows the airport to benefit from a diversified economic base, as traffic is derived from several regions (see exhibit 2).

Exhibit 3

Tocumen benefits from a diversified customer base
Share of international passengers by origin as of June 2021



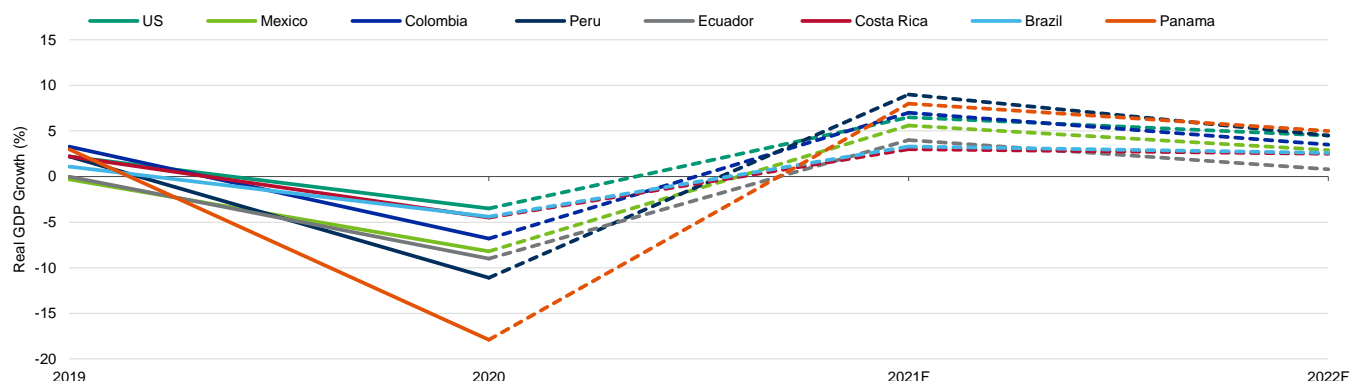
Source: Aeropuerto Internacional de Tocumen S.A.

We expect Tocumen to benefit from the forecasted economic recovery of its service area. After a sharp contraction in 2020, we expect global economic growth to rebound in 2021, reflecting core economic growth plus the positive impact of accommodative monetary and fiscal policy, as well as the easing of containment measures as vaccinations accelerate. In the case of Panama we currently forecast growth to be in the 8%-10% range in 2021, compared to the authorities' 9% projection. We expect growth to remain between 4%-5% in the coming years, much lower than the rates recorded in recent history. Panama's economy should return to its 2019 level by 2023. For the rest of the countries across the Americas that feed passengers into Tocumen, we also expect growth to rebound in 2021, most notably in the [US](#) (Aaa Stable), which captured about 30% of the airport's passengers as of June 2021 (see exhibit 4).

Exhibit 4

We expect Tocumen to benefit from the forecasted economic growth in its service area

Real GDP growth (%)



Source: Moody's Investors Service

Meaningful exposure to transfer transit and to a single airline, tempered by revenue profile and competitive advantages

Tocumen shows a meaningful exposure to transfer traffic and to a single airline. Tocumen is a network hub for Copa Airlines, as such, the share of Origin and Destination (O&D) passengers is very low at about 25% of total traffic and the concentration to Copa Airlines is high with 90% of passengers traveling through Tocumen. While Tocumen's role as a hub brings advantages such as the ability to draw passengers from a larger geographic area than Panama owing to its robust service offerings, that traffic could quickly decline if Copa Airlines chooses to change its operating patterns or if the airline fails. AITSA has recently incurred significant debt to finance a new terminal with capacity to serve transiting passengers, which makes the airport's credit profile more vulnerable to a decrease in passenger volumes if the anchor airline stops providing service or moves its hub to another airport. Moreover, the large share of transfer traffic and Copa Airlines' exposure to leisure travel diminishes the resilience of the airport's traffic profile.

That said, we recognize that while O&D passengers represent a small share of total traffic, they represent a meaningful share of revenue as fees for this type of passenger are significantly higher than the fees collected for transit customers. Also, we observe that Copa Airlines has a strong market position and that it is unlikely that another airport facility in the region could offer similar capacity and competitive advantages as Tocumen. Moreover, we note that airlines across the globe have been able to continue operations when facing acute financial distress and even during bankruptcy proceedings.

Supportive regulatory framework that allows flexible tariff setting and ownership of the asset in perpetuity

Law 23 of 2003 and AITSA's bylaws establish that the company's board of directors can set aeronautical fees, subject to approval by the Civil Aviation Authority (CAA). These rates and fees should preferably be based on the costs of the services provided, in accordance with CAA guidelines. Also, the company's board is entitled to set the rates for non-aeronautical services without prior approval by the CAA. In addition, the law dictates that AITSA has outright ownership of the airport in perpetuity, unlike peers in the region that operate under finite concession agreements. A key credit consideration is that there has been no history of government interference in tariff setting so far and there is an alignment of interests between AITSA's board and the CAA given the linkages of both entities to the government.

No significant investment requirements and ability to accommodate growth

The airport has very recently completed a new terminal, therefore there are no significant capital spending needs in the foreseeable future and the facilities are capable of accommodating potential future growth. The new terminal has 116,000 square meters distributed in 3 levels, including baggage handling area, check in counters, passenger processing facilities and commercial areas and lounges. The terminal has capacity to accommodate aircraft at 20 contact gates and 8 remote positions, taxiways and a parking platform for aircraft circulation. Nine contact park positions and all eight remote positions are currently in operation, as construction is currently 99.7% complete, with the expectation that it will be fully operational by September 2021. Overall, the new terminal increases the technical capacity to 21 million passengers per year. Before the construction of the new terminal, Tocumen's technical capacity was 12 million passengers per year, but the facilities operated above that level for several years.

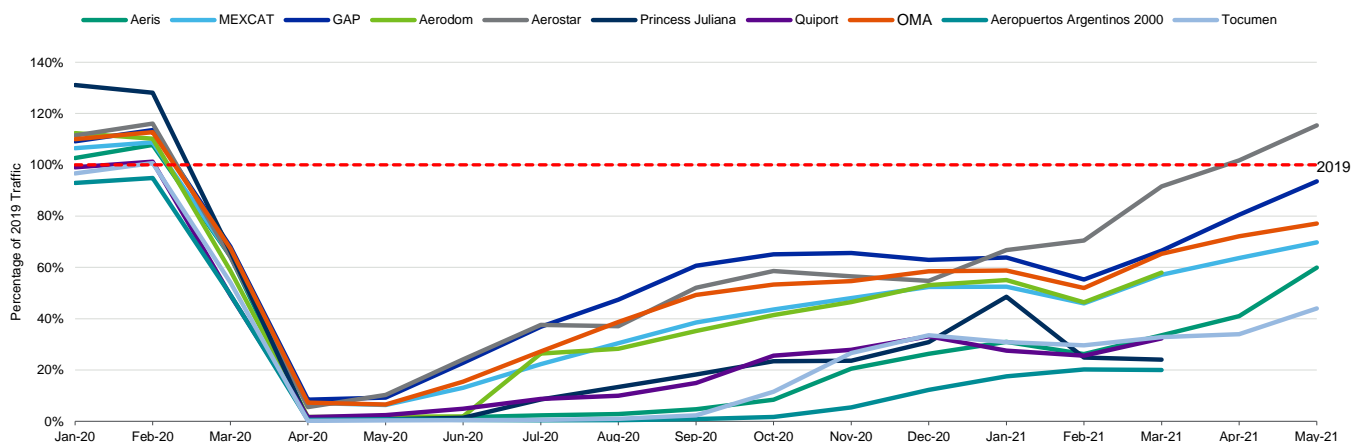
Traffic on the path to recovery, albeit at a slower pace than peers

Tocumen exhibited in 2020 one of the largest traffic declines compared to peers rated by us in the region (see exhibit 5). In 2020, passengers decreased 72.7% versus 2019 levels. The pronounced decline and slow recovery compared to peers is related to the stricter air traffic restrictions in Panama and the exposure to business travel, which has shown a more sluggish rebound than leisure travel. Peers that we rate in the region have benefited from more lax international travel restrictions and a strong pick up of tourism.

Exhibit 5

Airport traffic recovery in Tocumen is slower than that of regional peers

Monthly traffic versus same month in 2019



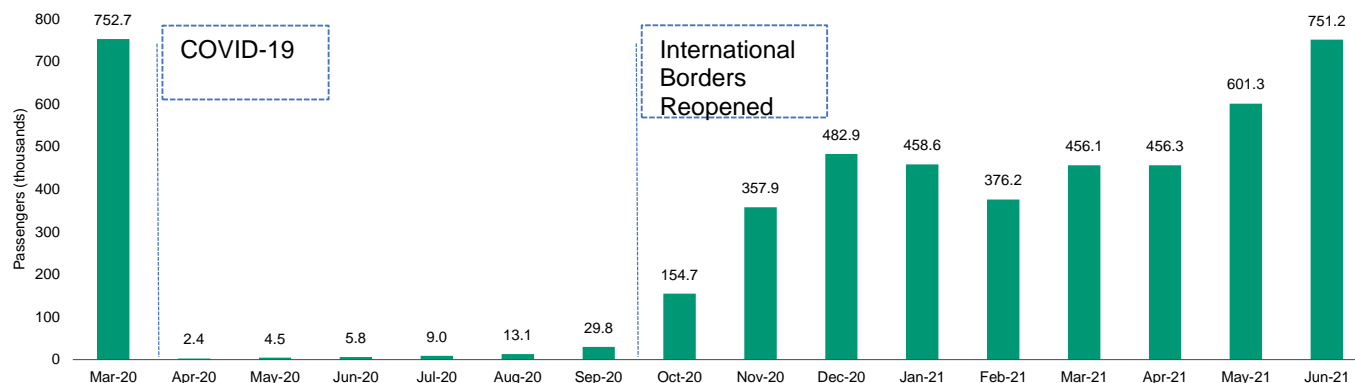
Source: Rated Issuers

After the meaningful traffic drop in the second and third quarter of 2020, traffic has been picking up since the fourth quarter of that year (see exhibit 6). Nevertheless, traffic is still not near to 2019 levels (see exhibit 7). We expect a gradual recovery supported by the vaccination campaign, easing of travel restrictions and return of tourism and business travel, reaching 2019 traffic values in 2024. To mitigate the impact of the slow recovery, AITSA's proposed transaction involves adequate liquidity reserves and amortization payments are not set to start until 2027.

Exhibit 6

Traffic declined abruptly amid the pandemic and it has begun to recover since the 4Q 2020...

International passengers (thousands)

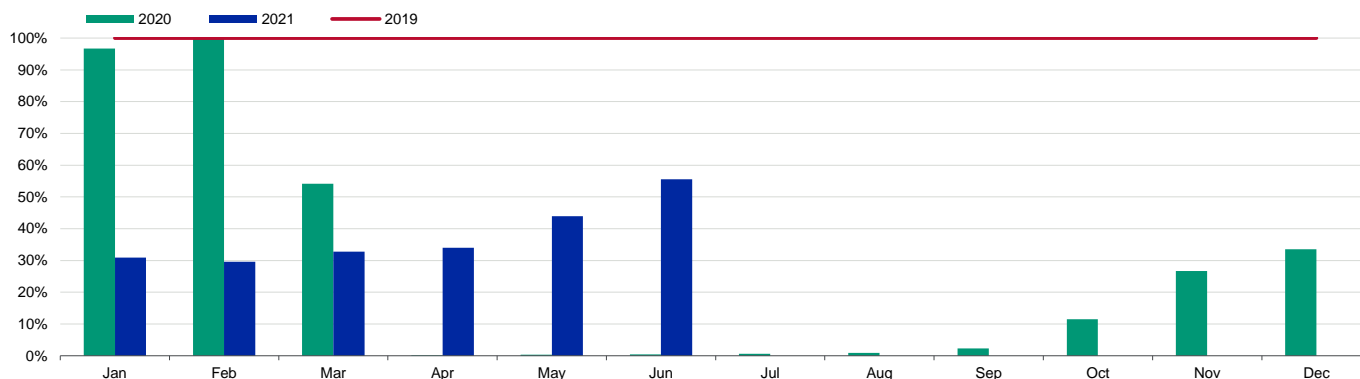


Source: Aeropuerto Internacional de Tocumen S.A.

Exhibit 7

... but it is still far from 2019 levels

Monthly traffic versus same month in 2019



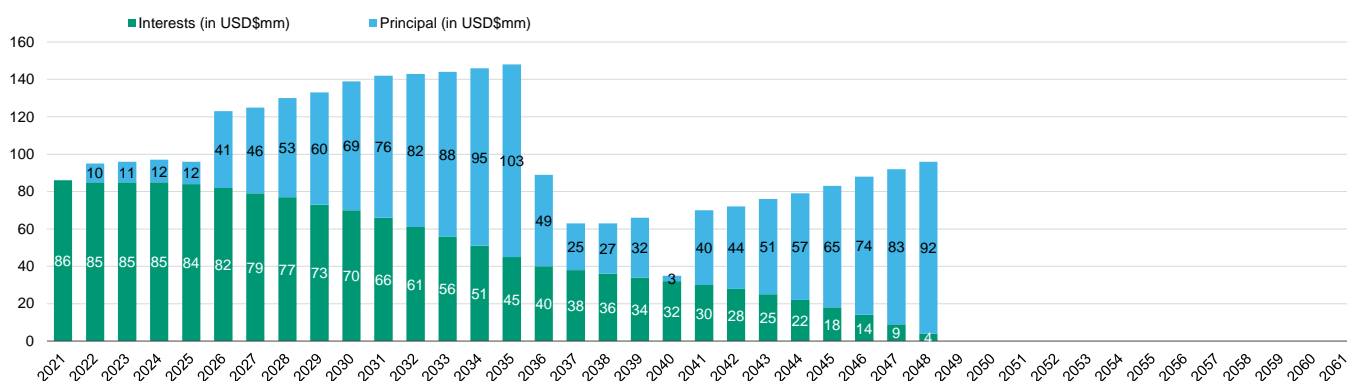
Source: Aeropuerto Internacional de Tocumen S.A.

High leverage, tempered by liquidity reserves

AITSA's proposed financing structure results in weak credit metrics for the rating category particularly during the first several years of the financing. The proposed financing entails high leverage in the first years of the transaction because of the combination of the slow traffic recovery and no amortization payments until 2027. For the first 10 years of the transaction, under our base case, average FFO to debt is around 4% and DSCR about 2x, which, in both cases, map to factor scores in the B rating category level. At the same time, after the tender the company will benefit from a more comfortable debt maturity profile because of the notes' long tenor and the amortizing debt structure (see exhibits 8 and 9). Moreover, the transaction incorporates additional sources of liquidity, such as a 6 months Debt Service Reserve Account, a \$100 million COVID cash reserve account with restricted use to the payment of debt service and Operations and Maintenance if needed, available credit facilities for \$75 million and a refreshed liquidity basket for up to \$100 million.

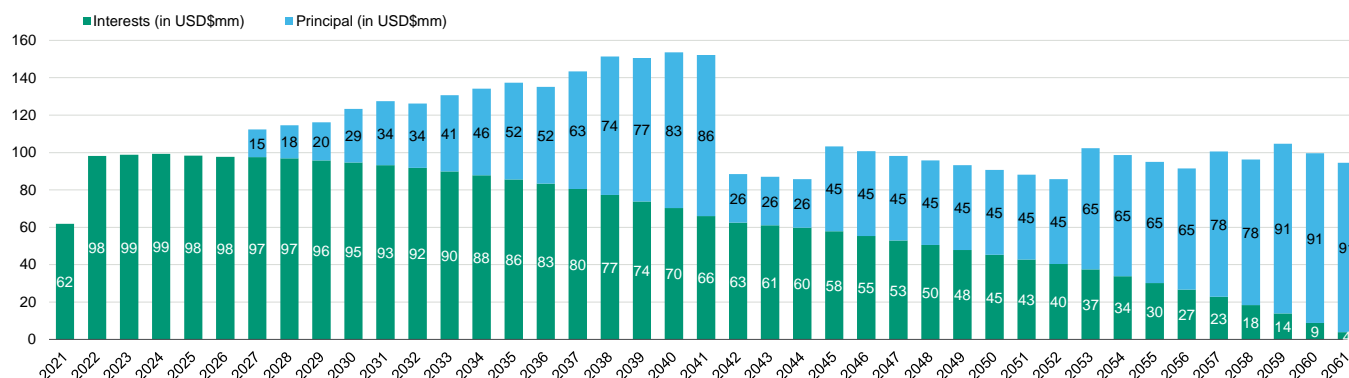
Exhibit 8

Current debt service profile



Source: Aeropuerto Internacional de Tocumen S.A.

Exhibit 9

Proposed indicative debt service profile after the tender

Source: Aeropuerto Internacional de Tocumen S.A.

Expectation of strong support from the Government of Panama

AITSA is 100% owned by the Government of Panama, which has significant involvement in the day to day operation and strategic plan. The majority of AITSA's voting directors in the board is appointed by the government through the Ministry of Economy and Finance. Furthermore, the government has a meaningful role over AITSA's finances as aeronautical tariff increases are ultimately approved by the CAA, a government agency.

Despite the significant relationship with the government, AITSA prepares its own annual operating and capital investment budget, which is not part of the budget of Panama. The annual budget has to be submitted for approval to the Cabinet Council and the National Assembly each year. The National Assembly may approve or reject the budget, but it may not make any amendments to it.

While AITSA is self-sustained and the company has not received bailouts or cash transfers from the government, during the COVID pandemic the government has provided support through different measures. The government granted AITSA a \$25 million line of credit through the National Bank of Panama and decrease the company's contribution to the Special Fund for the Development of National Aeronautics Administration (FEDIAN) to \$4.5 million from \$15 million.

The rating assessment incorporates the framework for Government Related Issuers (GRI) because of the 100% ownership by the Government of Panama. Specifically, as a GRI, AITSA's Baa2 rating considers the following four input factors: AITSA's Baseline Credit Assessment (BCA) of baa3 as a measure of its standalone creditworthiness, the Baa2 rating of the Panamanian government, an assumption of high default dependence between AITSA and the government and strong likelihood of extraordinary support from the Panamanian government. Our Baa2 rating entails one notch of uplift from the baa3 BCA to reflect these dependence and support considerations.

Structural considerations

The Baa2 rating incorporates the structural protections included in the financial documents that provide enhancement to creditors and collateral package contemplated in the transaction which provides a one and a half notch uplift to the fundamental underlying credit quality from a methodology perspective. These considerations include the collateral package, the existence of a cash flow waterfall; a 6-month debt service reserve account; a restricted COVID Recovery account funded with the notes proceeds for about \$100 million; limitations on distributions, additional debt and business activities; covenant required the issuer to increase tariffs if the projected DSCR is expected to fall goes below 1.25x; and well as additional terms outlined in the intercreditor agreement.

Environmental, social and governance (ESG) considerations

How ESG risks inform our credit analysis of AITSA

We take into account the impact of ESG factors when assessing AITSA's credit profile. In the case of AITSA, the materiality of ESG factors to its credit profile is as follows:

AITSA faces a limited impact from environmental risks. Nonetheless, traffic volumes are fundamentally linked to macroeconomic trends, business sentiment, population growth and personal mobility requirements. Traffic can also be affected by extreme weather or natural disasters. The mitigating factors include insurance policies, regulations in some jurisdictions that allow the recovery of unforeseen costs or losses, and state intervention.

AITSA has high exposure to social risks. We regard the pandemic as a social risk, given the substantial implications for public health and safety, which leads to severe restrictions on air travel and, thus, cancellations of airline routes, closing of borders and enhanced requirements to maintain health and safety in the airport's operations.

AITSA faces moderate governance risks. The airport is also exposed to the risk of political interference in the tariff adjustment, although this risk is partially mitigated by the alignment of interests between AITSA's board and the CAA given the linkages of both entities to the government. As mentioned, AITSA is 100% owned by the Government of Panama, which has a significant involvement in the company's day to day and strategic plan. The majority of AITSA's voting directors in the board is appointed by the government through the Ministry of Economy and Finance. Furthermore, consistent with Law 23 of 2003, AITSA's bylaws establish that the company's board of directors can set aeronautical fees, subject to approval by the CAA, a government agency.

Our approach to ESG is explained in our cross-sector rating methodology [General Principles for Assessing ESG Risks](#), published in June 2021.

Rating Factors

The Principal Methodologies used to assign the rating were [Privately Managed Airports and Related Issuers](#) published in September 2017 and [Government-Related Issuers](#) published in February 2020. The assigned BCA of baa3 is one notch higher than the scorecard indicated outcome to reflect the strong asset fundamentals and available liquidity balanced against the weak credit metrics, significant share of transit passengers and substantial exposure to a single airline. The Baa2 assigned rating is one notch higher than the baa3 BCA because it incorporates one notch of uplift to reflect the dependence and support considerations under our GRI framework.

Exhibit 10

Privately Managed Airports and Related Issuers Methodology Scorecard

Privately Managed Airports and Related Issuers	Metric Average (10 years)
Factor 1: Concession and Regulatory Framework (15%)	
Ability to Increase Tariffs	A
Nature of Ownership / Control	Aaa
Factor 2: Market Position (15%)	
Size of Service Area	Aa
Economic Strength & Diversity of Service Area	A
Competition for Travel	Aa
Factor 3: Service Offering (15%)	
Passenger Mix	Caa
Stability of Traffic Performance	Baa
Carrier Base	B
Factor 4: Capacity And Capital (5%)	
Ability to accommodate expected traffic growth	A
Factor 5: Financial Policy (5%)	
Financial Policy	Baa
Factor 6: Leverage And Coverage (40%)	
(FFO + Cash Interest Expense) / (Cash Interest Expense)	1.80x
FFO / Debt	4.20%
Moody's Debt Service Coverage Ratio	1.80x
RCF / Debt	2.10%
Rating	
Indicated Rating from Grid Factors 1-6	Ba3
Rating Lift	
Indicated Rating From Grid	Ba1
Actual Assigned Rating	Baa2
Government-Related Issuer	
a) Baseline Credit Assessment	baa3
b) Government Local Currency Rating	Baa2
c) Default Dependence	High
d) Support	Strong
e) Actual Rating Assigned	Baa2

Source: Moody's Investors Service

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