

U.S.\$1,380,000,000 4.375% Senior Secured Notes due 2030

AES Panama Generation Holdings S.R.L. (the "Issuer") is offering U.S.\$1,380,000,000 Senior Secured Amortizing Notes due 2030 to be issued on August 14, 2020 (the "Issue Date") pursuant to a registration with the Panama Securities Market Superintendence ("SMV") of up to U.S.\$1,400,000,000.

The Issuer, a *sociedad de responsabilidad limitada* organized under the laws of the Republic of Panama ("Panama"), domiciled in Panama and duly incorporated since March 25, 2020 in the Mercantile Section of the Panamanian Public Registry Office, at Folio No.155692836, with contact telephone +507 206 2600, is a special purpose vehicle owned indirectly by the AES Corporation, or "AES," to finance certain of its operations in Panama. Its commercial address is Panamá Pacífico, International Business Park, Edificio 3855, Oficina 206, Corregimiento de Veracruz, Distrito de Arraiján, Provincia de Panamá Oeste, República de Panamá. The Issuer is offering U.S.\$1,380,000,000 aggregate principal amount of its 4.375% Senior Secured Amortizing Notes due 2030 (the "Notes"). Interest on the Notes is payable semi-annually in arrears on May 31 and November 30 of each year beginning on November 30, 2020, calculated on the basis of a 360-day year of twelve 30-day months, and principal on the Notes will be payable semi-annually on May 31 and November 30 of each year beginning on May 31, 2023 in the amounts set out in the Amortization Table (as defined herein). The interest rate on the Notes will be notified to the SMV and the Panama Stock Exchange ("PSE") after determination thereof. The Notes will mature on May 31, 2030. 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 U.S.\$14,850 to 1.00.

Before February 28, 2030, the Issuer may redeem the Notes, in whole at any time or in part from time to time, prior to their maturity at a redemption price based on a "make-whole" amount described in this offering memorandum, plus accrued and unpaid interest to (but excluding) the redemption date, plus any additional amounts related thereto. At any time on or after February 28, 2030 (the "Par Call Date") for the Notes (three months prior to their maturity date) the Notes may be redeemed in whole or in part, at the Issuer's option, at a redemption price equal to 100% of their principal amount to be redeemed, plus accrued and unpaid interest to (but excluding) the redemption date, plus any additional amounts related thereto. The Issuer also may redeem the Notes at its option, in whole but not in part, at 100% of their principal amount, plus accrued and unpaid interest to the date of redemption and any additional amounts then due and payable, upon the occurrence of any specified events affecting taxation of the Notes. The Issuer may be required to offer to repurchase or redeem the Notes in part following an Asset Sale or Event of Loss (each as defined herein). See "Description of the Notes—Mandatory Redemption."

The Notes are general unsubordinated obligations of the Issuer, secured by the Collateral (as defined herein) pledged or assigned to the Onshore Collateral Trustee (as defined herein) or the Changuinola Trustee (as defined herein), as applicable, for the benefit of Citibank, N.A. as Indenture Trustee under the indenture governing the Notes, the holders of the Notes, and, solely in the case of the AES Changuinola Pledge, the holders of the AES Changuinola Bonds (as defined herein) and other secured parties of the AES Changuinola Trust (as defined herein).

The Issuer will offer the Notes for sale on the PSE on the local trading date pursuant to a public auction process detailed in this offering memorandum. See "Plan of Distribution—Settlement—Panamanian Settlement Process."

INVESTING IN THE NOTES INVOLVES RISKS. SEE "RISK FACTORS" ON PAGE 43.

The Notes have not been registered under the United States Securities Act of 1933, as amended, or the Securities Act, or with the securities regulatory authority of any state or other jurisdiction in the United States. The Notes may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act and to non-U.S. persons in offshore transactions in reliance on Regulation S. Investors are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For further details about eligible offerees and resale restrictions, see "Transfer Restrictions."

The Notes being offered in accordance with Rule 144A will be issued in the form of one or more registered notes in global form, or the Rule 144A Global Note. The Notes being offered in accordance with Regulation S will be issued in the form of a registered note in global form, or the Regulation S Global Note. The Notes will be deposited with a custodian for The Depository Trust Company, or 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 System, or Euroclear, and Clearstream Banking, société anonyme, Luxembourg, or Clearstream. Beneficial interests in the Regulation S Global Note may be held in Panama through Central Latinoamericana de Valores, S.A., or Latinclear, a clearing house that is a participant in Clearstream.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are capital markets products other than "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

THE PUBLIC OFFERING OF THE NOTES HAS BEEN AUTHORIZED IN PANAMA BY THE *SUPERINTENDENCIA DEL MERCADO DE VALORES DE PANAMÁ* (PANAMA SECURITIES MARKET SUPERINTENDENCY). THIS AUTHORIZATION DOES NOT IMPLY THAT THE SUPERINTENDENCY RECOMMENDS INVESTING IN THE NOTES NOR DOES IT REPRESENT A FAVORABLE OR UNFAVORABLE OPINION ON THE ISSUER'S BUSINESS PROSPECTS. THE PANAMA SECURITIES MARKET SUPERINTENDENCY 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 OFFERING. THE LISTING AND TRADING OF THE NOTES HAVE BEEN AUTHORIZED BY THE *BOLSA DE VALORES DE PANAMÁ, S.A.* (PANAMA STOCK EXCHANGE). THIS AUTHORIZATION DOES NOT IMPLY ANY RECOMMENDATION OR OPINION REGARDING THE NOTES OR THE ISSUER.

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

On or prior to the Issue Date, the Notes are expected to have been rated Baa3 by Moody's and BBB by Fitch. A RISK RATING DOES NOT GUARANTEE THE REPAYMENT OF THE NOTES. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

Summary of the Notes offered hereby

	Price to investors	Expenses^(a)	Net proceeds to Issuer
Total: \$1,380,000,000	U.S. \$1,380,000,000	Approximately U.S. \$20,000,000	U.S. \$1,360,000,000

(a) Includes the Initial Purchaser's discount and other offering expenses payable by us. See "Use of Proceeds" section for detail regarding expenses.

Application will be made to the Singapore Exchange Securities Trading Limited ("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, opinions expressed or reports contained in this offering memorandum. Application to, and admission of, the Notes to the official list of the SGX-ST and the listing and quotation of the Notes on the SGX-ST are not to be taken as an indication of the merits of the offering the Issuer, the Notes, the Companies, or of Global Power Holdings. The Notes will be issued in minimum denominations of U.S. \$200,000 or in integral multiples of U.S. \$1,000 in excess thereof. If approved, the Notes will be listed on the SGX-ST. Any Notes traded on the SGX-ST are required to trade in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies) for so long as any of the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

The Issuer expects the delivery of the Notes will be made in book entry form only through DTC and its direct and indirect participants, including Euroclear and Clearstream, against payment on or about August 14, 2020.

Global Coordinators and Joint Bookrunning Managers

Citigroup

J.P. Morgan

Scotiabank

Local Coordinator and Joint Bookrunning Manager

Joint Bookrunning Manager

Banco General

Credit Suisse

The date of this offering memorandum is August 10, 2020.

Resolution No. 349-20 dated August 3, 2020

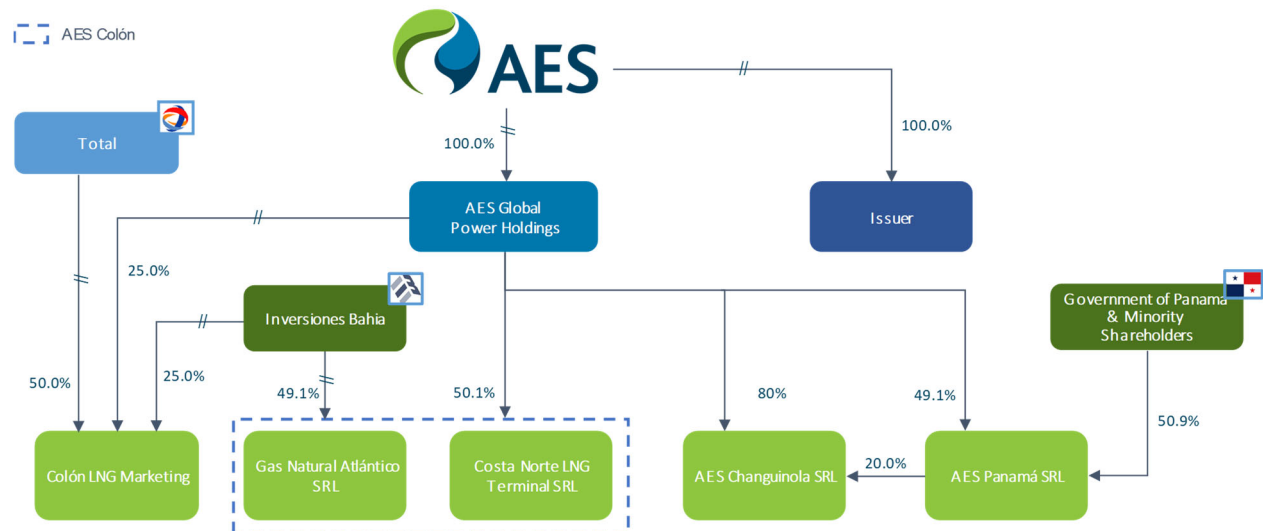
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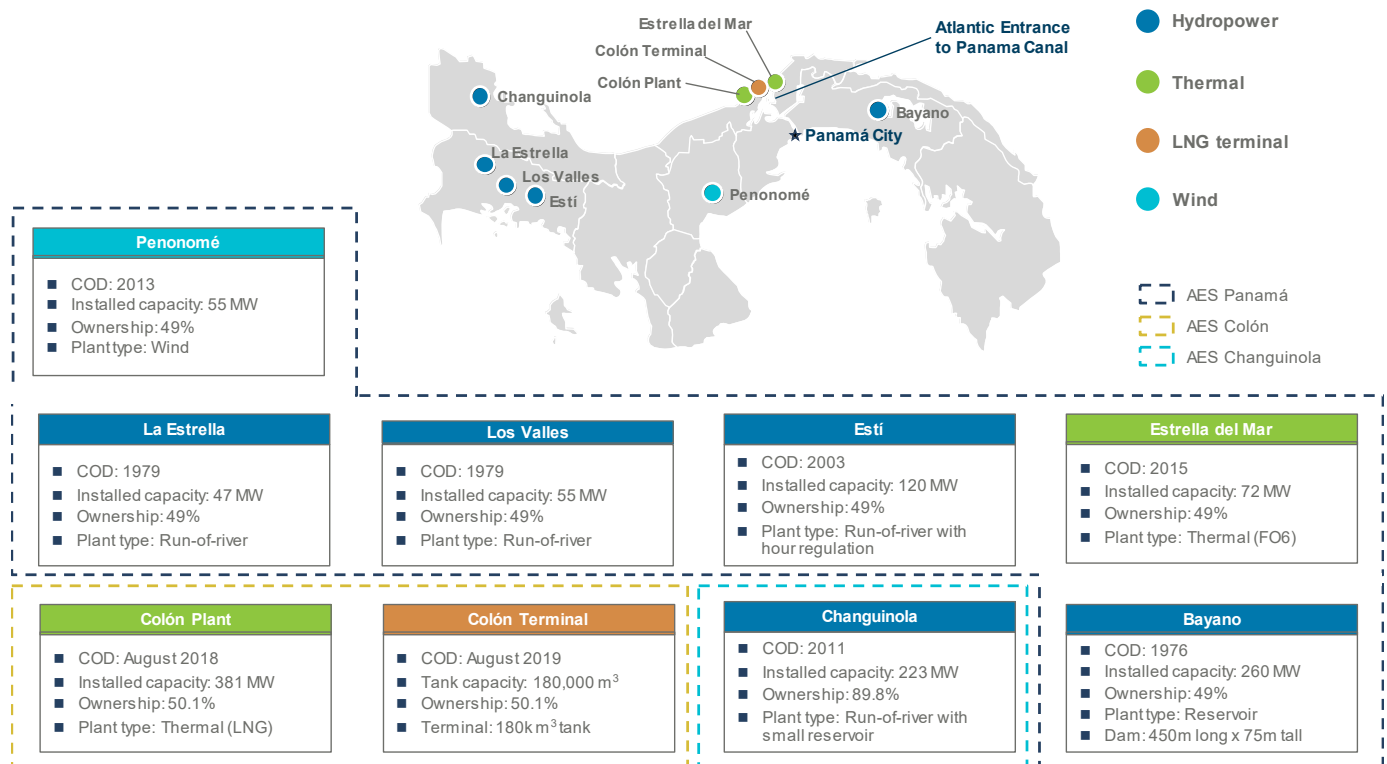
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AES Facilities in Panama

The Issuer is a special purpose vehicle wholly owned by AES, used to finance certain of AES's operations in Panama. As shown in the chart below, AES Global Power Holdings, B.V. (together with any successor entity that assumes all of its obligations under the Financing Documents to which it is a party upon satisfaction in full of the conditions set forth in the Dutch Account Security Agreement, "Global Power Holdings"), a wholly owned subsidiary of AES, owns 89.8% of Changuinola (80% directly and the remaining 9.8% indirectly through AES Panamá), 49.1% of La Estrella, Los Valles, Estí, Bayano, Estrella del Mar and Penonomé indirectly through AES Panamá, 50.1% of the Colón Plant indirectly through Gas Natural Atlántico and 50.1% of the Colón Terminal through Costa Norte. AES owns these facilities (in the proportions described below) indirectly through AES Panamá S. R. L. ("AES Panamá"), AES Changuinola S.R.L. ("AES Changuinola"), Gas Natural Atlántico S. de R.L. ("Gas Natural Atlántico") and Costa Norte LNG Terminal S. de R.L. ("Costa Norte" and, together with AES Panamá, AES Changuinola, and Gas Natural Atlántico, "the Companies").



The map below sets out the location of the Generation Facilities and the Colón Terminal.



Unless otherwise indicated, all references in this offering memorandum to "Global Power Holdings" refer to AES Global Power Holdings, B.V. (together with any successor entity that assumes all of its obligations under the Financing Documents to which it is a party upon satisfaction in full of the conditions set forth in the Dutch Account Security Agreement), references to "AES Panamá," refer to AES Panamá, S.R.L., references to "Gas Natural Atlántico" refer to Gas Natural Atlántico S. de R.L., references to "Costa Norte" refer to Costa Norte LNG Terminal S. de R.L., references to "AES Changuinola" refer to AES Changuinola S.R.L., references to the "Companies," refer, collectively, to AES Panamá, AES Changuinola, Gas Natural Atlántico and Costa Norte, references to the "Collateral Trust" refer to the Panamanian-law-governed trust to be established under the Collateral Trust and Assignment Agreement, references to the "Issuer" refer to AES Panama Generation Holdings S.R.L. and references to the "AES Changuinola Trust" refer to the Panamanian-law-governed trust established under the AES Changuinola Trust Agreement.

You should rely only on the information contained in this offering memorandum or to which the Issuer has referred you. None of the Issuer Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Scotia Capital (USA) Inc., Credit Suisse Securities (USA) LLC or Banco General, S.A., as the initial purchasers, or the "Initial Purchasers," has authorized anyone to provide you with information that is different or additional to the information contained in this offering memorandum. If anyone provides you with different or additional information, you should not rely on it. You should assume that the information in this offering memorandum is accurate only as of the date on its front cover, regardless of the time it is delivered or of any sale of any Notes. The business, financial condition, results of operations and prospects of the Companies may change after the date on the front cover of this offering memorandum.

Notwithstanding anything in this offering memorandum to the contrary, except as reasonably necessary to comply with applicable securities laws, you (and each of your employees, representatives or other agents) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the offering and all materials of any kind (including opinions or other tax analyses) that are provided to you relating to such tax treatment and tax structure. For this purpose, "tax structure" is limited to facts relevant to the U.S. federal income tax treatment of the offering.

Neither the United States Securities and Exchange Commission, or SEC, nor any state securities commission has approved or disapproved of these securities or determined if this offering memorandum is truthful, accurate, adequate or complete. Any representation to the contrary may be a criminal offense.

The Issuer is relying upon an exemption from registration under the Securities Act for an offer and sale of securities which does not involve a public offering in the United States. By purchasing Notes, investors will be deemed to have made certain acknowledgments, representations and agreements as set forth under "Notice to Investors" in this offering memorandum. The Issuer and the Initial Purchasers are not making and have not made any offer to sell the Notes in any jurisdiction, except where such offer or sale is permitted.

The Notes are subject to restrictions on transferability and resale and may not be offered, transferred or resold except as permitted under the Securities Act and applicable state and Panamanian securities laws pursuant to registration or exemption therefrom. Investors may not sell or transfer their Notes except in compliance with applicable laws in the United States or elsewhere. See "Plan of Distribution" and "Notice to Investors." Prospective investors should be aware that investors may be required to bear the financial risks of this investment for an indefinite period of time.

The Issuer has made available this offering memorandum as required by Panamanian laws and regulations in connection with the public offering of the Notes in Panama, and in the United States solely to qualified institutional buyers, and outside the United States to investors who are non U.S. persons, so they can consider a purchase of the Notes. The Issuer has not authorized the use of this offering memorandum for any other purpose. This offering memorandum may not be copied or reproduced in whole or in part. This offering memorandum may be distributed and its contents disclosed only to the prospective investors to whom it is provided. By accepting delivery of this offering memorandum, investors agree to these restrictions.

This offering memorandum is based on information provided by the Issuer, and other sources that the Issuer believes to be reliable. In making an investment decision, investors must rely on their own examination of the Issuer and the terms of this offering and the Notes, including the merits and risks involved in an investment in the Notes.

The Issuer is not making any representation to investors regarding the legality of an investment in the Notes by investors under any investment or similar laws or regulations. Investors should not consider any information in this offering memorandum to be legal, business or tax advice. Investors should consult their own counsel, accountant, business advisor and tax advisor for legal, financial, business and tax advice regarding any investment in the Notes.

The Issuer reserves the right to withdraw this offering at any time and the Issuer 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 any prospective investor less than the full amount of the Notes sought by that investor. The Initial Purchasers may acquire a portion of the Notes for its own account.

Investors must comply with all applicable laws and regulations in force in each such investor's jurisdiction and investors must obtain any consent, approval or permission required by each such investor for the purchase, offer or sale of the Notes under the laws and regulations in force in each such investor's jurisdiction to which each such investor is subject or in which each such investor makes such purchase, offer or sale, and neither the Issuer nor the Initial Purchasers will have any responsibility thereof.

Neither the delivery of this offering memorandum nor any sale made in connection herewith will, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or that there has been no adverse change in the financial position of the Issuer since the date hereof or that this offering memorandum is correct as of any time subsequent to the date hereof.

NOTICE TO PANAMANIAN INVESTORS

This offering memorandum will be the *Prospecto Informativo* for purposes of the registration of the public offering of Notes with the SMV and its filing before the PSE. Any future amendments to the terms and conditions of the Notes are subject to SMV Accord 4-2003 (*Acuerdo 4-2003*) of April 11, 2003, or Accord 7-2020 of May 31, 2020 (as applicable), 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, this English language offering memorandum will govern and control.

NOTICE TO EUROPEAN ECONOMIC AREA AND UNITED KINGDOM INVESTORS

This offering memorandum has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area ("EEA") or in the United Kingdom 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 or in the United Kingdom. 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 (EU) 2016/97 (as amended, 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 or in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the United Kingdom may be unlawful under the PRIIPs Regulation.

References to Regulations or Directives include, in relation to the United Kingdom, those Regulations or Directives as they form part of the United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 or have been implemented in United Kingdom domestic law, as appropriate.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a *sociedad de responsabilidad limitada* organized under the laws of Panama. Substantially all of its administrators and executive officers reside outside the United States, all of its assets are located outside the United States, and certain of the experts named in this offering memorandum also reside outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon these persons, including with respect to matters arising under the federal securities laws of the U.S., or to enforce against the Issuer or them in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States. However, the Issuer has appointed CT Corporation System, with offices currently located at 111 Eighth Avenue, 13th Floor, New York, New York 10011, as its authorized agent in connection with the Notes and the Indenture, upon which process may be served in any suit or proceeding arising out of or relating to the foregoing that may be instituted against the Issuer in any federal or state court located in the County of New York, State of New York.

The Issuer has been advised by its Panamanian counsel 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 the U.S. federal securities laws and as to the enforceability in Panamanian courts of judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of the federal securities laws of the U.S. The Issuer has also been advised by its Panamanian counsel that a judgment of a court outside Panama, including but not limited to judgments of U. S. courts, may only be recognized and enforced by the courts of Panama if the Supreme Court of Panama validates the judgment by the issuance of 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, if (i) such foreign court grants reciprocity to the enforcement of judgments of courts of Panama, that is, the foreign court would in similar circumstances recognize a final judgment of the courts of the Republic of Panama, (ii) such judgment was issued by a competent court of the foreign jurisdiction (Panamanian courts have exclusive jurisdiction on matters of real estate located in Panama), (iii) 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, (iv) the judgment arises out of a personal action against the defendant, (v) the obligation in respect of which the judgment was rendered is lawful in Panama and does not contradict the public policy of Panama, (vi) the judgment, in accordance with the laws of the country where it was rendered, is final and not subject to appeal, (vii) the judgment is properly authenticated by diplomatic or consular officers of Panama or pursuant to the 1961 Hague Convention Abolishing the Requirement of Legalization of Foreign Public Documents and (viii) a copy of the final judgment is translated into Spanish by a licensed translator in Panama. See "Risk Factors—Risks relating to Panama—It may be difficult to enforce civil liabilities against the Issuer or its administrators and executive officers and controlling persons."

CAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum contains "forward-looking statements," as defined in Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, or the Exchange Act, relating to the Companies' businesses. These statements are subject to change and uncertainty, which are, in many instances, beyond the Issuer's or the Companies' control and have been made based upon their management's current expectations, estimates and projections. Words such as "believes," "expects," "intends," "plans," "projects," "estimates," "anticipates" and similar words and expressions are used to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Forward-looking statements are only the Issuer's or the Companies' current expectations and are based on their management's belief and assumptions and on information currently available to their management. Therefore, actual outcomes and results may differ materially from those expressed or implied in such forward-looking statements.

By their very nature, forward-looking statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements as a result of various factors, including, but not limited to, those identified under the caption "Risk Factors." These factors include:

- trends in hydrology and wind conditions, including, but not limited to, those regarding climate and weather patterns;
- fluctuating wind conditions may result in lower generation or increased operational costs;
- Penonomé experiencing low technical availability;
- extensive government legislation and regulations that apply to the Companies and the electricity generation business;
- the Issuer's and the Companies' ability to adapt to changes in governmental regulations;
- adverse changes in applicable laws, regulations, rules, principles or practices governing tax, accounting and environmental matters;
- future economic conditions in the regional, national and international markets, including but not limited to regional and national wholesale electricity markets;
- extraordinary events affecting the Companies' operations, including unexpected system failures, strikes, emergency safety measures, military or terrorist attacks and natural disasters;
- the Issuer's ability to carry out marketing and sales plans, as well as manage changes in business strategy, operations or development plans;
- the Issuer's ability to attract and retain qualified management and other personnel;
- political, economic, regulatory and demographic developments in Panama;
- market perception of the energy industry and the Issuer;
- financial market conditions and performance including, but not limited to, changes in interest and inflation rates and in availability and costs of capital;
- effectiveness of risk management policies and procedures and the ability of counterparties to satisfy their contractual commitments;
- changes in oil, gas and fuel prices;
- competitive landscape in Panama;

- the effect of coronavirus COVID-19;
- fluctuations on the fair value of our derivative instruments; and
- other risk factors as set forth under "Risk Factors."

Forward-looking statements speak only as of the date they are made, and neither the Issuer nor any Company undertakes any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events. You should consider these cautionary statements together with any written or oral forward-looking statements that the Issuer or the Companies' may issue in the future.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Currencies and Exchange Rates

Unless otherwise specified herein or the context otherwise requires, in this offering memorandum references to "Central America" are to the region formed by the countries of Panama, El Salvador, Guatemala, Honduras, Nicaragua and Costa Rica, together; references to "Panama" are to the Republic of Panama; references to the "Panamanian government" are to the Government of Panama; references to the "United States" or the "U.S." are to the United States of America; references to "U.S.\$" or "U.S. dollars" are to the lawful currency of the United States, which since 1904 is also legal tender in and the functional currency of Panama and references to the "*Balboa*" are to the official monetary unit of Panama, which serves only as coinage, and has been pegged at parity with the U.S. dollar since 1904.

Financial Statements

This offering memorandum contains (i) the audited financial statements of each of AES Panamá, AES Changuinola, Gas Natural Atlántico and Costa Norte, in each case, as of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, which have been audited by Ernst & Young Limited Corp. (Panama), a member firm of Ernst & Young Global Limited, (ii) the unaudited interim condensed financial statements of each of AES Panamá, AES Changuinola, Gas Natural Atlántico and Costa Norte as of March 31, 2020 and for the three months ended March 31, 2020 and 2019 and (iii) the opening unaudited balance sheet for the Issuer. The opening balance sheet for the Issuer has been certified by a public accountant at AES certified in Panama. These financial statements were prepared in accordance with International Financial Reporting Standards, or "IFRS".

This offering memorandum presents EBITDA information for each of AES Panamá, AES Changuinola, Gas Natural Atlántico and Costa Norte for convenience of investors. The Companies calculate EBITDA any period, as net income for such period plus, without duplication and to the extent deducted in determining net income for such period, the sum of (a) interest expense, (b) provision for taxes based on income, (c) depreciation expense, (d) amortization expense, (e) unusual or non-recurring charges, expenses or losses (excluding any management fee paid by the applicable Company to AES) and (f) other non-cash charges, expenses or losses (excluding any such non-cash charge to the extent it represents an accrual or reserve for potential cash charge in any future period or amortization of a prepaid cash charge that was paid in a prior period), minus, to the extent included in determining net income for such period, the sum of (i) unusual or non-recurring gains and non-cash income, (ii) any other non-cash income or gains increasing net income for such period (excluding any such non-cash gain to the extent it represents the reversal of an accrual or reserve for potential cash charge in any prior period) and (iii) any gains realized from the disposition of property outside of the ordinary course of business, all as determined on a consolidated basis. The definitions of EBITDA used to calculate financial ratios under the Operating Company Loans differ from this definition and are set out in "Description of the Financing Documents—Operating Company Loans—Covenants."

EBITDA is a supplemental measure of financial performance that is not required under, or presented in accordance with, IFRS. EBITDA is presented because the Issuer believes that some investors find it to be a useful tool for measuring a company's financial performance. EBITDA should not be considered as an alternative to, in isolation from, or as a substitute for analysis of the Companies' financial condition or results of operations, as reported under IFRS. Other companies in the Companies' industries may calculate EBITDA differently than the Companies have for purposes of this offering memorandum, limiting EBITDA's usefulness as a comparative measure.

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-tenth of one million 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.

Market and Other Information

This offering memorandum contains and refers to information and statistics regarding the Panamanian electricity industry. This market data was obtained from independent public sources, including publications and materials from participants in the electricity industry and from governmental entities such as the Ministry of Economy and Finance (*Ministerio de Economía y Finanzas*), the Secretary of Energy (*Secretaría de Energía*), the Office of the Comptroller (*Contraloría General de la República*), the National Dispatch Center (*Centro Nacional de Despacho*), the Electricity Transmission Company (*Empresa de Transmisión Eléctrica*), the National Authority of Public Services (*Autoridad Nacional de los Servicios Públicos or ASEP*) and the Environment Ministry (*Ministerio de Ambiente*), among others. Some data are also based on the Issuer's estimates, which are derived from the Issuer's review of internal reports, as well as independent sources. Other data have been provided to the Issuer by The AES Corporation, or "AES". Although these sources are believed to be reliable, the Issuer has not independently verified, and do not guarantee the accuracy and completeness of this information.

See "Terms Used in this Offering Memorandum" for a description of terms referred to in this offering memorandum, including certain technical terms commonly used in the electricity generation industry in Panama.

TERMS USED IN THIS OFFERING MEMORANDUM

Terms referred to in this offering memorandum and otherwise not defined herein, including certain technical terms commonly used in the electricity distribution industry in Panama, are set out below.

"Administrative Agent"	The Bank of Nova Scotia (Panama), S.A. and any successor administrative agent appointed from time to time pursuant to the Credit Agreement.
"AES"	The AES Corporation (NYSE: AES), the Companies' indirect parent company.
"AES Changuinola"	AES Changuinola, S.R.L., the legal entity that owns and operates the Changuinola plant which is 89.9% owned by Global Power Holdings.
"AES Changuinola Bonds"	AES Changuinola Series A Bonds and the AES Changuinola Series B Bonds.
"AES Changuinola Pledge"	The pledge over the participation quotas of AES Changuinola granted by AES Bocas del Toro Hydro, S.A. ("Bocas del Toro"), predecessor to Global Power Holdings, to the AES Changuinola Trustee for the benefit of the holders of the AES Changuinola Bonds, which will be amended and restated to benefit future creditors of the Issuer, including, without limitation, the holders of the Notes and the lenders under the Loan Facility and the Liquidity Facility.
"AES Changuinola Pledge Agreement"	The Panamanian law-governed pledge agreement dated as of November 26, 2013 (as amended) between Bocas del Toro, as pledgor, the AES Changuinola Trustee, as pledgee, and AES Changuinola, as amended and restated.
"AES Changuinola Series A Bonds"	U.S.\$200,000,000 6.25% Series A Bonds due 2023.
"AES Changuinola Series B Bonds"	U.S.\$220,000,000 6.75% Series B Bonds due 2023.
"AES Changuinola Trust"	The Panamanian law-governed trust established by way of the AES Changuinola Trust Agreement.
"AES Changuinola Trust Agreement"	The Panamanian law-governed trust agreement dated November 14, 2013 between AES Changuinola, as settlor, the AES Changuinola Trustee, as trustee, and Banco General, S.A., as paying agent, as amended and restated.
"AES Changuinola Trustee"	BG Trust, Inc., as trustee of the AES Changuinola Trust.
"AES Dominicana"	(i) AES Andres DR S.A., (ii) Dominican Power Partners and (iii) Energia Natural Dominicana ENADOM S.R.L.
"AES Latin America"	AES Latin America S. de R.L., a subsidiary of AES that, as of June 2019, exercises managerial control directly over AES Panamá, Costa Norte and Gas Natural Atlántico and, indirectly, over AES Changuinola pursuant to administration agreements.
"AES MCA&C"	The regional group of AES to which the Companies belong, and that includes Mexico, Central America and the Caribbean.
"AES Panamá"	AES Panamá S.R.L., formerly AES Panamá S.A.
"AES Panamá Notes"	U.S.\$375,000,000 6.00% Senior Notes due 2022 issued by AES Panamá.
"AES Panama Quota Pledge Agreement"	The Panamanian law-governed pledge agreement to be entered into between Global Power Holdings, as pledgor, the Onshore Collateral Trustee, as pledgee, and AES Panamá.

"AES Solutions"	AES Solutions LLC, a subsidiary of AES that, until June 2019, exercised managerial control directly over AES Panamá, Costa Norte and Gas Natural Atlántico and indirectly, over AES Changuinola pursuant to administration agreements.
"ASEP"	The National Authority of Public Services (<i>Autoridad Nacional de los Servicios Públicos</i>), the governmental entity that regulates power generation, transmission, interconnection and distribution activities in the electric power sector in Panama.
"Balboas"	Official monetary unit of Panama.
"Bayano"	A reservoir-based hydroelectric facility located in the eastern region of Panama in the province of Panamá with three operating units totaling 260.0 MW of installed capacity.
"Central America"	The region formed by Panama, El Salvador, Guatemala, Honduras, Nicaragua and Costa Rica, together.
"Changuinola"	The run-of-river hydroelectric facility owned by AES Changuinola and operated by AES Panamá pursuant to the Changuinola Management Agreement located in the western region of Panama in the Bocas del Toro province with three operating units totaling 223.0 MW of installed capacity.
"Changuinola Line of Credit"	U.S.\$30 million syndicated revolving line of credit entered into between AES Changuinola, Banco General S.A. and Banco Nacional de Panama on December 14, 2018
"Changuinola Management Agreement"	The management agreement dated January 31, 2007 entered into by and between AES Panamá and AES Changuinola for the operation and management of Changuinola, as amended from time to time.
"Clearstream"	Clearstream Banking, <i>société anonyme</i> , Luxembourg.
"CND"	The National Dispatch Center (<i>Centro Nacional de Despacho</i>), a dependency of ETESA responsible for planning, supervising and controlling the integrated operation of the National Interconnected System and for ensuring its safe and reliable operation.
"Collateral"	Has the meaning set out in "Description of the Notes—Collateral Arrangements—General."
"Collateral Trust"	The Panamanian law-governed trust to be established under the Collateral Trust and Assignment Agreement.
"Collateral Trust and Assignment Agreement"	The Panamanian law-governed trust and assignment agreement to be entered into by the Issuer, as settlor, and the Onshore Collateral Trustee, as trustee for the benefit of the trust beneficiaries.
"Colón Facilities"	Collectively, the Colón Terminal and Colón Plant.
"Colón Facility Financing"	U.S.\$610 million loan dated August 2, 2019, between Gas Natural Atlántico and Costa Norte, as co-borrowers, Banco General, S.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch, Citibank, N.A., Panama Branch, The Bank of Nova Scotia, J.P. Morgan Securities plc, as lenders and The Bank of Nova Scotia (Panama) S.A., as Administrative Agent.

"Colón Plant"	A combined cycle natural gas fired power plant with an installed capacity of 381 MW.
"Colón Terminal"	A LNG storage terminal with a 180,000m ³ tank located at the Atlantic entrance to the Panama canal.
"Companies"	Collectively, AES Panamá, AES Changuinola, Gas Natural Atlántico and Costa Norte.
"CONO/GNA Quota Pledge Agreement"	The <i>contrato de prenda</i> to be entered into among Global Power Holdings, as pledger, the Onshore Collateral Trustee (for the benefit of the Trust Beneficiaries), as pledgee, Deeplight Holdings, S. de R. L., Costa Norte and Gas Natural Atlántico.
"Costa Norte"	Costa Norte LNG Terminal S. de R.L.
"CPI"	Consumer Price Index.
"Credit Agreement"	The New York law-governed Credit Agreement, among the Issuer, the lenders party thereto from time to time and the Administrative Agent, pursuant to which the Issuer will obtain loans from time to time in accordance with the terms thereof.
"Custodian"	BG Trust, Inc., as custodian for the AES Changuinola Trustee and the Onshore Collateral Trustee, as pledgees, under the AES Changuinola Pledge Agreement.
"Dividend"	Any dividend to be paid by any of the Companies to Global Power Holdings as quotaholder of such Company.
"DTC"	The Depository Trust Company.
"Dutch Account Bank"	Citibank Europe plc, NL Branch and any successor account bank appointed from time to time pursuant to the Dutch Account Security Agreement.
"Dutch Account Security Agreement"	The Dutch-law governed Dutch Account Security Agreement, among Global Power Holdings, the Dutch Account Bank and the Dutch Collateral Agent, in respect of the security granted in the GPH Dividend Collection Accounts.
"Dutch Collateral Agent"	Citibank, N.A. as Dutch Collateral Agent and any successor collateral agent appointed pursuant to the Dutch Account Security Agreement.
"EEA"	European Economic Area.
"EGESA"	The Electricity Generation Company (<i>Empresa de Generación Eléctrica, S.A.</i>), the state owned generation company.
"Environment Ministry"	Environment Ministry (<i>Ministerio de Ambiente</i>) created by way of Law No. 8 of March 25, 2015 to replace the National Environmental Authority (<i>Autoridad Nacional del Ambiente</i>), as the Panama's governing body for matters of the protection, conservation, preservation and restoration of the environment and the sustainable use of natural resources and to ensure compliance with and application of laws, regulations and the national environmental policy.
"ERISA"	Employee Retirement Income Security Act of 1974, as amended.

"Estí"	A run-of-river hydroelectric facility in the western region of Panama in the province of Chiriquí with a regulation reservoir, composed of two operating units totaling 120.0 MW of installed capacity.
"Estrella del Mar"	Estrella del Mar barge, a mobile thermo power generation plant constructed on a barge with an installed capacity of 72.0 MW.
"ETESA"	The Electricity Transmission Company (<i>Empresa de Transmisión Eléctrica, S.A.</i>), the state owned electricity transmission company.
"Euroclear"	Euroclear Bank S.A./N.V.
"Exchange Act"	U.S. Securities Exchange Act of 1934, as amended.
"financial contract"	A PPA under which an agreed amount of capacity and its associated energy is sold to an offtaker independent of whether that electricity was generated by the company or purchased from the spot market.
"firm capacity"	As defined in the market rules of the CND, the measurement of the capacity of a generating unit or group of units that can be guaranteed in maximum requirement conditions and that is a function of its operating and technical characteristics, reliability requirements and the commitment assumed by the market participant.
"Fitch"	Fitch Ratings Ltd.
"FSMA"	Financial Services and Markets Act 2000, as amended.
" Gas Natural Atlántico"	Gas Natural Atlántico S. de R.L.
"GDP"	Gross domestic product.
"Generation Companies"	Collectively, AES Panamá, AES Changuinola and Gas Natural Atlántico.
"Global Power Holdings"	AES Global Power Holdings, B.V., a private limited company (<i>besloten vennootschap</i>) incorporated and existing under the laws of the Netherlands and a wholly-owned subsidiary of AES and the direct holder of AES's interest in the Companies together with any successor entity that assumes all its obligations under the Financing Documents to which it is a party upon satisfaction in full of the conditions set forth in the Dutch Account Security Agreement.
"GPH Dividend Collection Accounts"	Three bank accounts in the name of Global Power Holdings with a financial institution in The Netherlands into which payments of dividends by the Operating Companies to Global Power Holdings flow.
"GW"	One gigawatt, 1,000 megawatts or 1,000,000,000 watts; 10 ⁹ watts.
"GWh" "gWh"	One gigawatt-hour, 1,000,000,000 watt-hours or 1,000 megawatt-hours of electrical energy.
"IFRS"	International Financial Reporting Standards.
"Indenture"	The indenture governing the Notes to be entered into between the Indenture Trustee and the Issuer.

"Indenture Trustee"	Citibank, N.A. and any successor trustee appointed from time to time pursuant to the Indenture.
"Initial Liquidity Facility"	The U.S.\$50,000,000 revolving loan facility available to the Issuer pursuant to the Credit Agreement.
"installed capacity"	Also known as the rated capacity, nominal capacity, name plate capacity, or maximum effect, is the intended full load sustained output of a generating facility.
"Intercreditor Agent"	Citibank, N.A. and any successor intercreditor agent appointed from time to time pursuant to the Intercreditor Agreement.
"Intercreditor Agreement"	The New York law-governed intercreditor agreement to be entered into be among the Issuer, the Collateral Agent, the Onshore Collateral Trustee, the Administrative Agent, the Indenture Trustee, the AES Changuinola Trustee, the AES Changuinola Paying Agent, the Intercreditor Agent and each of the other designated voting parties that are a party thereto from time to time.
"ISO"	International Organization for Standardization.
"Issuer"	AES Panama Generation Holdings, S.R.L.
"Issuer Collection Account"	The account named, in Spanish, " <i>Cuenta de Colección</i> " in the Collateral Trust and Assignment Agreement.
"Issuer Loan Agreements"	The Loan Facility and any subsequent loan facility on similar terms, and the Initial Liquidity Facility.
"Issuer Local Account"	A bank account in the name of the Issuer opened with Citibank, N.A., Panama branch.
"Issuer Operating Account"	Has the meaning set out in "Description of the Notes—Collateral Arrangements—Accounts—Issuer Operating Account."
"km"	One kilometer or 1,000 meters.
"kV," "KV" or "Kv"	One kilovolt, 1,000 units of electric potential energy.
"kW"	One kilowatt or 1,000 watts; 10 ³ watts.
"kWh"	One kilowatt-hour, a standard unit for measuring energy produced or used over time.
"La Estrella"	A run-of-river hydroelectric facility in the western region of Panama in the Chiriquí province with two operating units totaling 47.2 MW of installed capacity.
"Large Customers"	Businesses with monthly energy consumption greater than one hundred (100) kilowatts (<i>Gran Cliente</i>).
"Latinclear"	Central Latinoamericana de Valores, S.A.
"LIBOR"	London Interbank Offered Rate.

"Liquidity Facility"	The Initial Liquidity Facility and any subsequent revolving loan facility having a principal amount of at least U.S.\$50 million and on similar terms as the Initial Liquidity Facility.
"LNG"	Liquified natural gas.
"Loan Facility"	The U.S.\$105,000,000 loan facility to be obtained by the Issuer pursuant to the Credit Agreement.
"Los Valles"	A run-of-river hydroelectric facility in the western region of Panama in the province of Chiriquí with two operating units totaling 54.8 MW of installed capacity.
"MER"	Regional Electric Market (<i>Mercado Eléctrico Regional</i>), a seventh market superimposed over the six existing markets or national systems of the SIEPAC.
"merit order"	The order of electricity dispatch set by the CND based on variable costs declared to the CND by generators that is calculated and reordered on a weekly basis.
"Moody's"	Moody's Investor's Service, Inc.
"MVA"	One megavolt-ampere.
"MW"	One megawatt or 1,000 kilowatts or 1,000,000 watts; 10^6 watts.
"MWh"	One megawatt-hour, 1,000,000,000 watt-hours or 1,000 kilowatt-hours of electrical energy.
"National Interconnected System"	The National Interconnected System (<i>Sistema Interconectado Nacional</i>) of Panama.
"New York Account Bank"	Citibank, N.A., or any successor account bank appointed from time to time pursuant to the New York Security Agreement.
"New York Security Agreement"	The New York law-governed security agreement to be entered into between the Issuer and the Offshore Collateral Agent.
"Notes"	The 4.375% Senior Secured Amortizing Notes due 2030 offered hereby.
"offtaker"	The party under a PPA that is bound to purchase the electricity and capacity being generated pursuant thereto.
"Offshore Collateral Agent"	Citibank, N.A. and any successor offshore collateral agent appointed from time to time pursuant to the Intercreditor Agreement.
"Onshore Collateral Trustee"	BG Trust, Inc., as trustee of the Collateral Trust.
"ohm"	A unit of electrical resistance equal to the resistance between two points on a conductor when a potential difference of one volt between them produces a current of one ampere.
"OHSAS"	Occupational Health and Safety Assessment Series.
"Panama"	Republic of Panama.

"Panamanian government"	Government of Panama.
"Penonomé"	A wind power plant having 22 wind turbines with an aggregate installed capacity of 55 MW, located in the central region of Panama in the province of Coclé.
"physical contract"	A PPA under which the total output capacity of a generation facility is committed to the offtaker and the energy sold through the PPA is equal to the generation dispatch.
"PPA"	A power purchase agreement.
"Prospectus Regulation"	Regulation 2003/71/EC.
"PSE"	Panama Stock Exchange (<i>Bolsa de Valores de Panamá</i>).
"Quota Pledge Agreements"	Collectively, the AES Panama Quota Pledge Agreement and the CONO/GNA Quota Pledge Agreement.
"reactive power"	A form of power which arises when alternating current and voltage do not remain in phase within a transmission or distribution network, which is inevitably present in such networks and must be carefully controlled in order to maintain network stability and optimize the operation of such networks. Reactive power provides no useful energy and is expressed in volt-amperes reactive (VAr).
"S&P"	S&P Global Ratings, a division of S&P Global Inc.
"SCADA"	Supervisory Control and Data Acquisition.
"SEC"	United States Securities and Exchange Commission.
"Secured Debt"	The Notes, the Liquidity Loans, the Term Loans and any future debt permitted to be incurred by the Issuer under the Notes and the Credit Agreement and permitted to be secured by the Collateral on a first priority, <i>pari passu</i> basis, under the Security Agreements.
"Securities Act"	U.S. Securities Act of 1933, as amended.
"Security Agreements"	Collectively, the AES Changuinola Trust Agreement (as to be amended), the AES Changuinola Pledge Agreement (as to be amended), the Collateral Trust and Assignment Agreement, the AES Panama Quota Pledge Agreement, the CONO/GNA Quota Pledge Agreement, the Dutch Account Security Agreement, the New York Security Agreement and the Intercreditor Agreement.
"SIEPAC"	Electrical Interconnection System for Central America (<i>Sistema de Interconexión Eléctrica de los Países de América Central</i>) a regional transmission system covering Guatemala, Honduras, Nicaragua, El Salvador, Costa Rica and Panama.
"SMV"	Panama Securities Market Superintendency (<i>Superintendencia del Mercado de Valores de Panamá</i>).

"substation"	Electrical plant, containing or comprising one or more transformers and/or switchgear, that steps down electricity voltage between transmission cables and distribution cables.
"switchgear"	Electrical plant or equipment in a transmission and distribution network used to connect components of that network and which can disconnect parts of that network automatically if overload or a fault occurs.
"TBTU"	One trillion British Thermal Units.
"transformer"	Electrical plant or equipment in a transmission and distribution network used to alter the level of voltage and current.
"United States" or "U.S."	United States of America.
"U.S. dollars"	United States dollars, the legal currency of the United States.
"V"	A volt, the standard measure used for measuring electrical potential, electrical pressure or electromotive force which forces an electrical current to flow within a circuit. One volt is equal to the difference of electric potential between two points on a conducting wire carrying a constant current of one ampere when the power dissipated between the points is one watt.
"VAr"	One volt-ampere reactive or a unit of reactive power.
"watt"	A common measure of electrical power equal to one joule per second or the power dissipated by a current of one ampere flowing across a resistance of one ohm.
"watt-hour"	A measure of energy production or consumption equal to one watt produced or consumed for one hour.

SUMMARY

This summary highlights information presented in greater detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information you should consider before investing in the Notes. You should carefully read this entire offering memorandum before investing, including "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies," "AES in Panama" and the financial statements of the Companies. See "Presentation of Financial and Other Information" for information regarding the Companies' financial statements, definitions of technical terms and other introductory matters.

The Issuer

AES established the Issuer, a *sociedad de responsabilidad limitada* on March 25, 2020 under the laws of Panama to serve as a financing vehicle for the Companies. AES owns 50% of the Issuer through AES EDC Holding LLC and the remaining 50% through AES Foreging Energy Holdings LLC, each a limited liability company established under the laws of Delaware. On the Issue Date, the Issuer will issue the Notes and apply the proceeds of the Notes to fund loans (together, the "Operating Company Loans") to each of the Companies as further described under "—The Transaction."

The AES Corporation

Incorporated in 1981, The AES Corporation ("AES") is a power generation and utility company, that seeks to provide affordable, sustainable energy to 14 countries through a diverse portfolio of thermal and renewable generation facilities and distribution businesses. AES's revenues for the three months ended March 31, 2020 were U.S.\$2.3 billion, and as of March 31, 2020 AES owned and managed U.S.\$34.1 billion in total assets.

AES's mission is to improve lives by accelerating a safer and greener energy future. It does this by leveraging its unique electricity platforms and the knowledge of its people to provide the energy and infrastructure solutions its customers need. As of May 6, 2020, AES owned and operated 31.9 GW of generation capacity, of which 32% is renewables, 33% gas, 32% is coal-based and 3% use petcoke, oil or diesel as its base fuel. AES also owns and/or operates distribution companies in the United States and in El Salvador, where it has focused on expanding access to first time customers and modernized distribution networks to transmit power and heat efficiently and safely.

AES has joined forces with Siemens to create Fluence, a new global energy storage technology and services company. Fluence is a global energy storage technology and services company aligned with the AES strategy of becoming less carbon intensive. Fluence represents the combination of two global leaders in utility-scale, battery-based energy storage, bringing together the AES Advancion and Siemens Siestorage platforms, the capabilities and expertise of the two partners, and the global sales presence of Siemens.

Future growth across AES is expected to be weighted toward less carbon-intensive wind, solar and natural gas generation and infrastructure. AES's backlog of projects under construction or under signed PPAs continues to increase, driven by its focus on select markets where it can take advantage of its global scale and synergies with its existing businesses.

AES is also working on enhancing some of its current contracts by extending existing PPAs and adding renewable energy. AES calls this approach "Green Blend and Extend." With this strategy, AES leverages its existing platforms, contracts and relationships to negotiate new long-term renewable PPAs with existing customers, which preserves the value of thermal contracts and creates incremental value with long-term contracted renewables. Customers receive carbon-free energy at less than the marginal cost of thermal power, enabling them to meet their sustainability goals and affordable energy needs. AES is executing on this strategy in Chile and Mexico and sees potential additional opportunities in those markets, as well as in the United States.

AES has two LNG regasification terminals in Central America and the Caribbean, with a total of 150 TBTU of LNG storage capacity. These terminals were built to supply not only the gas for AES's co-located combined cycle plants, but also to meet the growing demand for natural gas in the region. In Panama, the storage tank at the Colón Plant and the Colón Terminal came on-line in 2019.

As a result of AES's efforts to decrease its exposure to coal-fired generation and increase its portfolio of renewables, energy storage and natural gas capacity, AES is reducing its carbon dioxide emissions per MWh of generation. Under its current strategy, AES anticipates a reduction of its coal-based electricity generation to less than 30% in 2020 and less than 10% by the end of 2030.

AES also involved in deploying new technologies, such as battery-based energy storage, drone applications and digital customer interfaces.

AES, through its subsidiary, Global Power Holdings, currently owns an interest in and operates a large portfolio of electricity generation and LNG assets in Panama. The various assets are operated by four companies (the "Companies"), AES Panamá, AES Changuinola, Costa Norte, and Gas Natural Atlántico. The Companies benefit from successful partnerships with key stakeholders in the Panamanian energy industry, including Inversiones Bahía and the Panamanian government. Through this diverse portfolio, As of March 31, 2020, the Companies supply 42% of Panama's electricity generation, not including generation by Penonomé, which was acquired after March 31, 2020.

The Transaction

Some of the proceeds of the Operating Company Loans will be used to refinance certain existing debt of the Companies and Gas Natural Atlántico II S.R.L., an affiliate of the Companies. For more information regarding the use of proceeds of the Notes, see "Use of Proceeds." Each of AES Panamá and AES Changuinola and, together, Costa Norte and Gas Natural Atlántico, will incur an Operating Company Loan for the aggregate principal amount set out in the table below, which is equivalent to the principal amount of that Company's outstanding debt to be refinanced plus the mark to market value of interest rate swaps and certain other fees and expenses related to the refinancing of that Company's debt. In addition, the principal amount of AES Panamá's Operating Company Loan also includes an amount sufficient to finance capital expenditures in connection with the development of certain growth projects.

	Item	Type of Debt and amount outstanding as of March 31, 2020	Aggregate principal amount of Operating Company Loans	Amount to be funded with proceeds of the Notes ⁽⁶⁾	the Loan Facility ⁽⁶⁾
AES Panamá.....	6.00% Notes due 2022	U.S.\$375 million in Bonds payable ⁽⁴⁾		U.S.\$412.6 million	-
	Acquisition financing for Penonomé	U.S.\$72 million in Loan payable ⁽⁴⁾	U.S.\$525.3 million	U.S.\$63.8 million	U.S.\$8.2 million
	Capital expenditures for the development of growth projects	U.S.\$34 million in capital expenditures		U.S.\$31.2 million	U.S.\$3.8 million
AES Changuinola...	6.75% Notes due 2023 ⁽¹⁾	U.S.\$220 million in Bonds payable ⁽⁵⁾	U.S.\$231.7 million	U.S.\$228.4 million	-
Gas Natural Atlántico & Costa Norte	Colón Facility Financing ⁽²⁾	U.S.\$610 million in Loan payable ⁽⁵⁾	U.S.\$728.0 million	U.S.\$ 626.1 million	U.S.\$28.9 million
	Transmission line construction financing ⁽³⁾	U.S.\$62 million Loan payable ⁽⁵⁾		n/a	U.S.\$62 million
Total		U.S.\$1,330 million	U.S.\$1,485 million	U.S.\$1,362.1 million	U.S.\$102.9 million

(1) Excludes U.S.\$110 million outstanding of AES Changuinola Series A Bonds, which will not be refinanced and will continue to amortize as scheduled until maturity in 2023.

(2) Lenders under the Colón Facility Financing include certain Initial Purchasers and certain of their affiliates. See "Management Discussion and Analysis of Financial Condition and Results of Operations of the Companies—Indebtedness."

(3) Gas Natural Atlántico will lend U.S.\$62 million of the proceeds of Gas Natural Atlántico and Costa Norte's Operating Company Loan to Gas Natural Atlántico II, S.R.L., which Gas Natural Atlántico II, S.R.L. will apply to refinance certain existing indebtedness related to the construction of the transmission line required by the system to support the development of the Colón Plant.

(4) Excluding interest, unamortized premium, discounts and deferred financing cost.

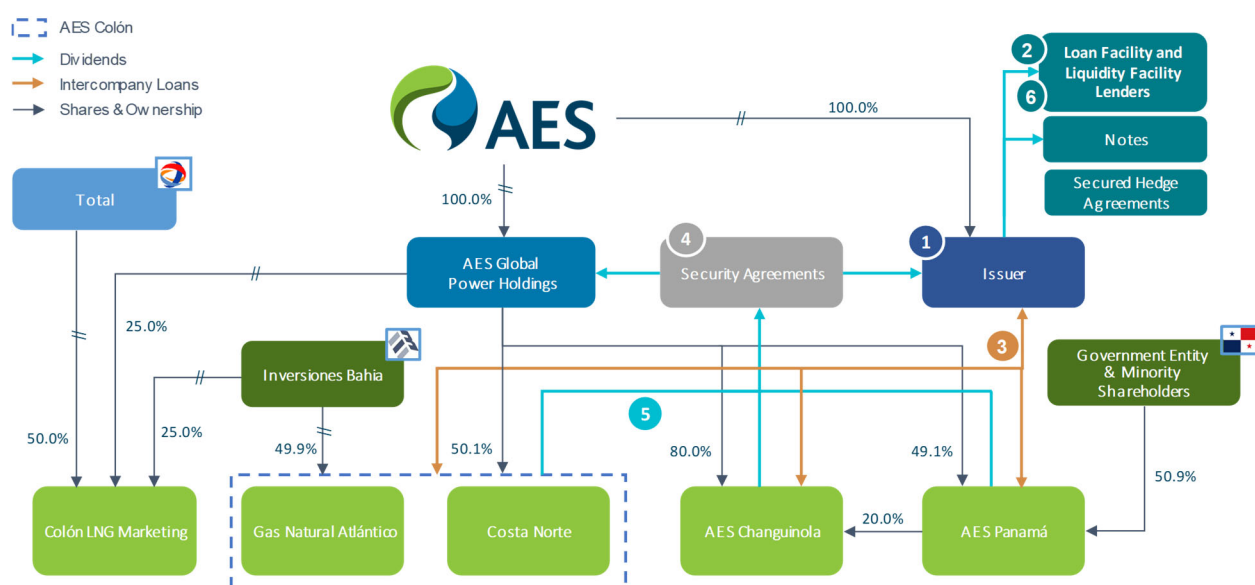
(5) Excluding interest and deferred financing cost.

(6) Excludes certain fees and expenses relating to the refinancing.

The Issuer will apply payments of principal and interest received under the Operating Company Loans to make pro rata payments on the Notes and the Loan Facility.

In addition, the Issuer will enter into a U.S.\$50,000,000 liquidity facility (the "Liquidity Facility"), pursuant to which the Issuer will obtain loans and use the proceeds of those loans to make payments on the Notes when due if there has been a payment default on an Operating Company Loan. The Issuer will repay amounts drawn under the Liquidity Facility with pass-through payments received from the (a) Collateral Trust, corresponding to payments on the Operating Company Loans received in the Issuer Collection Account and (b) the Dutch Collateral Agent corresponding to Dividend payments received in the GPH Dividend Collection Accounts. The Issuer's obligations under the Notes and the Loan Facility will rank pari passu with its obligations under the Liquidity Facility. The Liquidity Facility will terminate in 2023, and the Issuer has no obligation to extend or renew it on similar terms or at all. Nevertheless, the Issuer intends to extend, renew or replace the Liquidity Facility at the end of its term and to have a liquidity facility outstanding throughout the life of the Notes. For a further description of the Liquidity Facility, see "Description of the Financing Documents—Liquidity Facility."

The diagram below illustrates a simplified version of the contractual arrangements and expected cash flows described above and is subject to the more detailed description in "Description of the Notes" and "Description of the Financing Documents."



1. The Issuer was created with the sole purpose of serving as a financing vehicle for AES's operating companies in Panama.
2. The Issuer will issue the Notes and enter into the Loan Facility and the Liquidity Facility.
3. The Issuer will enter into Operating Company Loans with the Companies for the principal amount of the Companies' outstanding debt to be refinanced plus certain fees and expenses related to the refinancing.
4. The Notes, the Loan Facility and the Liquidity Facility will be secured by the Issuer's rights and interest in the Operating Company Loans and a security interest in Global Power Holdings's quotas in each of the Companies, the Issuer Collection Account, the Issuer Operating Account and the GPH Dividend Collection Accounts. Global Power

Holdings's quotas in AES Changuinola will be "shared trust assets" securing the Notes, the Loan Facility, the Liquidity Facility and the existing AES Changuinola Bonds.

5. Dividends will only be released to Global Power Holdings if no defaults or events of default exist under the Notes, the Loan Facility or the Liquidity Facility. Also, depending on the type of the default, defaults or events of default under the Operating Company Loans may block the release of dividends to GPH from all Companies or just from the defaulting Company.

The Issuer will apply payments under the Operating Company Loans deposited by Companies into the Issuer Collection Account to make payments on the Notes. If there are insufficient funds in the Issuer Collection Account, amounts on deposit in the GPH

Dividend Collection Accounts will be used to make payments on the Notes and the Loan Facility and thereafter on the Liquidity Facility. The Issuer will reimburse those payments to Global Power Holdings from amounts paid by the defaulting Company.

used to make payments on the Notes and the Loan Facility if there has been a payment default under an Operating Company Loan. The Issuer will repay Liquidity Facility loans with amounts on deposit in the GPH Dividend Collection Accounts and from amounts paid by the defaulting Company.

6. Disbursements under the Liquidity Facility will be

The Collateral

On the Issue Date, pursuant to the Collateral Trust and Assignment Agreement, the Issuer will establish the Collateral Trust, a *fideicomiso* under the laws of Panama, and it will unconditionally assign to the Onshore Collateral Trustee, as trustee of the Collateral Trust, its rights and interest in the Operating Company Loans. This assignment will include the assignment of any amounts received from the Issuer Collection Account with respect to any sums received by the Issuer from AES Changuinola, AES Panamá and Costa Norte pursuant to the Operating Company Loans. The beneficiaries of the Collateral Trust will be the holders of the Notes and the lenders under the Liquidity Facility, the Loan Facility and any Secured Hedge Agreements. As further described below, Global Power Holdings will grant a pledge on the Issue Date in favor of the Collateral Trust over all of its quotas in AES Panamá, as security for the Notes, the Liquidity Facility, the Loan Facility and any Secured Hedge Agreements.

Also on the Issue Date, a portion of the proceeds of the Notes will be applied to fund an Operating Company Loan to AES Panamá, which will apply the proceeds to prepay the AES Panamá 2022 Notes. AES Panamá has notified the holders of its intention to redeem the AES Panamá 2022 Notes and will deposit a portion of the proceeds of its Operating Company Loan with the trustee of the AES Panamá 2022 Notes to pay the redemption amount on the redemption date. Global Power Holdings will pledge its quotas in AES Panamá in favor of the Onshore Collateral Trustee, as trustee of the Collateral Trust for the benefit of the holders of the Notes and the lenders under the Liquidity Facility and the Loan Facility. Pursuant to the AES Panamá Quota Pledge Agreement, Global Power Holdings will pledge the Dividends it receives and expects to receive from AES Panamá to the Onshore Collateral Trustee, as trustee of the Collateral Trust for the benefit of the holders of the Notes, and the lenders under the Liquidity Facility and the Loan Facility, and any of those dividends will flow into the Dividend Collection Account (AES Panamá), which will be pledged to the Dutch Collateral Agent. For a description of the pledge of Dividends and the terms under which those Dividends may be released to Global Power Holdings, see "Description of the Financing Documents—Dutch Account Security Agreement."

As of the date of this offering memorandum, Global Power Holdings's quotas in AES Changuinola together with the Dividends payable to Global Power Holdings in respect of those quotas are pledged to the administrative and paying agent under the AES Changuinola Bonds for the benefit of the holders of the AES Changuinola Bonds pursuant to the existing AES Changuinola Trust Agreement and AES Changuinola Pledge Agreement. On the Issue Date, the existing AES Changuinola Trust Agreement, the existing AES Changuinola Pledge Agreement and certain other related documents will be amended and restated to include the Notes, the Liquidity Facility, Loan Facility and any Secured Hedge Agreements as secured obligations. The amended and restated AES Changuinola Trust Agreement and AES Changuinola Pledge Agreement will also include the Onshore Collateral Trustee, as a pledgee, and the holders of the Notes, the Onshore Collateral Trustee and the lenders under the Liquidity Facility and the Loan Facility as beneficiaries, on a pro rata basis with the remaining holders of the AES Changuinola Bonds, of the security interest created over Global Power Holdings's quotas in AES Changuinola and the Dividends Global Power Holdings may receive from AES Changuinola in respect of those quotas. As further described in "—Tender Offer and Consent Solicitations," AES Changuinola obtained consent from the Holders of the AES Changuinola Bonds to the introduction of these amendments through the AES Changuinola Tender Offer and the AES Changuinola Consent Solicitations.

Under the Amended and restated AES Changuinola Pledge Agreement, all Dividends paid by AES Changuinola and received by GPH will be deposited in the GPH Dividend Collection Accounts. If an event of default under the AES Changuinola Bonds occurs, dividends paid by AES Changuinola will be deposited in an enforcement account (*cuenta de ejecución*) (the "Changuinola Enforcement Account") under the name of the AES Changuinola Trustee.

Finally, Global Power Holdings's quotas in Gas Natural Atlántico and Costa Norte are currently pledged to the collateral agent under the Colón Facility Financing for the benefit of the lenders under the Colón Facility Financing. On the Issue Date, a portion of the proceeds of the Notes will be applied to fund an Operating Company Loan to Gas Natural Atlántico and Costa Norte, which will apply the proceeds of that Operating Company Loan to prepay the Colón Facility Financing. Simultaneously with the payoff of the Colón Facility Financing, the existing security interest over Global Power Holdings's quotas in Gas Natural Atlántico and Costa Norte will be released and a new security interest will be created through the CONO/GNA Quota Pledge Agreement in favor of the Onshore Collateral Trustee, as trustee of the Collateral Trust, for the benefit of the holders of the Notes and the lenders under the Liquidity Facility and the Loan Facility. This new security interest will be perfected as soon as reasonably practicable after the Issue Date.

All Dividends pledged to the Onshore Collateral Trustee, any amounts received from the Issuer Collection Account (other than AES Changuinola in the case of an event of default under the AES Changuinola Bonds) assigned to the Dutch Collateral Agent will flow into the Dividend Collection Accounts, which will be pledged to the Dutch Collateral Agent, and be released to Global Power Holdings only if no payment default exists under the Notes, the Liquidity Facility or the Loan Facility and no specified events of default under the Operating Company Loans have occurred and are continuing. If amounts are due under the Notes, Liquidity Facility or the Loan Facility, Dividends paid into the Dividend Collection Accounts will be applied to cover those shortfalls.

For a further description of the security interests created in favor of the holders of the Notes and the lenders under the Loan Facility and the Liquidity Facility, see "Description of the Financing Documents—Loan Facility.", "Description of the Financing Documents—Loan Liquidity Facility, and for a description of certain risks related to the perfection of the security interest over Global Power Holdings's quotas in Gas Natural Atlántico and Costa Norte, see "Risk Factors—Risks Relating to the structure of the Transaction—Security Interest in the Collateral may not be in place or perfected on the Issue Date or at all."

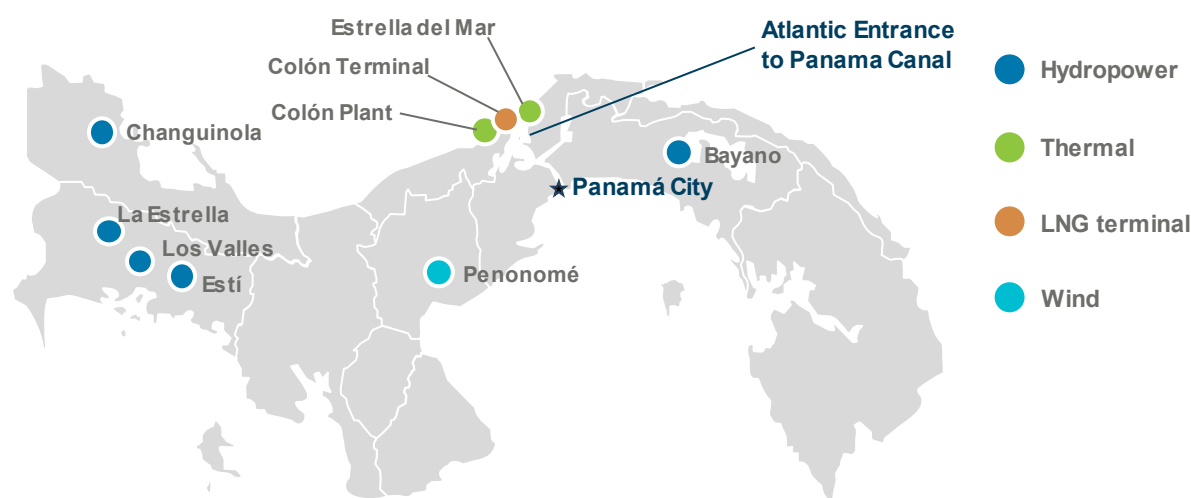
AES in Panama

The AES Corporation indirectly owns 49.1% of AES Panamá, 89.8% of AES Changuinola and 50.1% of each of Gas Natural Atlántico and Costa Norte. The remaining interest in AES Panamá is owned by the Panamanian government and certain other minority shareholders, and the remaining interest in Gas Natural Atlántico and Costa Norte is indirectly owned by Inversiones Bahía, a private conglomerate owned by the Motta family. The remaining interest in AES Changuinola is indirectly owned by the Panamanian government and certain other minority shareholders through AES Panamá.

The Companies believe they operate the largest electricity generation enterprise in Panama, measured by installed capacity and the first LNG power plant and terminal in Central America.

As of March 31, 2020, the Companies owned and operated a total of eight electricity generation facilities throughout Panama with a combined installed capacity of 1,158 MW, which represented 29% of the total installed capacity in Panama and 42% of the Panamanian energy market measured by GWh of energy generated in the three months ended March 31, 2020. On April 28, 2020, AES Panamá acquired Penonomé, increasing the total number of the Companies' electricity generation facilities to nine and their aggregate installed capacity to 1,213 MW. As of the date of this offering memorandum, AES Panamá directly owns four hydroelectric plants, one fuel oil no. 6-fired barge ("Estrella del Mar") and one wind farm ("Penonomé"), AES Changuinola owns one hydroelectric plant and Gas Natural Atlántico owns one combined cycle natural gas-fired power plant (the "Colón Plant"). Together, AES Panamá's and AES Changuinola's hydroelectric plants are referred to in this offering memorandum as the "Hydroelectric Facilities," and the Hydroelectric Facilities, together with Estrella del Mar, Penonomé and the Colón Plant, are referred to in this offering memorandum as the "Generation Facilities." In addition, Costa Norte owns and operates a 180,000m³ LNG terminal (the "Colón Terminal" and together with the Colón Plant, the "Colón Facilities"), the only LNG terminal in Central America. The Generation Facilities and the Colón Facilities are further described below under "—Key Assets."

The map below sets out the location of the Generation Facilities and their technology types.



Due to the expiration of its PPAs in June 2020, AES Panamá has determined that Estrella del Mar will no longer generate significant cashflows and is considering options for selling the asset. See "Risk Factors—Risks Related to the Companies' Businesses—The PPAs for Estrella del Mar have expired, and AES Panamá is considering the sale of Estrella del Mar."

The majority of Panama's hydroelectric resources are located in the western region of Panama, where rainfall tends to be highest, although the main demand for energy is in the eastern region of the country at the main population center of Panamá City. Located in both eastern and western Panama, the eight Generation Facilities are geographically diverse, and, as a result, experience different weather and hydrology patterns as further described below. They also use diversified technologies. The five Hydroelectric Facilities, which represent 58.1% of the aggregate installed capacity of the Generation Facilities, include both run-of-river and dam-based (reservoirs with small and large regulation) facilities, Penonomé, which represents 4.5% of the aggregate installed capacity of the Generation Facilities, uses wind to generate electricity and the two thermal plants, which represent 37.3% of the aggregate installed capacity of the Generation Facilities, include one natural gas fired combined cycle power plant and one fuel oil no. 6 engine plant. As of March 31, 2020, 42% of the electricity generated in Panama was generated using hydroelectric power, 26% using LNG, 6% using bunker fuel, 8% using coal, 14% using wind and 3% using solar power.

The location of the Hydroelectric Facilities in different hydrology regions contributes to the diversity of their generation portfolio and helps mitigate the impact on the Companies' business of weather-related volatility as well as of potential transmission constraints. The Companies also benefit from the technological diversification of their portfolio, which reduces reliance on hydrology and weather patterns. In addition to the Generation Facilities, the Colón Terminal, located in the Atlantic entrance of the Panama Canal, provides revenue from storage fees, which is not related to energy sales and not exposed to commodity risk.

The Hydroelectric Facilities are operated and maintained pursuant to long-term concessions expiring between 2048 and 2056, the thermal plants pursuant to long-term licenses expiring between 2046 and 2054 and Penonomé pursuant to a long-term license expiring in 2050. The Colón Facilities were built on property owned by Panama that forms part of the port concession granted by Panama to Panama Ports Company, S.A. ("PPC") and leased by PPC to Costa Norte. Costa Norte sub-leases the land on which the Colón Plant is built to Gas Natural Atlántico. PPC's concession terminates in 2022, and it is subject to automatic renewal through 2046. Each of Costa Norte and Gas Natural Atlántico has entered into an agreement with Panama, acting through the Ministry of Economy and Finance, pursuant to which Panama agrees to lease the land on which the Colón Facilities are located directly to Costa Norte and Gas Natural Atlántico if PPC's concession is terminated or not extended. For additional information regarding these concessions and licenses, see "AES in Panama—Licenses and Concession Agreements—Colón Facilities" and "Risk Factors—Risks Relating to the Companies' Businesses—Costa Norte operates on land subject to a concession agreement between a third party and the Panamanian government."

Key Assets

The table below sets out certain details about the Generation Facilities and the Colón Terminal as of the date of this offering memorandum.

Facility Name	Installed Capacity	Firm Capacity	Owner	Asset	Location
	<i>MW</i>	<i>MW</i>			
Bayano ⁽¹⁾	260.0	160.2	AES Panamá	Reservoir	Eastern
Estí	120.0	112.7	AES Panamá	Run-of-river / Reservoir hybrid	Western
La Estrella	47.2	16.1	AES Panamá	Run-of-river	Western
Los Valles	54.8	17.6	AES Panamá	Run-of-river	Western
Estrella del Mar ⁽³⁾	72.0	64.5	AES Panamá	Thermal	Eastern
Penonomé	55.0	-	AES Panamá	Wind	Western
Changuinola	223.0	175.3	AES Changuinola	Run-of-river	Western
Colón Plant	381	354.7	Gas Natural Atlántico	Natural Gas Combined Cycle	Atlantic entrance of Panama Canal
Total	1,212	901.1			

Facility Name	Storage Capacity	Owner	Asset	Location
	<i>m³</i>			
Colón Terminal	180,000 ⁽²⁾	Costa Norte	Colón Terminal	Atlantic entrance of Panama Canal

- (1) As a result of increased water usage due to the expansion of the Panama Canal and the effects of more volatile hydrology and climate change, the Panamanian government is evaluating alternatives to guarantee water supply in the future, including the use of water from the Bayano reservoir, which is owned by Panama and on concession to AES Panamá, to supply the Panama Canal and for human consumption in Panama City. For additional information, see "Summary—Recent Developments—Potential repurposing of Bayano reservoir" and "Risk Factors—Risks Relating to the Companies' Businesses—The Panamanian government is considering repurposing the Bayano reservoir, which could adversely affect AES Panamá's results."
- (2) 21 TBTUs or 26% of the storage capacity of the Colón Terminal is used to store the LNG used to power the Colón Plant.
- (3) AES Panamá is considering options for selling Estrella del Mar. See "Risk Factors—Risks Related to the Companies' Businesses—The PPAs for Estrella del Mar have expired, and AES Panamá is considering the sale of Estrella del Mar."

The table below sets out the breakdown of total assets and total debt of the Companies on an unconsolidated basis as of March 31, 2020 and the revenue and EBITDA of the Companies on an unconsolidated basis for the three months ended March 31, 2020 and Net Debt to EBITDA ratio on an unconsolidated basis for the twelve months ended March 31, 2020.

	Total Assets ⁽¹⁾	Total Debt ⁽¹⁾⁽²⁾	Revenue ⁽¹⁾	EBITDA ⁽¹⁾⁽⁴⁾⁽⁵⁾	Net Debt ⁽⁶⁾ to EBITDA ⁽³⁾⁽⁴⁾
	<i>U.S.\$</i>				
AES Panamá	875,308	443,439	81,775	38,055	2.8x
AES Changuinola	615,984	337,438	18,134	12,783	22.2x ⁽⁵⁾
Gas Natural Atlántico	624,669	425,281	67,224	21,765	5.2x
Costa Norte	648,315	191,818	10,878	9,852	5.6x

- (1) As of March 31, 2020 and for the three month period then ended.
- (2) For Costa Norte, Total Debt is the amount registered as "Loan Payable, net - long term," for Gas Natural Atlántico, Total Debt is the sum of the amounts registered under "Loan payable, net - long term" and "Loan payable - short term," for AES Panamá, Total Debt is the sum of the amounts registered under "Loan Payable, net - long term" and "Bonds payable, net - long term," and for AES Changuinola, Total Debt is the sum of the amounts registered under "Loan payable - short term", "Bonds payable- short term" and "Bonds payable, net - long term."
- (3) Calculated for the 12 months ended March 31, 2020.
- (4) EBITDA is a supplemental measure of the Companies' financial performance that is not required under, or presented in accordance with, IFRS. In this table, EBITDA is calculated as set out in "Presentation of Financial and other Information—Financial Statements," which differs from the definitions of EBITDA used to calculate financial ratios under the Operating Company Loans. The definitions applicable under the Operating Company Loans are set out in "Description of the Financing Documents—Operating Company Loan Agreements—Covenants."

- (5) The Changuinola Plant was offline from January 28, 2019 through January 2, 2020, due to the concrete re-lining of the Changuinola tunnel. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies— Principal Factors Affecting Results of Operations of the Companies—AES Changuinola Outage and Other Maintenance and Improvements."
- (6) Net Debt is calculated as total debt minus cash and cash equivalents.

Sources of Revenue

The Generation Facilities derive substantially all of their revenue from the sale of electricity through firm capacity and energy supply agreements ("PPAs"), spot market sales and regional market sales in U.S. dollars. Except for AES Changuinola, which sells all of the electricity it generates to AES Panamá, the Generation Facilities' primary customers are Panama's three energy distribution companies: Elektra Noreste, S.A., (rated BBB by Fitch Ratings and owned by Empresas Públicas de Medellín) Empresa de Distribución Eléctrica Metro-Oeste, S.A. (owned by Naturgy Energy Group which is rated Baa2 by Moody's, BBB by S&P and BBB by Fitch) and Empresa de Distribución Eléctrica Chiriquí, S.A. (also owned by Naturgy), (collectively, the "Distribution Companies"). AES Panamá and Gas Natural Atlántico also have capacity and energy supply agreements with 47 large customers (the "Large Customers"). Together, as of March 31, 2020 the revenue derived by AES Panamá and Gas Natural Atlántico from capacity and energy supply agreements with the Distribution Companies and Large Customers represented 95.0% and 75.5% of their respective total revenues.

As of the date of this offering memorandum, on average 83% of the combined firm capacity of the Generation Companies was under contract through 2030 pursuant to PPAs. The Companies have PPAs with the Distribution Companies and with Large Customers. The table below details each Generation Company's contracted capacity as of the date of this offering memorandum and certain key details about their PPAs.

	Contracted Capacity		Contracted Energy		Number of PPAs	Offtakers	PPA Expiration Years
	MW	%	GWh	%			
AES Panamá ⁽¹⁾	383	79 ⁽²⁾	2,800	100	61	Distribution Companies and Large Customers	7
AES Changuinola.....	175	100 ⁽³⁾	960	100 ⁽³⁾	1	AES Panamá	10
Gas Natural Atlántico.....	350	92	2,323	92	3	Distribution Companies	8
Penonomé.....	-	-	91	69	1	Altenergy (Celsia)	4
Total/Weighted Average	908	88.2%	6,174	96.5%	66		8

(1) Excludes Estrella del Mar.

(2) Includes 175MW of reserve capacity under contract with AES Changuinola.

(3) Calculated based on AES's Changuinola's firm capacity.

In addition, Costa Norte currently receives terminal fees from Colón Terminal clients in exchange for providing regasification and truck loading services and certain other fees under two terminal use agreements and expects to receive fees for bunkering and certain other services in the future. Costa Norte sells 26% of its capacity for LNG storage to Gas Natural Atlántico pursuant to a terminal use agreement (the "Gas Natural Atlántico TUA") to be used to fuel the Colón Plant, and it sells 7.6% of its capacity through Colón LNG Marketing S. de R.L. ("Colón LNG Marketing"), a joint venture 50% owned by Global Power Holdings and the Motta family and 50% indirectly owned by Total S.A., the second largest private LNG operator worldwide. Colón LNG Marketing will not guarantee the Notes, and Global Power Holdings's equity interest in Colón LNG Marketing will not be part of the Collateral.

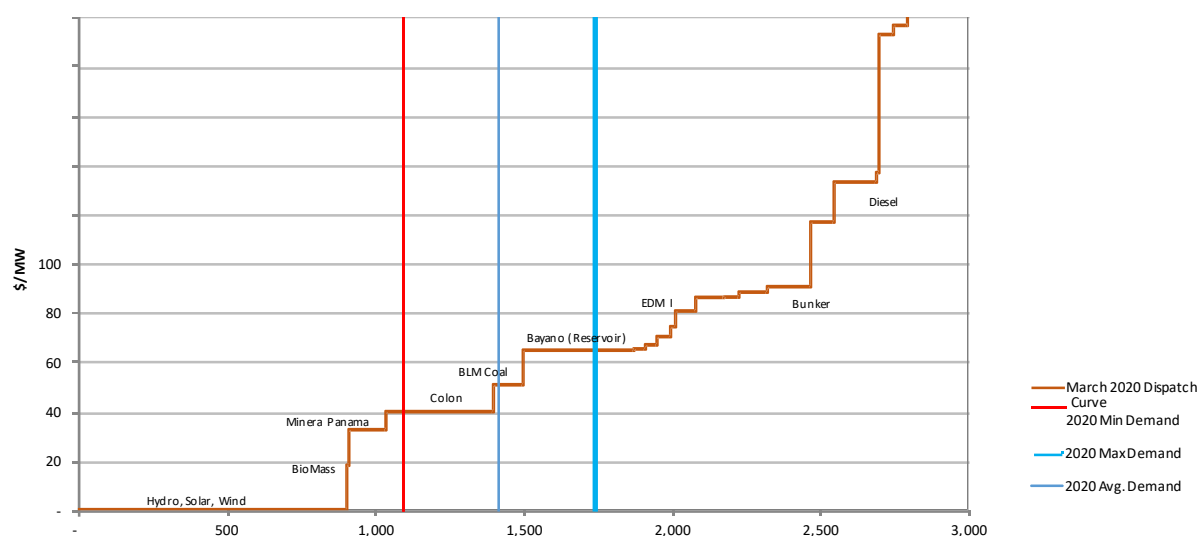
Pursuant to a terminal use agreement among Costa Norte, Colón LNG Marketing and Total Holdings S.A.S. expiring in 2029 (the "Total TUA" and, together with the Gas Natural Atlántico TUA, the "Terminal Use Agreements"), Total Holdings S.A.S. purchases 6 TBTUs of LNG storage capacity per year from Costa Norte. Under this agreement, Total Holdings S.A.S. is required to pay Costa Norte for this storage capacity even if it is unable to market any amounts through Colón LNG Marketing. This arrangement provides a consistent source of revenue for Costa Norte. In addition, pursuant to a marketing letter agreement among Costa Norte, Colón LNG Marketing and

Total Holdings S.A.S., 50% the capacity contracted with clients that Colón LNG Marketing attracts to the Colón Terminal is applied to reduce the amount of Total Holdings S.A.S.'s commitment under the Total TUA. Colón LNG Marketing's potential clients are electricity generators, gas distributors, industrial customers and are eventually expected to include vessels transiting the Panama Canal.

Dispatch Priority

As a result of the efficiency and diversification of the Generation Facilities, the Companies are able to take advantage of the dispatch methodology in Panama. Penonomé and the Companies' run-of-river facilities, La Estrella and Los Valles, are typically the first of the renewable plants to be dispatched. Estí, a run-of-river facility that has a small reservoir, is normally dispatched together with the run-of-river facilities because of the limited size of its reservoir. Bayano, which is a reservoir-based plant is the last of the Companies' Hydroelectric Facilities to be dispatched. The Colón Plant is usually among the first three thermal plants in the system to be dispatched after hydroelectric and renewable plants, and Estrella del Mar is usually the last of the Generation Facilities to be dispatched.

The graph below shows a sample supply and dispatch curve in Panama during the rainy and dry seasons.



Source: AES estimates based on information from ASEP, ETESA and the CND.

The Panamanian Electricity Market

As of March 31, 2020, Panama had a mixed electricity system with a total installed capacity (including auto-generators) of approximately 3,994 MW. It has been privatized since 1998 and is a dollarized system. Panama's electricity system has historically relied heavily on hydroelectric power, with much of the generating capacity located in western Panama, close to the Costa Rican border, where the majority of Panama's hydroelectric resources are located. After experiencing one of Panama's worst droughts in 2013 and 2014, the Panamanian government implemented certain regulatory changes to reduce Panama's dependence on hydroelectric generation by promoting other sources of energy. Panama used hydroelectric power to generate 61% of its electricity in 2015. In contrast in the first three months ended March 31, 2020, 42% of the electricity generated in Panama was generated using hydroelectric power, 26% using LNG, 6% using bunker fuel, 8% using coal, 14% using wind power and 3% using solar power. Panama experienced below average hydrology in 2017 and 2018, and it experienced its driest year on record in 2019. The diversification of the generation matrix in 2019 mitigated the effects of poor hydrology by stabilizing the supply of electricity and reducing spot market volatility during dry conditions. For the three months ended March 31, 2020 the average spot market price was U.S.\$65.95 per MWh, a 69.62% decrease from an average spot price of U.S.\$217.10 per MWh in 2014.

Business Strategy of AES in Panama

Rebalancing and diversification of generation assets

AES intends to preserve its leading position in the Panamanian generation market and continue to reduce its dependence on hydrology by diversifying its existing portfolio through the acquisition and development of other types of facilities that will complement its existing generation assets. It took its first step toward this goal through AES Panamá with the acquisition of Estrella del Mar in the fourth quarter of 2014 which added much needed diversification to the portfolio and provided a financial hedge to AES Panamá's results of operation. Also in furtherance of this strategy, construction on the Colón Plant was completed and the Colón Plant entered into operation in September 2018, followed by the completion of construction on and initiation of commercial operations of the Colón Terminal in August 2019 and, more recently, with the acquisition of Penonomé and start of construction of approximately 52 MW of solar power plants. After several years of operation and the addition of the Colón Plant, Penonomé and the focus on other renewable assets, changes in market dynamics and the expiration of the PPAs for Estrella del Mar in June 2020, AES Panamá is considering options for selling Estrella del Mar. At the end of 2014, 100% of AES's installed capacity in Panama was from Hydroelectric Facilities, and as of the date of this offering memorandum, 58.1% were hydroelectric, 31.4% was natural gas-fired, 5.9% used fuel oil no. 6 and 4.5% was from wind. For further information on the potential sale of Estrella del Mar, see "Risk Factors—Risks Related to the Companies' Businesses—The PPAs for Estrella del Mar have expired, and AES Panamá is considering the sale of Estrella del Mar."

In addition, the introduction of the Colón Terminal has established a new line of business independent of energy generation through the sale of storage capacity. Costa Norte currently receives terminal fees from terminal clients in exchange for providing regasification services and certain other fees under the Terminal Use Agreements, and it expects to receive revenues for bunkering in the future. It is expected that Costa Norte will receive at least U.S.\$9.4 million per year under the Terminal Use Agreements in addition to the U.S.\$37.2 million per/year that Gas Natural Atlántico pays Costa Norte for 15-21 TBTUs of capacity used to store the LNG that powers the Colón Plant. Amounts payable under the Total TUA may increase as additional storage capacity is contracted with new clients. As of March 31, 2020, 26% of the Colón Terminal's storage capacity stored the LNG used to power the Colón Plant and 7.5% was under contract with third parties. The remaining available capacity could fuel additional base load plants for up to 997.5 MW, which is equivalent to 5.5% of the installed capacity in Central America.

Further, AES, through AES Panamá intends to further diversify its portfolio by acquiring and developing additional clean energy assets, such as solar and wind power plants, that incorporate technologies complementary to its existing portfolio and substituting non-key cash generating assets, such as Estrella del Mar. Because the generation profile of solar and wind power plants (such as Penonomé) in Panama is inversely correlated to the generation profile of hydroelectric power plants due to increased sunshine and winds during Panama's dry season, it is expected that introducing solar and wind power into AES Panamá's portfolio will not only serve the purpose of transitioning to a carbon-neutral business model, but also further diversify the portfolio and reduce AES Panamá's vulnerability to hydrology conditions.

The Companies believe that their continued diversification will generally result in lower vulnerability to hydrology and more stable spot market prices, which, in turn, should help create more reliable and less volatile cash flows and ultimately increase the value of the Collateral, which includes Global Power Holdings's quotas in each of the Companies.

Leveraging AES's regional experience to expand the LNG business in Panama

AES intends to leverage its experience in the Caribbean to develop a leading LNG business in Panama and the rest of Central America, to diversify the Companies' combined generation portfolio and their sources of revenue and further the Companies' transition to carbon-neutrality. Given AES's experience building and operating AES Dominicana, an LNG plant and complementary LNG terminal in the Dominican Republic, AES believes that AES Colón is uniquely well positioned to pursue its LNG strategy in Panama.

AES began implementing its LNG strategy with the construction and installation of the Colón Facilities. As discussed in "Summary—Business Strategy of AES in Panama—Rebalancing and Diversification of Generation Assets," the Colón Facilities have been integral to the diversification of the Companies' combined portfolio and have

considerably reduced their reliance on hydrology, hydroelectric power and revenue from electricity sales. Because of its efficiency, the Colón Plant is generally dispatched after renewable and Hydroelectric Facilities, making it one of the first plants to be dispatched during seasons of low hydrology thereby maintaining the Companies' position in the dispatch priority even during the dry season, which runs from December to April. In addition, the introduction of natural gas-fueled power into the generation matrix has helped to stabilize and reduce spot market prices, lowering the cost of replacement energy that hydroelectric facilities pay especially during the dry season.

The Colón Terminal has reduced the Companies' reliance on electricity sales by providing income from the sale of storage capacity, and it is expected to generate considerable revenue in the future from the provision of bunkering services to ships sailing through the Panama Canal. The International Maritime Organization's International Convention for the Prevention of Pollution from Ships, which went into effect in 2005, imposes limits on sulfur oxide emissions. Under that convention, these limits have been progressively tightened, through January 2020. To comply with this regulation, it is expected that ships will begin to transition from using crude oil-based bunker fuel to LNG-based bunker fuel, increasing demand for LNG. As the only LNG terminal in Panama, and because it is strategically located at the Atlantic entrance to the Panama Canal, it is expected that the Colón Terminal, will supply much of this increased demand.

In addition, as was the case in the Dominican Republic, it is expected that the presence of the Colón Terminal and the reliable supply of LNG it represents could encourage new natural gas-fired plants to be developed and existing plants in the surrounding area to be converted to natural gas and source their gas from the Colón Terminal. Costa Norte has identified several plants in the surrounding area that could convert to natural gas and would become consistent customers of the Colón Terminal. As described in "—Sources of Revenue," Costa Norte receives a "minimum capacity charge" that is associated with 6 TBTUs of LNG per year from Colón LNG Marketing and Total ELF collectively and Colón LNG Marketing, in turn, can sell any such LNG it takes in the region, including potentially to these converted plants.

Diversification of customer base

In line with the AES Corporation's core strategy to establish a customer-centric sales strategy and refocus its business model away from Distribution Companies, the Companies expect to replace PPAs that have recently expired or will expire in the short-term with new and renewal contracts with Large Customers. Although the Companies believe there is a large number of regulated clients connected to the Distribution Companies' medium-voltage grid that meet this 100 kW minimum demand threshold, 55% of them are under contract. These Large Customers are reputable companies and leaders in their respective economic sectors. AES Panamá currently leads the Large Customer market, with 47 clients under contract from a variety of economic sectors. As of March 31, 2020, Large Customers had an approximate combined energy requirement of 4.1 TWh. For a description of some of the risks related to the development of the Large Customer market, see "Risk Factors—Risks Relating to the Companies' Businesses—The Companies derive a significant portion of their revenue from Panama's three Distribution Companies and Large Customers, which may be less credit worth than the Distribution Companies."

The Companies believe they will be able to engage these new customers on an incremental basis, and that they will be able to obtain more attractive pricing and greater flexibility from these target customers than under their expiring PPAs. PPAs with Large Customers are negotiated on a bilateral basis and prices are set based on each Large Customer's opportunity cost, which depends on the fees that the Distribution Companies charge based on energy sourced from different production methods, the most competitive of which are the Hydroelectric Facilities. With the introduction of the Colón Plant to the generation matrix, the Companies expect spot prices to be determined primarily by reservoir hydroelectric facilities and the Colón Plant, positioning the Companies well to provide competitive pricing to potential Large Customers.

In particular, the Companies' commercial strategy is focused on increasing the number of Large Customers they service in the commercial and industrial sectors. In 2019 the commercial and industrial sectors represented 28.7% and 17.8% of the Panamanian GDP, respectively, and the Companies believe they account for a sizeable and growing portion of the demand for electricity in Panama.

Because PPAs with Large Customers are negotiated on a bilateral basis, the Companies also expect to be able to tailor the length of their PPAs with Large Customers to their specific industries and needs. Whereas Large Customers in the commercial retail industry, including commercial buildings, may look for shorter PPAs ranging from

3 to 5 years, the Companies expect Large Customers in the industrial sector to seek longer-term PPAs ranging from 10 to 15 years. The Companies expect that contracting with customers from the industrial sector will provide stability to their Large Customer portfolio while contracting with commercial buildings or commercial retail customers will permit them to capture high short-term margins and take advantage of spot price fluctuations.

An additional benefit to contracting with Large Customers is that PPAs with Large Customers do not typically require the same security guarantees or impose the high penalties included in PPAs entered into with the Distribution Companies.

Promoting green growth and transitioning to a carbon-neutral business model

The Companies intend to continue producing green energy across Panama from the Hydroelectric Facilities, which represented 61% of the Companies' combined installed capacity and generated 36% and 22% of the electricity they generated in the three months ended March 31, 2020 and 2019, respectively. The Companies expect that continued production of renewable energy through these facilities will allow them to reduce their combined carbon footprint. The introduction of the Colón Plant contributed to a reduction of oil-based generation in Panama.

In addition, as described above, the Companies intend to further diversify their combined portfolio by acquiring or developing additional clean energy assets, such as solar and wind power plants, that incorporate technologies complementary to their existing portfolio. For example, AES Panamá recently acquired Penonomé to diversify its portfolio, and it has issued the notice to proceed to the EPC contractor to start the construction of two of four solar power plants with an aggregate capacity of 52 MW. The first two solar power plants are expected to begin commercial operation in early 2021, while the remaining two plants are expected to begin construction by August 2020 and are expected to begin commercial operation in the second quarter of 2021. Two of these solar power plants are located in the Chiriquí province, one is located in the Herrera province and another one is located in Los Santos Province. The Companies expect these assets to contribute not only to the diversification of their combined portfolio but also to their transition to carbon-neutrality. In addition, peak energy demand in Panama occurs between 11am and 3pm, which corresponds to the generation profile of solar power plants, aligning the Companies' green growth with their rebalancing efforts.

Implementing New Technologies

AES has actively been developing solar photovoltaic and solar plus storage projects since 2009. It has more than 350 MW of operating solar and solar + storage projects in the United States with over 200 more MWs in development and under construction. In line with AES's larger strategy, the Companies aim to deploy new technologies and existing technologies in creative ways to serve their customers more efficiently and to sell those technologies to their customers. Among other initiatives, the Companies intend to implement drone technology for the maintenance of their plants and provide drone-powered maintenance services to Large Customers.

Key Credit Highlights

As described below, through the Operating Company Loans, the Issuer benefits from the strength of the Companies' business, ownership and management, which result in strong and reliable cashflows at each of the Companies.

Stable economic background

Panama is a dollarized economy, located strategically in the middle of the Americas, connecting the Atlantic and Pacific Oceans via the Panama Canal. Although the Panamanian economy has been adversely affected by the COVID-19 pandemic, it has been one of the fastest-growing economies in Latin America during the last decade with a GDP per capita of U.S.\$15,834 and 3.0% GDP growth in 2019, and average GDP growth of 6.2% from 2009 to 2019. Panama's per capita GDP and growth rate has been significantly higher than comparable rates for other Latin American countries for this period. These factors make Panama a favorable market for foreign investment within Latin America, particularly given its country-level investment grade rating (currently at Baa1/BBB+/BBB), low inflation and one of the lowest unemployment rates in the region, and a stable political environment. For more information on how the COVID-19 pandemic has affected Panama's economy, see "Summary—Recent Developments—COVID-19 in Panama" and "Risk Factors—Risks Relating to the Companies' Businesses— The outbreak of the COVID-19

pandemic has had and a further severe outbreak or an outbreak of another contagious disease could have a material adverse impact on the Companies' operations and financial condition. "

Moreover, Panama's dollarized economy provides the Companies with a stable currency base underlying their revenues and cash generated over time. These revenues and cashflows will be used to make payments on the Operating Company Loans and will be passed through by the Issuer to make payments on the Notes and to pay Dividends.

In addition, according to the ETESA's expansion plan for 2020 to 2034, Panama's energy demand is expected to grow nearly 71% in the next 15 years, following the expected GDP growth of the country. Growth in demand for energy is expected to contribute to the Companies' growth potential.

Robust operating track record

The Companies have a successful track record of operating in Panama, and AES Panamá has been present in the country for 20 years. The Hydroelectric Facilities, which are the Companies' oldest units, show high availability factors, exceeding on average the 90% market standard. Estrella del Mar and the Colón Plant also outperform their same-technology peers in terms of availability, while Penonomé's availability factor was 98.3% for the three months ended March 31, 2020 is in line with industry standards of 95% availability.

The Companies' facilities have strong control systems that increase their efficiency and improve employee safety. AES Panamá and AES Changuinola are certified under the OHSAS 18001 and ISO 14001 standards for integrated safety and environmental management systems in their hydroelectric facilities. The Companies continue to develop their strategic and operational management, which allows them to efficiently plan, prioritize and achieve their objectives. The Companies operate under strict internal financial controls and have historically managed their working capital with a view towards financing growth while limiting excess liquidity. The Companies continuously review and improve their internal procedures and training methods in order to strengthen their relationship with, and improve the safety of, their employees.

In addition, the Companies share members of a highly experienced management with experience in Mexico, Central America and the Caribbean in addition to extensive knowledge of and vast experience in the Panamanian energy sector. The directors and officers of the Companies have an average of 15 years of experience in the energy industry in Panama. The Companies believe their management team's capabilities and core understanding of both their own business and the related regulatory environment, enable them to operate efficiently and manage risk effectively.

Diversified asset portfolio

Based on information provided by the MER, the Companies operate the largest electricity generation enterprise in Panama, measured by installed capacity and electricity generation. The Companies own the only LNG power plant and terminal in Central America. According to the CND, as of March 31, 2020, the Companies' combined installed capacity was 1,158 MW, excluding the 55 MW installed capacity of Penonomé which was acquired after March 31, 2020, which represented 29% of the total installed capacity in Panama, and their combined firm capacity was 901.1 MW. In recent years, the Companies have invested in the diversification of their generation portfolio to offset the effects of seasonality and patterns in hydrology.

The Companies are the only electricity generation conglomerate in Panama with hydroelectric, wind and thermal plants in both the western and eastern regions of Panama, which caters to the country's various demand centers. The Companies' combined portfolio supplies the energy demand in Panama. With the entry into operation of the Colón Plant, the Companies became the operators of the only natural gas fired combined cycle power plant and the first LNG terminal in Central America and Panama. As of the date of this offering memorandum, the Companies have a total of 44 individual electricity generation units in eight separate locations, resulting in more flexible operations and a more reliable electricity output. Their geographic diversity in the western and eastern regions of Panama mitigates the impact of weather-related volatility as well as existing transmission constraints on their business. The Hydroelectric Facilities benefit from diverse hydro-generation designs, including dam-based (reservoirs with small and large regulation) and run-of-river plants, and they are complemented by one bunker-fueled engine, one natural gas fired combined cycle power plant and one wind farm, enabling the Generation Facilities to be dispatched at several points along the dispatch curve. Penonomé and the run-of-river facilities, La Estrella and Los Valles, are typically among

the first to be dispatched in the system. Because of its small reservoir, Estí is dispatched as a run-of-river facility and Bayano is usually dispatched just before the thermal power plants. The Colón Plant is usually within the first three thermal units dispatched in the system, while Estrella del Mar is usually the last of the Generation Facilities be dispatched.

The construction and operation of the Colón Facility has allowed the Companies to diversify their combined generation asset portfolio away from solely hydroelectric power and hedge against the seasonality of hydrology because the Colón Plant's dispatch increases in the dry season when hydroelectric plants are dispatched less frequently and decreases in the wet season when hydroelectric plants are dispatched more frequently. The incorporation of Penonomé is also expected to mitigate the impact of seasonality because the availability of wind resource tends to increase during the dry season, while hydrology is low, causing the generation profile of Penonomé to be inversely correlated to that of the Hydroelectric Plants. By diversifying the generation matrix, the Colón Plant has also contributed to a considerable reduction in spot market prices, mitigating the impact of poor hydrology on the Hydroelectric Facilities. As of the date of this offering memorandum, thermal generation assets represented 37.3% of the Companies' combined installed capacity, hydroelectric generation assets represented 58.1% and wind assets represented the remaining 4.5%. The Companies intend to further diversify their combined portfolio through the construction of approximately 52 MW of solar generation assets during the course of 2021.

In addition, the introduction of the Colón Terminal has established a new line of business independent of energy generation through the sale of storage capacity. The Companies believe diversification generally results in lower vulnerability to hydrology and more stable spot market prices, which, in turn, should help create more reliable and less volatile cash flows and ultimately increase the value of the Collateral, which includes Global Power Holdings's quotas in each of the Companies.

Highly efficient underlying asset portfolio

The Hydroelectric Facilities and Penonomé, the majority of the Companies' combined portfolio, use freely-available water and wind to generate electricity in a market where high-cost thermal facilities effectively set the price. In addition, due to its efficiency and low fuel costs, the Colón Plant is usually among the first three thermal generation facilities to be dispatched after hydroelectric and renewable facilities. The Companies believe their low generation costs compared to the higher generation cost for other thermal power plants in Panama is a key contributing factor to their ability to maintain a leading market share and maximize gross profit margin from the sale of electricity in the spot market. In addition, according to the CND, the Companies are the largest electricity generation conglomerate in Panama, which provides them with certain economies of scale.

Stable cashflow profile

The Companies' high contracted capacity, the favorable terms of their PPAs and the diversification of their combined portfolio contribute to the stability of the Companies' cash flows, which is expected to enhance their ability to make payments on the Operating Company Loans to be passed on as payments on the Notes. The Companies' average combined portfolio is on average 83% contracted, based on firm capacity, during the expected term of the Notes. 875 MW of the Companies' combined firm capacity is under contract with the Distribution Companies, and an additional 33 MW is contracted with leading commercial and industrial Large Customers. The weighted average remaining offtake term under the Companies' PPAs with the Distribution Companies is 7 years, and the weighted average remaining offtake term under the Companies' PPAs with Large Customers is 7 years. PPAs linked to electricity generated by the Colón Plant feature monthly indexations that allow offtakers to partially bear the cost of volatility in fuel prices.

Robust financing structure

The Companies believe the financing structure for the transaction is robust. The Operating Company Loans limit the Companies' ability to incur additional indebtedness, subject to the satisfaction of certain financial ratios. The transaction structure contemplates the establishment of the Liquidity Facility to enhance the Issuer's ability to make payments on the Notes even if there are delays in payments under the Operating Company during the term of the Liquidity Facility of approximately three years. The Issuer intends to enter into a new liquidity facility once the current Liquidity Facility expires and to have a facility outstanding throughout the life of the Notes, but is not required to do so. In addition, Global Power Holdings will pledge its quotas in the Companies and the corresponding dividends as

collateral to secure the Notes, the Loan Facility and the Liquidity Facility as further described in "Description of the Notes" and "Description of the Financing Documents".

The representations and warranties made by each Company under its Operating Company Loan Agreement and their covenants and other obligations under the Operating Company Loan Agreements, are substantially similar to those of the Issuer under the Indenture and the Credit Agreement. Covenants of the Companies to protect the position of the Issuer include customary negative covenants against (i) debt incurrence (unless certain debt incurrence conditions are satisfied including a leverage test on a combined basis (in respect of the portfolio as a whole) and on an individual basis (consolidated with each Company's restricted subsidiaries) that requires the ratio of total debt to adjusted EBITDA to be, (a) before January 1, 2023, less than 4.60:1.00, (b) on or after January 1, 2023 and before January 1, 2025, less than 3.75:1.00 and (c) on or after January 1, 2025, less than 3.60:1.00), (ii) creation of liens (including liens to secure indebtedness up to a specified amount), (iii) affiliate transactions (except on an arm's-length basis), (iv) asset sales and (v) mergers and acquisitions (unless the leverage tests referred to above for debt incurrence have been satisfied). In addition, (i) an event of default under a Company's Operating Company Loan Agreement (other than during a period where there is no loan outstanding under that Operating Company Loan Agreement) will block distributions to GPH from the GPH Dividend Collection Account with respect to that Company, and (ii) certain Fundamental Events of Default (as defined under in Dutch Security Account Agreement) listed in the Dutch Account Agreement, it will block distributions from all the GPH Dividend Collection Accounts to GPH if they continue for 90 days, subject to certain exceptions for Fundamental Events of Default, which block distributions from all GPH Dividend Collection Accounts immediately. For more information regarding the financing structure see "Description of the Notes" and "Description of the Financing Documents".

Strong sponsorship

The Issuer benefits from the strong and constructive relationships the Companies have with the direct and indirect holders of their equity, which provide experience, management, guidance and support to the Companies and represent important political allies and business partners. The direct and indirect holders of the Companies' equity are AES (which owns the Companies' direct managing equity holder, Global Power Holdings), the Panamanian Government, in the case of AES Panamá and AES Changuinola and Inversiones Bahía, in the case of AES Colón. As described under "—the AES Corporation," AES is a Fortune 500 global power company that seeks to provide affordable, sustainable energy in 14 countries on four continents (the Americas, Asia and Europe) through a diverse portfolio of distribution businesses as well as thermal and renewable generation facilities. As of March 31, 2020, AES managed approximately U.S.\$34.1 billion in total assets and had a market capitalization of U.S.\$9.04 billion. AES currently distributes electricity through its various electric utility subsidiaries to over 2 million customers worldwide. AES also has 30,471 MW in gross capacity in operation globally. AES and its affiliates provide the Companies with technical expertise and financial and operational management, support and training to help grow their businesses. Global Power Holdings, a wholly owned subsidiary of AES will pledge its quotas in the Companies as security for the Notes.

The Companies represent an important portion of AES's operations and AES has a long-term commitment to supply power in Panama. In furtherance of this commitment, AES's subsidiaries in Panama have made extensive capital expenditures to develop, obtain and improve existing and new facilities. This figure includes amounts expected to be invested during the course of 2020 to incorporate wind and solar assets into the Companies' combined portfolio.

AES's partners in this enterprise are some of the influential private and public players in the country, including the Panamanian government and Inversiones Bahía, a private conglomerate owned by the Motta family that operates in the transportation, distribution, retail, financial services, telecommunications, real estate and energy industries in Panama.

In addition, in pursuing their corporate strategy, which implements the strategic goals of AES (green growth, customer centricity, new business models and new technologies), the Companies believe they have positioned themselves well for continued growth and increased their importance to the Panamanian energy market, and by extension, to the Panamanian government, AES Panamá's majority equity holder. As operators of the only LNG power plant and terminal in Panama and with the recent acquisition of Penonomé, the Companies have advanced AES's strategic goals of incorporating new technologies and new business models by expanding their combined generation portfolio to include LNG and wind and establishing a new revenue stream from storage capacity sales. In addition, through the construction of the LNG Plant, the Companies have contributed significantly to the diversification of the

Panamanian generation matrix and the reduction and stabilization of spot market prices. The Companies believe that these contributions have further increased their strategic importance to the Panamanian government and to AES; therefore, they believe their interests are closely aligned with those of their equity holders.

Recent Developments

COVID-19 in Panama

In December 2019, a novel strain of coronavirus, COVID-19, was reported in Wuhan, China. COVID-19 has since spread to more than 175 countries, and the World Health Organization declared COVID-19 a global pandemic. The magnitude and duration of the pandemic and its impact on Panama's economy, social and public health situation is uncertain as this continues to evolve domestically and globally. As of July 27, 2020, Panama reported 61,442 cases and 1,332 fatalities.

- On March 9, 2020, the Panamanian Ministry of Health reported the first confirmed case of COVID-19 in Panama.
- On March 13, 2020, Cabinet Resolution No. 11 declared a national state of emergency and directed government agencies to address this public health emergency.
- On March 17, 2020, the Panamanian government instituted a curfew throughout Panama for the entire population, from 9:00 p.m. to 5:00 a.m., as a preventive measure against the COVID-19 pandemic. On March 24, 2020, the curfew was extended from 5:00 p.m. to 5:00 a.m.
- On March 19, 2020, Executive Decree No. 499 declared the provinces of Panama, Panama West and Colón to be epidemic zones subject to sanitary control.
- On March 19, 2020, President Laurentino Cortizo ordered the suspension of all international passenger flights into and out of Panama, beginning on Sunday, March 22, 2020, for a period of 30 days that was later extended until June 23, 2020 and further extended to July 22, 2020.
- On March 25, 2020, President Laurentino Cortizo decreed a total curfew throughout Panama pursuant to which non-essential businesses were closed and citizens are allowed to leave their homes for a maximum of two hours per day to buy food, medicine and basic necessities. Schools and universities were closed nationwide and gatherings of more than 50 people were prohibited.

Businesses engaged in the provision of public services, hospitals, pharmacies, gas stations, supermarkets, food delivery services, the energy sector and emergency services, among others, were exempt from the curfew. The curfew also imposed travel and mobility restrictions based on people's gender and ID number. The curfew was lifted on June 1, 2020 but was reinstated on June 6, 2020 and was extended on July 16, 2020 to provide for a complete quarantine on Saturdays and Sundays after a spike in new COVID-19 cases.

- On March 31, 2020, Cabinet Resolution No.19 mandated the Distribution Companies to provide discounts on energy bills to certain consumers and provided for the funding of a tariff stabilization fund (*Fondo de Estabilización Tarifaria*) (the "Tariff Stabilization Fund") through which the Panamanian government is expected to compensate the Distribution Companies for discounts provided to consumers.
- On May 4 2020, Law 152 mandated a moratorium on payment of certain basic services, including electricity, for a period of four months for people and small business meeting certain criteria. During this period, service providers are not permitted to disconnect these consumers' service for failure to pay or charge them late fees or interest on late payments.
- On May 13, 2020, a phased reopening was declared, and the second economic block, which includes public construction, non-metal mining, industry, places of worship and social sporting areas were opened on June 1, 2020.

- On May 26, 2020, ASEP issued Resolution No. 6094 prohibiting service providers from disconnecting any end consumer's service, regardless of whether the consumer satisfies the criteria established by Law 152. Resolution No. 6094 also provides that payments under any PPA will be reduced in proportion to the deficit in income incurred by the Distribution Companies and imposes a moratorium on electricity generators' right to terminate PPAs for non-payment.
- The Panamanian government has announced a fiscal stimulus response of U.S.\$2.1 billion (approximately 3% of GDP), which involves:
 - the construction of new hospitals and procurement of medical supplies;
 - the distribution of free food packages and a U.S.\$80/month "solidarity payment" to more than 80,000 households in need; and
 - tax relief through extended payment deadlines.

This stimulus was funded by a U.S.\$2.5 billion issuance of sovereign bonds, U.S.\$1.3 billion in Fondo de Ahorro de Panamá and multilateral support, including a U.S.\$515 billion rapid financing instrument loan from the IMF.

Certain of Panama's neighboring countries and trade partners have imposed similar measures in an attempt to contain the spread of COVID-19, but others have not taken action. There can be no assurance that the measures taken by Panama and these other countries will successfully contain the spread or mitigate the social, health and economic impact of COVID-19. The pandemic has led to increased volatility and decreased economic activity, which has negatively impacted the financial condition of the Panamanian public and Panamanian businesses, including certain of the Companies' Large Customers and has reduced the overall demand for electricity. In addition, as a result of government measures, the Distribution Companies have temporarily reduced tariffs to consumers and suspended shut-offs for non-payment, which has reduced the Distribution Companies' revenue and impacted their ability to make timely payments to generators under their PPAs.

In addition, the significant increase in market volatility caused by the COVID-19 pandemic has negatively impacted the mark-to-market of certain of the Companies' derivative instruments, which could result in significant unrealized losses and negatively impact the Companies' financial condition and results of operations. For additional information regarding the impact of the COVID-19 pandemic on the Companies' businesses, see "Risk Factors—Risks Relating to the Companies' Businesses—The outbreak of the COVID-19 pandemic has had and a further severe outbreak or an outbreak of another contagious disease could have a material adverse impact on the Companies' operations and financial condition," "—The Companies face risk related to their derivative instruments" and "Management's Discussion and Analysis of Financial Condition and Results of Operation—Trend Information—Effects of COVID-19" and "Management Discussion and Analysis of Financial Conditions and Results of Operations of the Companies—Trend Information—Effects of COVID-19."

The Companies' Response to COVID-19

The Companies adopted a number of measures to preserve liquidity and address the impact of the COVID-19 pandemic and the various related government measures. AES Panamá drew U.S.\$23 million from an uncommitted line of credit with the Bank of Nova Scotia N.A. and, Gas Natural Atlántico drew U.S.\$15 million in March 2020 from an uncommitted line of credit with Banco Aliado to enhance the available cash on hand.

In addition, the Companies have adopted several measures that seek to maintain the continuous and uninterrupted operation of their respective businesses and the well-being of their employees, including:

- implementing remote working for corporate and administrative employees;
- issuing and implementing a health and safety protocol in compliance with the legal framework of Panama and the World Health Organization;

- creating a detailed plan to reopen office and workspaces gradually depending on the status of transmission, treatment and prevention of COVID-19;
- requiring that employees who work on site use masks and observe social distancing guidelines and limiting contractor site visits to those which are essential to the business;
- issuing a temporary ban on business travel; and
- issuing a protocol for notifying COVID-19 infections to the Companies' management and establishing clear quarantine procedures before allowing employees to return to work.

The Companies will follow their global corporate guidelines as well as guidelines and regulations issued by the Panamanian Government and the World Health Organization before permitting corporate and administrative employees to return to work.

Recent Developments Relating to the Companies' 2020 Second Quarter Results

As of the date of this offering memorandum, the Companies do not have financial statements for the three months ended June 30, 2020 available. Based on available preliminary financial information and estimates for the three month period ended June 30, 2020 (consisting of preliminary financial information for the months of April and May 2020 and estimates for the second quarter of 2020 based on partial operational information):

- AES Panamá currently expects its EBITDA for the three months ended June 30, 2020 to show an increase as compared to the same period in 2019, primarily due to lower electricity purchase in 2020 as a result of a combination of (i) lower demand, (ii) a decrease in prices in the spot market and (iii) the activation of reserve contract with AES Changuinola;
- AES Changuinola currently expects its EBITDA for the three months ended June 30, 2020 to show an increase as compared to the same period in 2019, primarily due to higher generation in 2020 due AES Changuinola operating at full capacity after renewal of it tunnel in January 2020;
- Gas Natural Atlántico currently expects its EBITDA for the three months ended June 30, 2020 to show an increase as compared to the same period in 2019, primarily due to lower electricity purchase as consequence of lower demand and lower prices in the spot market; and
- Costa Norte currently expects its EBITDA for the three months ended June 30, 2020 to show an increase as compared to the same period in 2019, primarily due to an increase in terminal services revenue, which mainly resulted from the activation of the Total TUA.

This preliminary financial information for the three months ended June 30, 2020 may be subject to changes, it has not been subject to a limited review by the Companies' auditors, is subject to normal recurring and other period-end adjustments and does not rise to the level of finality of quarterly unaudited interim condensed financial statements. Therefore, the Companies' actual 2020 second quarter results may differ from the information presented herein once financial statements for the three month ended June 30, 2020 become available. This preliminary financial information is derived from calculations or figures that have been prepared internally by the Companies' management and should not be viewed as a substitute for full financial statements prepared in accordance with IFRS.

Acquisition of Penonomé

On April 28, 2020, AES Panamá acquired 100% of the participation quotas of UEP Penonomé I, S. de R.L., a Panamanian *sociedad de responsabilidad limitada* that owned and operated Penonomé, a wind power plant having 22 wind turbines and an installed capacity of 55MW, located in the southern region of Panama in the province of Coclé. For additional information on Penonomé, see "AES in Panama—The Electricity Generation Business—The Generation Facilities—Penonomé."

Construction of solar power plants

On February 28, 2020 AES Panamá issued a notice to proceed for the EPC contractor to begin construction on two of four solar power plants with an aggregate capacity of 52 MW. The first two solar power plants are expected to begin commercial operation in early 2021, while the remaining two plants are expected to begin construction by August 2020 and are expected to begin commercial operation in the second quarter of 2021. Two of these solar power plants are located in the Chiriquí province, one is located in the Herrera province and one is located in the Los Santos Province.

Removal of Estrella del Mar from Commercial Operation

On July 14, 2020, after consulting with the CND, ASEP authorized AES Panamá to remove Estrella del Mar from commercial operation effective August 1, 2020. This removal will allow AES Panamá to sell the asset, and AES Panamá is considering options for selling in the international market. Once Estrella del Mar is removed from commercial operation, its generation license will become ineffective. For more information on the removal of commercial operation of Estrella del Mar and its potential sale, see "Risk Factors—Risks Related to the Companies' Businesses—The PPAs for Estrella del Mar have expired, and AES Panamá is considering the sale of Estrella del Mar" and "AES in Panama—The Electricity Generation Business—the Generation Facilities—Estrella del Mar."

Potential repurposing of Bayano reservoir

As a result of increased water usage due to the expansion of the Panama Canal and the effects of more volatile hydrology and climate change, the Panamanian government is evaluating alternatives to guarantee water supply in the future, including the use of water from the Bayano reservoir, which is owned by Panama and subject to a concession to AES Panamá, to supply the Panama Canal and for human consumption in Panama City. The Panamanian government and AES Panamá are currently negotiating a memorandum of understanding setting out certain guidelines related to the potential use of the Bayano reservoir for this purpose.

Changuinola tunnel arbitration

Changuinola was out of service for most of 2019 while a concrete re-lining was added to its tunnel. Although Changuinola came back into operation in January 2020, and is currently fully operational, AES Changuinola has initiated an arbitration proceeding against the EPC contractor for flaws in the design of the Changuinola tunnel. In 2019, AES Changuinola received a U.S.\$39.9 million insurance payment, and it is under no obligation to pay the insurance company any amount recovered under any arbitral award. See "AES in Panama—Legal Proceedings—AES Changuinola—Arbitration Proceeding."

La Estrella Land Dispute

Since the date of the Preliminary Offering Memorandum, the parties to the La Estrella Land Dispute described under "AES in Panamá—Legal Proceedings—AES Panamá—La Estrella land Dispute" signed a settlement agreement and filed it with the court for acceptance. If the settlement agreement is accepted by the court, among other things, the relevant land will be transferred to AES Panama and the lawsuits will be dismissed.

Corporate Information

The Issuer's principal executive offices are located at Panama Pacifico, International Business Park, Building 3855, office 205, Arraijan District, Panama Oeste Province, Panama. The Companies' principal executive offices are located at Ave. La Rotonda, Business Park II, Torre V, Piso 11, Panama City, Panama. Their telephone number is +507 206 2600. The Companies' main website is <http://www.aespanama.com>. The information included on their website or that may be accessed through their website is not part of this offering memorandum and is not incorporated by reference herein or otherwise.

Tender Offer and Consent Solicitations

Concurrently with this offering, AES Changuinola launched an offer to purchase (the "AES Changuinola Tender Offer") any and all of its outstanding AES Changuinola Series B Bonds held by non-U.S. investors, on the terms and subject to the conditions included in an offer to purchase. The AES Changuinola Tender Offer is conditioned

upon, among other customary conditions, the refinancing by AES Changuinola of its obligations under the AES Changuinola Series B Bonds on terms and conditions and yielding net cash proceeds sufficient to, among other things, pay the total consideration for all tendered AES Changuinola Series B Bonds. The AES Changuinola Tender Offer expired on July 27, 2020, the "Expiration Time." Concurrently with the AES Changuinola Tender Offer, AES Changuinola solicited (the "AES Changuinola Consent Solicitations") consent from all holders of the AES Changuinola Series A Bonds and the AES Changuinola Series B Bonds for certain amendments (the "Proposed Amendments") on the terms set out in the related consent solicitation statements, including to (a) eliminate certain restrictive covenants, (b) allow the holders of the Notes and the lenders under the Loan Facility and the Liquidity Facility to share in the collateral consisting of Global Power Holdings's quotas in AES Changuinola and the dividends payable to Global Power Holdings in connection with those quotas and (c) permit the administrative and paying agent under the AES Changuinola Bonds to enter into an intercreditor agreement. The AES Changuinola Tender Offer and the AES Changuinola Consent Solicitations expired on July 27, 2020. Consents were obtained from the holders of 92.73% of the outstanding principal amount of the AES Changuinola Series A Bonds and 78.16% of the outstanding principal amount of the AES Changuinola Series B Bonds exceeding the 51% consent required from each series for AES Changuinola and the administrative and paying agent for the AES Changuinola Bonds to be permitted to enter into the documentation giving effect to the Proposed Amendments. If the financing condition is satisfied, the documentation evidencing the Proposed Amendments will be executed.

Pursuant to the terms and subject to the conditions of the AES Changuinola Tender Offer, all AES Changuinola Series B Bonds validly delivered and not validly withdrawn at or prior to the Expiration Time will be accepted for purchase and will be paid in full. The Issuer intends to use a portion of the net proceeds of this offering to fund the Operating Company Loan it will extend to AES Changuinola, and AES Changuinola will apply those proceeds to partially finance the purchase of the AES Changuinola Series B Bonds. See "Use of Proceeds."

U.S.\$170.7 million aggregate principal amount of the AES Changuinola Series B Bonds were tendered at or prior to the Expiration Time; accordingly, if the financing condition is satisfied, AES Changuinola will apply a portion of the proceeds of its Operating Company Loan to purchase the tendered AES Changuinola Series B Bonds. U.S.\$49.3 million aggregate principal amount of AES Changuinola Series B Bonds are expected to remain outstanding.

Banco General, S.A. acted as information agent, depositary and solicitation agent for the AES Changuinola Consent Solicitations and is acting as dealer manager in the AES Changuinola Tender Offer. Banco General, S.A. is not a broker-dealer registered with the U.S. Securities and Exchange Commission and as such, will not conduct consent solicitations or sales in the U.S. or to U.S. persons other than by or through a US-registered broker-dealer.

This offering is not conditioned on the successful consummation of the AES Changuinola Tender Offer.

This offering memorandum is not an offer to purchase or a solicitation of an offer to sell the AES Changuinola Series B Bonds. The AES Changuinola Tender Offer and the AES Changuinola Consent Solicitations will be made only by and pursuant to the related offer to purchase and consent solicitation statements, as may be amended or supplemented from time to time at AES Changuinola's discretion.

THE OFFERING

The information that follows is a summary of the principal terms and conditions of the Offering and certain principal risk factors that should be considered in the context of the Offering and is not intended to be complete. Potential investors in the Notes should read this section together with all of the information presented in this offering memorandum, including a more detailed description of the terms of the Notes under the caption "Description of the Notes." Capitalized terms used but not defined in this summary have the meaning assigned to such terms under the caption "Description of the Notes".

Issuer	AES Panama Generation Holdings S.R.L., a limited liability company (<i>sociedad de responsabilidad limitada</i>) organized under the laws of Panama.
Notes Offered	U.S.\$1,380,000,000 in aggregate principal amount of 4.375% Senior Secured Amortizing Notes due 2030 (the "Notes").
Issue Price	100.000% of the principal amount of the Notes, in each case, plus accrued interest, if any, from August 14, 2020.
Issue Date	August 14, 2020.
Interest	The Notes will bear interest at 4.375% per annum from August 14, 2020 or from the immediately preceding interest payment date to which interest has been paid.
Interest Payment Dates	Semi-annually in arrears on May 31 and November 30 of each year, commencing on November 30, 2020.
Principal Payment Dates	Semi-annually in arrears on May 31 and November 30 of each year, commencing on May 31, 2023 as set forth in the table below (the "Amortization Table").

<u>Principal Payment Date</u>	<u>Amortization Payment</u>
	<i>U.S.\$</i>
May 31, 2023	U.S.\$12,354,545.21
November 30, 2023	U.S.\$12,354,545.21
May 31, 2024	U.S.\$23,410,243.25
November 30, 2024	U.S.\$23,410,243.25
May 31, 2025	U.S.\$10,113,930.98
November 30, 2025	U.S.\$10,113,930.98
May 31, 2026	U.S.\$10,788,935.17
November 30, 2026	U.S.\$10,788,935.17
May 31, 2027	U.S.\$12,500,000.00
November 30, 2027	U.S.\$12,500,000.00
May 31, 2028	U.S.\$12,500,000.00
November 30, 2028	U.S.\$12,500,000.00
May 31, 2029	U.S.\$12,500,000.00
November 30, 2029	U.S.\$12,500,000.00
May 31, 2030	U.S.\$1,191,664,690.78

Maturity Dates	The Notes will mature on May 31, 2030.
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Ranking

The Notes will constitute the Issuer's direct and unconditional and general senior secured obligations, secured by the Collateral, and will rank *pari passu* in right of payment without any preference among themselves and with all Additional Notes (as defined herein), if any, the Loan Facility, the Secured Hedge Agreements, the Liquidity Facility and certain other Permitted Debt, if any, the Issuer may issue in the future. Except as provided in the following paragraph, the Issuer's payment obligations under the Notes will, other than in the case of certain of its obligations, which are granted preferential treatment over the Notes pursuant to law, at all times rank at least *pari passu* in priority of payment with all of its other present and future senior secured obligations from time to time outstanding, including the Loan Facility, the Secured Hedge Agreements, the Liquidity Facility and any Additional Secured Debt (collectively with the Notes, the "Secured Debt"), and will rank senior in priority of payment to all its present and future unsecured (to the extent of the value of the Collateral) or subordinated obligations from time to time outstanding.

All obligations in connection with the Notes are solely obligations of the Issuer, secured under the Security Documents by the Collateral, with no recourse to any other Person or entity, except to the extent the Collateral includes Quotas owned by GPH in the Operating Companies and dividends and fees payable by the Operating Companies to GPH or its Affiliates.

The Issuer will pay amounts due on or with respect to the Notes, the Loan Facility, the Secured Hedge Agreements and any Additional Secured Debt (as defined below) prior to paying any amounts due on or with respect to the Liquidity Facility. See "Description of the Notes—Collateral Arrangements—Flow of Revenues—Onshore Collateral Trustee Transfer of Funds on Deposit in the Issuer Collection Account."

As of the Issue Date, and after application of the proceeds of this offering, the Issuer will have U.S.\$105.0 million of Indebtedness other than the Notes, including the Loan Facility and the Liquidity Facility. As of the Issue Date, the Issuer expects to have U.S.\$105.0 million of borrowings outstanding under the Loan Facility, no borrowings outstanding under the Liquidity Facility and U.S.\$50.0 million of borrowing availability under the Liquidity Facility. The Indenture will prohibit the Issuer from incurring Indebtedness other than Permitted Indebtedness.

Collateral Arrangements

The obligations of the Issuer with respect to the Notes and the performance of all other obligations of the Issuer under or relating to the Indenture and the other Holdings Secured Debt Documents will be secured, *pari passu* with the Loan Facility, the Secured Hedge Agreements, the Liquidity Facility and Additional Secured Debt, if any, by the following (collectively, the "Collateral")

- (i) **Operating Company Loans:** the Issuer's rights in each of the Operating Company Loans will be assigned to the Onshore Collateral Trustee, as trustee of the Collateral Trust;
- (ii) **Issuer Collection Account:** all payments to be made by the Operating Companies under the Operating Company Loans

will be paid into the Issuer Collection Account which will be a trust account opened and controlled by the Onshore Collateral Trustee;

- (iii) **Issuer Operating Account:** the Issuer Operating Account, and any funds deposited therein, will be pledged to the Offshore Collateral Agent;
- (iv) **Issuer Other Assets:** all assets of the Issuer not assigned to the Onshore Collateral Trustee, will be pledged to the Offshore Collateral Agent;
- (v) **GPH Dividend Collection Accounts:** a bank account with respect to each of (A) AES Panama (the "GPH Dividend Collection Account (AES Panama)"), (B) CONO and Gas Natural Atlántico (the "GPH Dividend Collection Account (AES Colón)") and (C) AES Changuinola (the "GPH Dividend Collection Account (AES Changuinola)" and, collectively, the "GPH Dividend Collection Accounts"), in each case, in the name of GPH with a financial institution in The Netherlands and any funds deposited therein, including any distributions in respect of the Quotas owned by GPH in the capital of the Operating Companies, any amounts received from the Issuer Collection Account and the Issuer Operating Account (including a guarantee fee payable by the Issuer to GPH) and any advisory or other fees (excluding any amount thereof comprising actual costs, salaries and other non-profit components) payable to GPH or its Affiliates by any Operating Companies (other than AES Changuinola after the receipt by the Changuinola Collateral Trustee of a Remedies Direction), will be pledged to the Offshore Collateral Agent, on the understanding that any such amount with respect to AES Changuinola will be shared *pari passu* with the holders of the AES Changuinola Bonds under the Changuinola Pledge Agreement and the Dutch Account Security Agreement;
- (vi) **GPH's Quotas in Operating Companies:** all Quotas owned by GPH in the capital of the Operating Companies (other than with respect to AES Changuinola, which is pledged for the benefit of both the AES Changuinola Trust and the Collateral Trust to be shared *pari passu* with the holders of the AES Changuinola Bonds pursuant to the terms of the Changuinola Pledge Agreement) will be pledged to the Onshore Collateral Trustee, as trustee of the Collateral Trust; and
- (vii) **GPH's Quotas in AES Changuinola and Changuinola Enforcement Account:** all Quotas owned by GPH in the capital of AES Changuinola, as well as any distributions in respect of those Quotas pledged for the benefit of both the AES Changuinola Trust and the Collateral Trust, will be shared *pari passu* with the holders of the AES Changuinola Bonds (together with all distributions in respect of the Quotas owned by GPH in the capital of AES Changuinola paid into (1) the relevant GPH Dividend Collection Account and, in case of the occurrence of an event of default under the AES Changuinola Bonds and the receipt by the Changuinola

Collateral Trustee of a Remedies Direction, the Changuinola Enforcement Account and (2) following the repayment of the AES Changuinola Bonds and certain related obligations, the relevant GPH Dividend Collection Account, collectively the "Changuinola Collateral").

See "Description of the Notes—Collateral Arrangements."

The rights and interest of holders of the Notes in the Collateral are subject to certain risks. See "Risk Factors—Risks Relating to the Structure of the Transaction."

Intercreditor Agreement.....

The security over the Collateral is subject to the provisions of a collateral agency and intercreditor agreement among the Issuer, the Onshore Collateral Trustee, the AES Changuinola Collateral Trustee, the agent for the holders of the AES Changuinola Bonds, the Offshore Collateral Agent, the Indenture Trustee, the Administrative Agent for the lenders of the Loan Facility and Liquidity Facility, and each additional secured party (or its agent or representative) from time to time party thereto and sharing in the Collateral.

The Intercreditor Agreement regulates intercreditor matters with respect to the Collateral, including requiring certain notices and procedures for an intercreditor vote in connection with the taking of any enforcement action and the making of modifications to the security documents. If an event of default occurs or is continuing under the documents for any Secured Debt, secured creditors holding more than 50% of the aggregate principal amount outstanding of the sum of the Secured Debt and the available and undrawn borrowing availability to the Issuer under the Secured Debt documents (except as otherwise provided in the following paragraph) may instruct the Intercreditor Agent to direct any collateral agent to exercise remedies with respect to the Collateral.

Subject to certain exceptions, each secured creditor is entitled to vote up to the sum of the aggregate principal amount owed to it and its available and undrawn borrowing availability to the Issuer; provided that (i) holders of the AES Changuinola Bonds are only entitled to vote in a decision relating to the Changuinola Security; and (ii) to the extent additional Secured Debt is comprised of the Issuer's obligations for hedging transactions, the counterparty to the Issuer in such secured hedging transactions will not have any vote, except for matters requiring the consent of the all secured creditors and certain other limited matters affecting the secured hedge counterparty.

In calculating the secured creditors voting percentage in favor of any intercreditor decision, the total number of votes cast by all secured creditors (directly or through their respective trustee or representative) in favor of the proposed decision, the numerator, will be divided by the total number of votes entitled to be cast with respect to such matter, the denominator.

Use of Proceeds

The net proceeds of this offering, after deduction of the Initial Purchasers' discount and other expenses relating to this offering, will be approximately U.S.\$1,360,000,000.

The Issuer intends to use the net proceeds of the Notes to fund the Operating Company Loans, the proceeds of which the Companies will apply to repay certain existing indebtedness of the Companies and Gas Natural Atlántico II, S.R.L., an affiliate of the Companies, including certain facilities provided to the Companies by affiliates of the Initial Purchasers as further described in "Use of Proceeds."

Operating Company Loans

Each Operating Company will enter into a loan agreement with the Issuer (each, an "Operating Company Loan Agreement"). Pursuant to the respective Operating Company Loan Agreements, the Issuer will make advances to the Operating Companies on the Issue Date funded with proceeds of the Notes and the Loan Facility. From time to time after the Issue Date, the Issuer may make further advances to any Operating Company with proceeds of Additional Secured Debt.

All Issuer advances to one or more Operating Companies that are funded with proceeds of the same debt issued or incurred by the Issuer for that purpose will constitute one single tranche of Operating Company Loans and will have the same maturity date, interest rate and payment dates for principal and interest as the underlying debt of the Issuer funding such advances.

Except as provided under "Mandatory Redemption," if the Issuer is required to prepay the Notes or any other Secured Debt the proceeds of which were applied to fund a tranche of Operating Company Loans and that shortfall is not satisfied from the Liquidity Facility, the GPH Dividend Collection Account, the other Collateral or otherwise, all Operating Companies with Operating Company Loans in that tranche will be required to prepay to the Issuer their portion (determined by reference to the proportion that the principal amount of its Operating Company Loan in such tranche bears to the aggregate principal amount of all Operating Company Loans in such tranche) of the principal and all interest, fees and other amounts payable by the Issuer in connection with that prepayment.

Certain defaults by an Operating Company under its Operating Company Loan will prevent the release of funds to GPH from amount on deposit in the applicable GPH Dividend Collection Account. See "Description of the Notes—Collateral Arrangements—Flow of Revenues—Dividend Collection Account Transfers."

Mandatory Redemption.....

The Notes will be subject to mandatory redemption on a pro rata basis with the other Secured Obligations in accordance with the Intercreditor Agreement and the other Holdings Secured Debt Documents, upon the occurrence of any prepayment of an Operating Company Loan in connection with any expropriation, nationalization, casualty event or any other event of loss (but excluding asset sales or other events that result in an Asset Sale Repurchase Event) by any of the Operating Companies as set forth in the applicable Operating Company Loan Agreement (an "Event of Loss Mandatory Redemption"). The redemption price for any such Event of Loss Mandatory Redemption will be equal to 100% of the outstanding principal amount of the Notes being redeemed, plus accrued and unpaid interest to the redemption date, plus Additional Amounts, if any (but without payment of any premium), payable in respect of the Notes.

The Notes will be subject to mandatory redemption on a pro rata basis with the other Secured Obligations in accordance with the Intercreditor Agreement and the other Holdings Secured Debt Documents, upon the occurrence of a voluntary prepayment of an Operating Company Loan by any of the Operating Companies under the applicable Operating Company Loan Agreement (a "Make-Whole Mandatory Redemption").

The Notes will be subject to mandatory redemption on a pro rata basis with the other Secured Obligations in accordance with the Intercreditor Agreement and the other Holdings Secured Debt Documents, upon the occurrence of the acceleration and repayment of any Operating Company Loan or other mandatory prepayment of an Operating Company Loan not included in an Event of Loss Mandatory Redemption (but excluding asset sales or other events that result in an Asset Sale Repurchase Event) (an "Operating Company Acceleration Mandatory Redemption" and each of an Event of Loss Mandatory Redemption, a Make-Whole Mandatory Redemption and an Operating Company Acceleration Mandatory Redemption, a "Mandatory Redemption").

The redemption price for any such Operating Company Acceleration Mandatory Redemption will be equal to 100% of the outstanding principal amount of the Notes being redeemed, plus accrued and unpaid interest to the redemption date, plus Additional Amounts, if any (but without payment of any premium), payable in respect of the Notes.

Upon the occurrence of certain other events, the Issuer will be required to redeem all or a portion of the Notes prior to their stated maturity at the redemption prices set forth herein.

See "Description of the Notes—Mandatory Redemption."

Optional Redemption

At any time and from time to time on or prior to the Par Call Date, the Notes will be redeemable, in whole or in part, at the Issuer's option at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on such Notes that would have been payable to the applicable par call date (as described in "Description of the Notes—Optional Redemption") if the redemption had not been made (exclusively of any interest accrued and unpaid to the date of redemption) discounted from the dates on which the principal and interest would have been payable if the redemption had not been made, to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30 day months) at the applicable Treasury Rate plus 50 basis points, plus, in either case, Additional Amounts, if any, and accrued and unpaid interest, if any, to, but not including, the date of redemption.

At any time and from time to time on, on or after the Par Call Date, the Notes will be redeemable, in whole or in part, at the Issuer's option at a redemption price equal 100% of the principal amount of the Notes to be redeemed plus Additional Amounts, if any, and accrued and unpaid interest, if any, to, but not including, the date of redemption.

A new Note of the applicable series in a principal amount equal to the

unredeemed portion thereof (if any) will be issued in the name of the holder thereof upon cancellation of the original Note (or adjustments to the amount and beneficial interests in a global note will be made, as appropriate).

See "Description of the Notes—Optional Redemption."

**Optional Redemption upon
Tax Event**

The Issuer may at any time redeem the Notes of either series at its option, in whole, but not in part, at a redemption price equal to 100% of the then-outstanding principal amount of the Notes of such series, plus accrued and unpaid interest thereon to, but excluding, the date of redemption and any Additional Amounts payable with respect thereto, upon the occurrence of any specified event affecting taxation of the Notes. See "Description of the Notes—Optional Redemption upon Tax Event."

**Change of Control
Repurchase Event.....**

No later than 30 days after the occurrence of a Change of Control Repurchase Event (as defined in "Description of the Notes—Certain Definitions"), the Issuer will be required to offer to repurchase the Notes at a purchase price equal to 101% of the portion of the outstanding principal balance represented by such Notes plus all accrued and unpaid interest, if any, thereon to, but excluding the purchase date plus Additional Amounts, if any, payable in respect of such Notes. See "Description of the Notes—Repurchase Upon Change of Control Repurchase Event."

**Asset Sale
Repurchase Event.....**

No later than 30 days after the occurrence of an Asset Sale Repurchase Event (as defined herein) in the event the proceeds of the Asset Sale are not reinvested in the Companies' businesses, the Issuer will be required to offer to repurchase the Notes (applying any of these excess proceeds) at a purchase price equal to 100% of the portion of the outstanding principal balance represented by such Notes plus all accrued and unpaid interest, if any, thereon to, but excluding the purchase date plus Additional Amounts, if any, payable in respect of such Notes. See "Description of the Notes—Repurchase Upon Asset Sale Repurchase Event."

Additional Amounts

The Issuer will make payments of, or in respect of, principal, premium (if any) and interest on the Notes free and clear of, without withholding or deduction for or on account of any present or future tax, levy, impost, duty, assessment or other charge of whatever nature levied by any Governmental Authority, irrespective of the manner in which they are collected or assessed, including any interest, additions to tax or penalties applicable thereto ("Taxes"), subject to certain exceptions, as described in "Description of the Notes—Additional Amounts."

If the Issuer or any paying agent is required to deduct or withhold any amount in respect of Taxes for the account of Panama (or any political subdivision thereof or any authority therein or thereof having the power to tax) or any other jurisdiction (or any political subdivision or any authority thereof or therein) from or through which such payments are made (each, a "Relevant Jurisdiction"), the Issuer will pay to a holder of a Note such additional amounts ("Additional Amounts") as may be necessary so that the net amount received by such holder will not be less than the amount such holder would have received if such Taxes had not been withheld or deducted, it being understood that for

Panamanian tax purposes the payment of such Additional Amounts will be deemed and construed as additional interest. See "Description of the Notes—Additional Amounts."

Certain Affirmative Covenants

The Issuer will agree under the Indenture to comply with, certain affirmative covenants, including requirements to, among other things:

- preserve and maintain corporate existence;
- maintain proper books of record and account;
- comply with all applicable laws (including any environmental laws);
- preserve the Collateral and perfect and maintain the security interests under the Security Documents (as defined herein);
- maintain a rating of the Notes;
- maintain the operating company loan agreements;

All of these limitations and restrictions are subject to a number of significant qualifications and exceptions. See "Description of the Notes—Affirmative Covenants of the Issuer."

Certain Negative Covenants

The Issuer will agree under the Indenture to comply with, certain negative covenants, which will significantly limit its ability to, among other things:

- incur any debt;
- make any restricted payments;
- grant, create, incur, assume or suffer to exist any liens;
- change the nature of its business;
- consolidate or merge into any other person;
- sell its assets;
- make investments;
- agree material amendments or waivers in respect of any Operating Company Loan;
- enter into any agreement or arrangement with any affiliate;
- enter into any hedge agreement other than for hedging purposes and not for speculative purposes; and
- pledge, assign, sell, grant a security interest in, or otherwise convey any of the Collateral.

All of these covenants are subject to a number of significant qualifications and exceptions. See "Description of the Notes—Negative Covenants of the Issuer."

Events of Default	For a discussion of the events of default that will permit acceleration of the principal of the Notes plus accrued interest, and any other amounts due with respect to the Notes, see "Description of the Notes—Events of Default."
Settlement and Clearance; Book-Entry	<p>Each series of the Notes will be issued in the form of one or more global Notes in registered form only, without interest coupons, in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Payments on the Notes will be settled in same-day funds to the extent received from the Issuer.</p> <p>The Notes will be delivered in book-entry form through the facilities of the DTC for the accounts of its participants, including Euroclear Bank S.A/N.V., as the operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme, Luxembourg ("Clearstream"). Beneficial interests in the Notes may be held in Panama through LatinClear, a participant in Euroclear and Clearstream.</p> <p>See "Description of the Notes— Settlement, Clearing and Registration of the Notes."</p>
Listing	<p>The Notes will be registered with the SMV and will be listed on the Bolsa de Valores de Panama ("PSE") – Panamanian Stock Exchange.</p> <p>Application will be made for listing and quotation of the Notes on the Official List of the SGX-ST. Any Notes traded on the SGX-ST are required to trade in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies) for so long as any of the Notes are listed on the SGX-ST and the rules of the SGX-ST so require. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where Notes may be presented or surrendered for payment or redemption. In addition, in the event that any of the Global Notes or Global Certificates are exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.</p>
Repurchase or Redemption Prior to Settlement	The Notes will be offered for sale by the Issuer and purchased by a representative of the Initial Purchasers (and any other purchasers pursuant to the PSE bidding process described herein) on the PSE. The settlement is expected to take place four (4) Business Days after the local trading 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 Purchasers' satisfaction on the settlement date that all 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 respective obligations to purchase the Notes upon certain 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 such conditions has not been satisfactorily met or waived, a termination event has occurred or the Issuer and the Initial Purchasers mutually agree, the Initial Purchasers have the right to require the Issuer to repurchase the Notes on the settlement date by delivering a notice to

the Issuer, and in that event, the Issuer will repurchase or redeem (at its option) on the settlement date, the Notes sold on the PSE pursuant to the PSE rules on the settlement date. The repurchase price (and, if redemption of any Notes is required, the redemption price) will 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 will be payable in connection therewith. The Issuer's obligation to pay the repurchase or redemption price for the Notes acquired by the Initial Purchasers (in the case of any redemption, to the greatest extent possible) will be set off against the Initial Purchasers' respective obligations to pay the purchase price for such Notes. See "Plan of Distribution."

Governing Law The Notes, the Indenture, the Operating Company Loan Agreements and the Security Documents will be governed by, and construed in accordance with, the laws of the State of New York, except that certain Security Documents will be governed by Panamanian law or Dutch law, as applicable.

Transfer Restrictions The Notes have not been registered and will not be registered with the SEC under the Securities Act. The Notes are subject to certain restrictions on transfer. Beneficial interests in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note only upon receipt by the Indenture Trustee of a written certification from the transferor to the effect that such transfer is being made to a person that the transferor reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. See "Plan of Distribution" and "Notice to Investors."

Panamanian Broker Dealer BG Investment Co. Inc.

**Indenture Trustee, Registrar,
Transfer Agent and Paying Agent** Citibank, N.A.

Onshore Collateral Trustee BG Trust, Inc.

**Offshore Collateral Agent and Dutch
Collateral Agent.....** Citibank, N.A.

Dutch Account Bank Citibank Europe plc, NL Branch

Singapore Listing Agent Clifford Chance Pte. Ltd.

Risk Factors You should carefully consider all of the information contained in this offering memorandum prior to investing in the Notes. In particular, the Issuer urges you to carefully consider the information set forth under "Risk Factors" beginning on page 42, which sets out information regarding certain risks relating to an investment in the Notes, including:

- No Company will be required to cure a default under another

Company's Operating Company Loan and there can be no assurance that funds available from the Liquidity Facility, funds on deposit in the Issuer Collection Account or enforcement on the amounts, if any, in the GPH Dividend Collection Accounts or the quotas of Global Power Holdings in the Companies will be sufficient to make up any shortfall resulting from a default under one or more Operating Company Loans.

- It may prove difficult for the holders of the Notes to sell or otherwise dispose of Global Power Holdings's quotas in the Companies.
- A default by any Company on its obligations under its Operating Company Loans will negatively affect the ability of the Issuer to make interest and principal payments under the Notes.
- The lenders under the loan facility have certain rights and benefit from certain protections that are not available to the holders of the Notes.
- The Issuer may not be able to repurchase the Notes upon a change of control repurchase event.
- The holders of the Notes will not have a right to determine whether a Company should be permitted to reinvest any Excess Proceeds following an Asset Sale.
- The Issuer may not be able to fund the redemption or repurchase of the Notes prior to their maturity as required under the Indenture if there is an Event of Loss.
- The Notes will be secured only by the Collateral, which includes a security interest in the Operating Company Loans and in Global Power Holdings's quotas in the Companies, irrespective of the value of any assets of the Companies.
- Security Interest in the Collateral may not be in place or perfected on the Issue Date or at all.
- Payments on the Notes may be subject to withholding under FATCA.
- Adverse hydrology conditions, including low rainfall and drought, may result in shortages in the water supply for hydroelectric generators, which would adversely impact the results of AES Panamá and AES Changuinola.
- Fluctuating wind conditions, may result in lower generation or increased operational costs, which would adversely impact the results of AES Panamá.
- The Panamanian government is considering repurposing the Bayano reservoir, which could adversely affect AES Panamá's results.

- It may be difficult for the Companies to fulfil their contractual obligations and they may need to purchase energy from other generation companies at the prevailing spot market price which may be higher than the price at which they sell energy under their PPAs.
- The PPAs for Estrella del Mar have expired, and AES Panamá is considering the sale of Estrella del Mar.
- The Colón Plant is subject to risk of loss or damage to the LNG and natural gas that is being processed and/or stored at the Colón Terminal and the Colón Terminal itself.
- The Colón Facilities involve regularly working with volatile and hazardous materials that subject Gas Natural Atlántico and Costa Norte to additional risks that may materially impact AES Colón's operations.
- The Panamanian government currently owns a majority of AES Panamá's equity as well as an indirect interest in AES Changuinola and its interests may be different from the interests of Noteholders.
- The Companies' managing equity holders may exercise management control in a manner that differs from the Issuer's interests or your interests as a Noteholder.
- Costa Norte operates on land subject to a concession agreement between a third party and the Panamanian government.
- The Companies may be adversely affected by the application and interpretation of regulations affecting their revenues.
- The Companies may be unable to generate cash flow from operations or, if necessary, obtain financing in sufficient amounts and on favorable terms to fund their future obligations.
- The Companies may be adversely affected by unfavorable outcomes in pending legal proceedings.
- The Companies may develop projects that impact the lifestyle and conditions of local communities.
- The outbreak of the COVID-19 pandemic has had and a further severe outbreak or an outbreak of another contagious disease could have a material adverse impact on the Companies' operations and financial condition.
- Failure to comply with applicable laws and regulations, including in respect of corruption, money-laundering and other illegal or improper activities could have a material adverse effect on the Companies' business.
- The Companies face risk related to their derivative

instruments.

- Excess supply of electricity to the Panamanian market with lower variable cost could cause a decrease in energy spot prices, adversely affecting the Companies' revenues.
- Lower demand for electricity in the Panamanian electricity market could cause a decrease in energy sold under PPAs and cause a decrease in energy spot prices, adversely affecting the Companies' revenues.
- The volatility of fuel oil no. 6 and natural gas prices could have a material adverse effect on the Companies' suppliers, which could have a material adverse effect on the Companies' financial condition.
- The Companies are dependent on the political, legal and economic climate of Panama.
- Because Panama is a service-based economy, fluctuation of prices in basic goods may have a significant impact on the Panamanian economy and the Companies.
- 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.
- You may be subject to withholding for Panamanian capital gains taxes upon a sale of the Notes, for which the Issuer will not indemnify you.
- The ability to transfer the Notes may be limited by the absence of an active trading market, and there can be no assurance that any active trading market will develop for the Notes.
- Enforcing your rights as a holder of Notes in Panama may prove difficult.
- The credit ratings of the Issuer, the Companies or the Notes may be lowered or withdrawn.
- The Collateral securing the Notes consisting of Global Power Holdings's quotas in AES Changuinola will be shared with the holders of the AES Changuinola Bonds, and if a default occurs, the value of that Collateral may not be sufficient to satisfy AES Changuinola's obligations under its Operating Company Loans and the AES Changuinola Bonds.
- The Companies' obligations under the Operating Company Loans are subordinated to the Companies' payment of certain statutory liabilities and may have different treatment from the

obligations of unrelated creditors in any Panamanian reorganization proceedings.

- Your rights to make certain decisions with respect to your investment in the Notes may be limited by the intercreditor provisions under the Intercreditor Agreement and the other Finance Agreements.
- The Issuer may not be able to generate sufficient cash flows to meet its debt service obligations.
- The perception of higher risk in other countries, especially in emerging economies, may adversely affect the Panamanian economy, the Companies' businesses and the market price of Panamanian securities issued by Panamanian issuers, including the Notes.
- Different disclosure requirements in Panama and the United States may provide you with different or less information about the Issuer and the Companies than you expect.
- The Notes may be redeemed prior to their stated maturity.

SUMMARY FINANCIAL AND OPERATING DATA

The following tables set forth the summary financial and operating data of each of the Companies as of and for each of the periods indicated. The summary statements of comprehensive income and cash flows data for the three months ended March 31, 2020, the years ended December 31, 2019, 2018 and 2017 and the summary balance sheet data as of March 31, 2020 and December 31, 2019 and 2018 are derived from, should be read in conjunction with and are qualified in their entirety by reference to the unaudited interim condensed financial statements and audited financial statements of the Companies, respectively, which are included elsewhere in this offering memorandum. The summary historical financial data are not necessarily indicative of results to be expected in future periods, and results for interim periods are not necessarily indicative of results for the full year. The Companies' audited financial statements are referred to collectively as the Companies' "financial statements."

The Companies' financial statements included herein have been prepared in accordance with IFRS. The following summary financial and operating data for AES Panamá, AES Changuinola, Costa Norte and Gas Natural Atlántico should be read in conjunction with the information under the captions "Selected Financial and Operating Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies".

Financial and Operating Data of AES Panamá

Summary Statements of Comprehensive Income Data of AES Panamá

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(U.S.\$ in thousands)				
Revenue					
Electricity sales	81,775	83,877	338,193	363,429	342,619
Total operating costs and expenses	57,134	77,605	276,413	263,517	250,830
Operating income	24,641	6,272	61,780	99,912	91,789
Total other expenses, net	(7,643)	(10,100)	(34,786)	(15,110)	(16,288)
Income (loss) before income tax expense	16,998	(3,828)	26,994	84,802	75,501
Income tax expense	4,912	378	8,604	22,976	17,200
Net income (loss)	12,086	(4,206)	18,390	61,826	58,301
Amortization of other comprehensive income of affiliate	19	20	78	78	78
Other comprehensive loss of derivative instruments	(20,749) ⁽¹⁾	-	-	-	-
Total other comprehensive (loss) income	(8,644)	(4,186)	18,468	61,904	58,379

(1) Represents unrealized loss from the net fair value of derivative instruments outstanding as of March 31, 2020.

Summary Statements of Financial Position Data of AES Panamá

	As of March 31,	As of December 31,	
	2020	2019	2018
	(U.S.\$ in thousands)		
Assets			
Total current assets	146,823	123,981	111,184
Total non-current assets	728,485	664,486	573,960
Total Assets	875,308	788,467	685,144
Liabilities and Stockholders' Equity			
Total current liabilities	53,455	51,214	58,420
Total non-current liabilities	693,175	599,951	469,129
Total Stockholders' Equity	128,678	137,302	157,595
Total Liabilities and Stockholders' Equity	875,308	788,467	685,144

Summary Statements of Cash Flows of AES Panamá

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(U.S.\$ in thousands)				
Net cash (used in) provided by operating activities	(42,724)	26,798	100,386	122,796	108,302
Net cash used in investing activities	(1,400)	(3,027)	(11,082)	(13,112)	(15,769)
Net cash provided by (used in) financing activities	71,067	(6,613)	(75,537)	(110,255)	(93,272)

EBITDA and Credit Ratios of AES Panamá

	For the three months ended March 31,	For the year ended December 31,		
	2020	2019	2018	2017
	(U.S.\$ in thousands)			
EBITDA	38,055	119,064	142,627	135,508
Net Debt/EBITDA ⁽¹⁾	2.8x ⁽²⁾	2.9x	2.6x	2.6x
EBITDA/Interest	6.02x ⁽²⁾	5.22x	6.34x	6.04x

(1) Net Debt is calculated as total debt minus cash and cash equivalents.

(2) Calculated EBITDA and interest for the 12 months ended March 31, 2020. In this table, EBTIDA is calculated as set out in "Presentation of Financial and other Information—Financial Statements," which differs from the definitions of EBITDA used to calculate financial ratios under the Operating Company Loans. The definitions applicable under the Operating Company Loans are set out in "Description of the Financing Documents—Operating Company Loan Agreements—Covenants"

Operating data of AES Panamá

	For the three months ended March 31,	For the year ended December 31,		
	2020	2019	2018	2017
	(in thousands)			
Installed Capacity (MW)	554	554	554	554
Firm Capacity	371.1	371.1	371.1	371.1
GWh generated (net)	284.2	1272.3	2064.1	2113.6
GWh sold	638.4	2,790.4	2,870.9	2,840.8
Average all-in price of electricity sold ⁽¹⁾	122.5	114.6	104.9	101.1

(1) Expressed as U.S.\$/MWh.

Financial and Operating Data of AES Changuinola

Summary Statements of Comprehensive Income Data of AES Changuinola

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
<i>(U.S.\$ in thousands)</i>					
Total revenues.....	18,134	6,628	27,527 ⁽¹⁾	112,449	98,807
Total operating cost and expenses.....	10,282	9,030	41,878	46,996	41,556
Operating income (loss).....	7,852	(2,402)	(14,351)	65,453	57,251
Total other (expenses) income, net	(5,517)	(7,693)	8,271	(22,969)	(24,738)
Income (loss) before income tax expense	2,335	(10,095)	(6,080)	42,484	32,513
Net income (loss).....	2,212	(12,843)	(9,240)	33,763	22,892
Total other comprehensive income (loss)⁽²⁾	2,309	(12,746)	(8,851)	34,152	23,281

- (1) The Changuinola Plant was offline from January 28, 2019 through January 2, 2020, due to the concrete re-lining of the Changuinola tunnel. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies— Principal Factors Affecting Results of Operations of the Companies—AES Changuinola Outage and Other Maintenance and Improvements."
- (2) Represents unrealized income or loss from the net fair value of derivative instruments outstanding at the end of the period.

Summary Statements of Financial Position Data of AES Changuinola

	As of March 31,	As of December 31,	
	2020	2019	2018
<i>(U.S.\$ in thousands)</i>			
Assets			
Total current assets	45,335	37,880	78,427
Property, plant and equipment, net.....	526,079	529,875	490,272
Total non-current assets.....	570,649	572,213	532,122
Total assets	615,984	610,093	610,549
Liabilities and Stockholders' Equity			
Total current liabilities	60,534	49,027	28,645
Total non-current liabilities.....	309,961	317,898	329,687
Total stockholders' equity.....	245,489	243,168	252,217
Total Liabilities and Stockholders' Equity	615,984	610,093	610,549

Summary Statements of Cash Flow of AES Changuinola

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
<i>(U.S.\$ in thousands)</i>					
Net cash (used in) provided by operating activities.....	(1,650)	8,858	2,518	72,853	63,004
Net cash (used in) provided by investing activities	(819)	(1,207)	(2,143)	(5,804)	414
Net cash used in financing activities.....	(103)	(10)	(34,698)	(44,257)	(54,316)

EBITDA and Credit Ratios of AES Changuinola

	For the three months ended March 31,	For the year ended December 31		
	2020	2019	2018	2017
	(U.S.\$ in thousands)			
EBITDA	12,783	3,494	83,574	75,018
Net Debt/EBITDA ⁽¹⁾	22.2x ⁽²⁾⁽³⁾	89.4x ⁽³⁾	3.5x	4.4x
EBITDA/Interest	0.62x ⁽²⁾	0.15x	3.45x	2.94x

- (1) Net Debt is calculated as total debt minus cash and cash equivalents.
- (2) Calculated EBITDA and interest for the 12 months ended March 31, 2020. In this table, EBITDA is calculated as set out in "Presentation of Financial and other Information—Financial Statements," which differs from the definitions of EBITDA used to calculate financial ratios under the Operating Company Loans. The definitions applicable under the Operating Company Loans are set out in "Description of the Financing Documents—Operating Company Loan Agreements—Covenants,"
- (3) Decrease in EBITDA in 2019 was due in part to the concrete re-lining of the Changuinola tunnel performed between January 2019 and January 2020. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations of the Companies—Principal Factors Affecting Results of Operations of the Companies—AES Changuinola Outage and Other Maintenance and Improvements."

Operating data of AES Changuinola

	For the three months ended March 31,	For the year ended December 31		
	2020	2019	2018	2017
	(in thousands)			
Installed Capacity (MW)	223.0	223.0	223.0	223.0
Firm Capacity	175.3	175.3	175.3	175.3
GWh generated (net)	162.1	91.3 ⁽¹⁾	1,082.6	856.3
GWh sold	162.1	91.3	1,082.6	856.3
Average all-in price of electricity sold ⁽²⁾	90.6	91.5	92.2	102.0

- (1) Reduced generation was due in part to maintenance and repair work performed on the tunnel.
- (2) Expressed as U.S.\$/MWh.

Financial and Operating Data of Gas Natural Atlántico

Summary Statements of Comprehensive Income Data of Gas Natural Atlántico

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(U.S.\$ in thousands)				
Total revenues	67,224	75,239	288,257	86,690	-
Total operating costs and expenses	51,311	73,242	252,855	81,637	3,119
Operating income (loss)	15,913	1,997	35,402	5,053	(3,119)
Total other expenses, net	(6,974)	(7,621)	(48,361)	(9,529)	(2,078)
Income (loss) before income tax	8,939	(5,624)	(12,959)	(4,476)	(5,197)

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(U.S.\$ in thousands)				
Net income (loss).....	6,190	(6,968)	(12,935)	782	(5,197)
Other comprehensive (loss) income ⁽¹⁾	(34,437)	(3,912)	(1,388)	2,700	(2,073)
Total other comprehensive (loss) income	(28,247)	(10,880)	(14,323)	3,482	(7,270)

(1) Represents unrealized income or loss from the net fair value of derivative instruments outstanding at the end of the period.

Summary Statements of Financial Position Data of Gas Natural Atlántico

	As of March 31,	As of December 31,	
	2020	2019	2018
	(U.S.\$ in thousands)		
Assets			
Total current assets	133,921	111,336	89,674
Total non-current assets.....	490,748	504,713	474,497
Total Assets	624,669	616,049	564,171
Liabilities and Stockholders' Equity			
Total current liabilities	70,985	61,836	440,491
Total non-current liabilities.....	479,502	451,785	6,917
Total stockholders' equity.....	74,182	102,428	116,763
Total Liabilities and Stockholders' Equity	624,669	616,049	564,171

Summary Statements of Cash Flows of Gas Natural Atlántico

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(U.S.\$ in thousands)				
Net cash flow provided by (used in) operating activities	32,741	9,439	47,629	(51,021)	(8,889)
Net cash (used in) investing activities.....	(22,132)	(3,576)	(4,868)	(55,419)	(226,919)
Net cash (used in) provided by financing activities.....	(4,746)	3,704	(24,789)	106,259	236,018

EBITDA and Credit Ratios of Gas Natural Atlántico

	For the three months ended March 31,	For the year ended December 31,		
	2020	2019	2018	2017
	(U.S.\$ in thousands)			
EBITDA	21,765	68,706	12,635	(2,619)
Net Debt/EBITDA ⁽¹⁾	5.2x ⁽²⁾	5.8x	29.5x	(98.5.0x)
EBITDA/Interest	3.23x ⁽²⁾	2.83x	0.53x	0.22x

(1) Net Debt is calculated as total debt minus cash and cash equivalents.

(2) Calculated EBITDA and interest for the 12 months ended March 31, 2020. In this table, EBTIDA is calculated as set out in "Presentation of Financial and other Information—Financial Statements," which differs from the definitions of EBITDA used to calculate financial ratios under the Operating Company Loans. The definitions applicable under the Operating Company Loans are set out in "Description of the Financing Documents—Operating Company Loan Agreements—Covenants,"

Operating data of Gas Natural Atlántico

	For the three months ended March 31,	For the year ended December 31,		
	2020	2019	2018	2017
Installed Capacity (MW)	381	381	381	n/a
Firm Capacity	354.7	360.0	360.0	n/a
GWh generated (net)	718.2	2,708.0	487.0	n/a
GWh sold	477.3	2,092.4	640	n/a
Average all-in price of electricity sold ⁽¹⁾	106.3	103.9	117.8	n/a

(1) Expressed as U.S.\$/MWh.

Financial and Operating Data of Costa Norte

Summary Statements of Comprehensive Income Data of Costa Norte

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
<i>(U.S.\$ in thousands)</i>					
Terminal services	10,878	8,736	37,617	21,930	-
Operating costs and expenses					
Total operating costs and expenses	5,732	4,400	21,691	13,038	6,681
Operating income (loss)	5,146	4,336	15,926	8,892	(6,681)
Total other (expense) income, net	(4,864)	(1,996)	(20,676)	3,811	3,286
Income (loss) before income tax expense (benefit)	282	2,340	(4,750)	12,703	(3,395)
Net Income (loss)	147	1,680	(4,145)	14,889	(3,785)
Other comprehensive (loss) income ⁽¹⁾	(16,159)	(1,299)	(544)	406	(1,840)
Total other comprehensive (loss) income	(16,012)	381	(4,689)	15,295	(5,625)

(1) Represents unrealized income or loss from the net fair value of derivative instruments outstanding at the end of the period.

Summary Statements of Financial Position Data of Costa Norte

	As of March 31,	As of December 31,	
	2020	2019	2018
<i>(U.S.\$ in thousands)</i>			
Assets			
Total current assets	42,741	38,365	35,044
Total non-current assets	605,574	609,186	438,839
Total Assets	648,315	647,551	473,883
Liabilities and Stockholders' Equity			
Total current liabilities	24,159	20,472	178,753
Total non-current liabilities	348,055	334,967	18,304
Total stockholders' equity	276,101	292,112	276,826
Total Liabilities and Stockholders' Equity	648,315	647,551	473,883

Summary Statements of Cash Flows of Costa Norte

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
(U.S.\$ in thousands)					
Net cash flows (used in) provided by operating activities.....	(1,841)	(7,863)	22,977	(1,407)	495
Net cash used in investing activities	(3,116)	(30,913)	(38,757)	(29,348)	(104,442)
Net cash (used in) provided from financing activities	(2,104)	38,569	25,556	30,554	104,407

EBITDA and Credit Ratios of Costa Norte

	For the three months ended March 31,	For the year ended December 31,		
	2020	2019	2018	2017
(U.S.\$ in thousands)				
EBITDA	9,852	31,307	12,756	(5,948)
Net Debt/EBITDA ⁽¹⁾	5.6x ⁽²⁾	5.7x	9.3x	(5.5x)
EBITDA/Interest	3.25x ⁽²⁾	2.97x	1.85x	1.98x

(1) Net Debt is calculated as total debt minus cash and cash equivalents.

(2) Calculated EBITDA and interest for the 12 months ended March 31, 2020. In this table, EBITDA is calculated as set out in "Presentation of Financial and other Information—Financial Statements," which differs from the definitions of EBITDA used to calculate financial ratios under the Operating Company Loans. The definitions applicable under the Operating Company Loans are set out in "Description of the Financing Documents—Operating Company Loan Agreements—Covenants,"

Operating data of Costa Norte

	For the three months ended March 31,	For the year ended December 31,		
	2020	2019	2018	2017
Storage Capacity (M ³)	180,000	180,000	n/a	n/a
Contracted TBTUs (as a percentage of total storage capacity)	34%	34%	n/a	n/a

The Companies' dividend practice

The dividend practice of the Companies is to maximize the payment of dividends subject to a number of factors and considerations. For AES Panamá, the relevant factor is the restricted payment covenant under the AES Panamá Notes (unless that covenant is suspended for so long as AES Panamá retains one investment grade rating as set forth in the indenture related to those bonds) and for so long as the AES Panamá Notes are outstanding. The AES Panamá Notes are expected to be prepaid in full on the Issue Date with the proceeds of the Operating Company Loan incurred by AES Panamá. In addition, as the payments are made in cash, AES Panamá would need to ensure that there is adequate cash at the business, which is a function of adequate working capital at the business level and overall liquidity, including the availability of cash and short-term credit lines. AES Panamá also considers its long-term forecast (such as funding for capital expenditure) as well as any relevant tax and accounting issues. AES Panamá distributed dividends of U.S.\$69.8 million in 2017, U.S.\$98.5 million in 2018 and U.S.\$13.1 million in 2019. In addition, AES Panamá distributed dividends of U.S.\$ 25 million on July 16, 2020. As of December 31, 2019, Global Power holdings owned 49.07% of AES Panamá's authorized capital.

With respect to AES Changuinola, the dividends are paid in proportion to the ownership interest of Global Power Holdings and AES Panamá which as of December 31, 2019, was 80% and 20%, respectively. AES Changuinola is currently subject to the restricted payment covenants under the AES Changuinola Series A Bonds, the AES Changuinola Series B Bonds and a U.S.\$30.0 million syndicated revolving line of credit entered into among AES Changuinola, Banco General, S.A. and Banco Nacional de Panama on December 14, 2018 (the "Changuinola Line of Credit"). AES Changuinola expects that the holders of the AES Changuinola Bonds and the lenders under the

Changuinola Line of Credit will vote to amend those provisions to delete the restricted payment covenants. In the event the restricted payment covenants would no longer be in effect, AES Changuinola would need to ensure there is adequate cash in the business which is a function of adequate working capital at the business level and overall liquidity, including the availability of cash and short-term credit lines. AES Changuinola also considers its long-term forecast (such as funding for capital expenditure) as well as any relevant tax and accounting issues. Over the past three years, AES Changuinola has only distributed dividends of U.S.\$8.9 million in 2017.

With respect to Gas Natural Atlántico and Costa Norte, since these companies are recently operational no dividends have been declared or distributed; however they share a similar dividend practice as AES Panamá and AES Changuinola. Gas Natural Atlántico and Costa Norte are currently subject to the restricted payment covenant under the Colón Facility Financing, which is expected to be prepaid in full on the Issue Date with the proceeds of the Operating Company Loans incurred by Gas Natural Atlántico and Costa Norte.

The Operating Company Loans will not contain any restricted payment covenants (other than a payment default and other specified defaults) and, accordingly, no financial covenants that would contractually limit the Companies' ability to pay dividends are anticipated other than under the AES Changuinola Bonds and the AES Changuinola Line of Credit. Any decision as to whether to declare and pay dividends is ultimately made by the board or directors of the relevant entity, and there is no assurance as to how each board of directors will make any future determination regarding the payment of dividends. Dividends payable by the Companies to Global Power Holdings form part of the Collateral.

RISK FACTORS

An investment in the Notes involves 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. The Companies' and the Issuer's businesses, financial condition or results of operations could be materially adversely affected by any of these risks. The risks described below are not the only ones facing the Companies, the Issuer or investments in Panama in general. Additional risks not presently known to the Issuer or the Companies or that the Issuer or the Companies currently deem immaterial may also impair the Issuer's or the Companies' business operations.

This offering memorandum also contains forward-looking statements that involve risks and uncertainties. The Companies' and the Issuer's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by the Companies and the Issuer described below and elsewhere in this offering memorandum.

Risks Relating to the Structure of the Transaction

Issuer does not own the Companies.

AES established the Issuer to serve as a refinancing vehicle for the Companies. AES owns 50% of the Issuer through AES EDC Holding LLC and the remaining 50% through AES Foreging Energy Holdings LLC. The Issuer does not own or control the Companies. The Issuer, as lender, will enter into the Operating Company Loan Agreements with the Companies and apply payments received under the Operating Company Loans to make payments on the Notes and other Secured Debt of the Issuer. Should the Companies fail to make payments under the Operating Company Loans, the Issuer may not be able to make payments on the Notes and its other Secured Debt. In addition, because the Issuer does not control the Companies, the Companies' shareholders could take certain actions that limit the Companies' ability to generate sufficient revenue to make payments under the Operating Company Loans. See "Risk Factors—Risks Relating to the Companies' Businesses—The Panamanian government currently owns a majority of AES Panama's equity as well as an indirect interest in AES Changuinola and its interests may differ from the interests of Noteholders." and "Risk Factors—Risks Relating to the Companies' Businesses —The Companies' managing equity holders may exercise management control in a manner that differs from the Issuer's interests or your interests as a Noteholder."

No Company will be required to cure a default under another Company's Operating Company Loan and there can be no assurance that funds available from the Liquidity Facility, funds on deposit in the Issuer Collection Account or enforcement on the amounts, if any, in the GPH Dividend Collection Accounts or the quotas of Global Power Holdings in the Companies will be sufficient to make up any shortfall resulting from a default under one or more Operating Company Loans.

Each Operating Company Loan is the obligation of the applicable Company to which the Operating Company Loan was extended and not of any other Company. No Company will have any obligation to make payment on any other Company's Operating Company Loan nor will any Company be required to cure a default under another Company's Operating Company Loan. As a result, the Issuer may only look to each Company for repayment of its own Operating Company Loan. Although the Liquidity Facility and funds, if any, on deposit in the Issuer Collection Account or the GPH Dividend Collection Accounts or proceeds from enforcement on the quotas of Global Power Holdings in the Companies will be available to satisfy any shortfall in funds from the Operating Company Loans to make payments on the Notes, there can be no assurance that those funds and proceeds will be sufficient to make up any shortfall in payments under the Notes resulting from a default under one or more Operating Company Loans. The Liquidity Facility will terminate in 2023, and the Issuer has no obligation to extend or renew it on similar terms or at all.

It may prove difficult for the holders of the Notes to sell or otherwise dispose of Global Power Holdings's quotas in the Companies.

Global Power Holdings's quotas in the Companies are not publicly traded in the U.S., Panama or in any other jurisdiction. Accordingly, there is currently no market for the quotas in the U.S., Panama or any other jurisdiction.

Should you obtain the quotas through foreclosure or enforcement of collateral, there can be no assurance that you will be able to sell those quotas promptly or at all or at a favorable price.

A default by any Company on its obligations under its Operating Company Loans will negatively affect the ability of the Issuer to make interest and principal payments under the Notes.

The Issuer is a newly-formed special purpose vehicle with no independent business or operations. Its only assets and sources of revenue will be the Operating Company Loans which it will make pursuant to the Operating Company Loan Agreements when it lends the net proceeds of the Notes and the Loan Facility to the Companies. If any of the Companies defaults on its obligations under its Operating Company Loan, the Issuer expects to have access to the Liquidity Facility and any funds on deposit in the GPH Dividend Collection Accounts to help make up any shortfall and satisfy its obligations under the Notes. In the event a shortfall is not cured by the Liquidity Facility or by using funds in the Issuer Collection Account and/or the GPH Dividend Collection Accounts, the holders of the Notes and the creditors under the Loan Facility could, subject to the terms of the Indenture, enforce on the quotas of Global Power Holdings in the Companies. Nevertheless, any such default will negatively affect the ability of the Issuer to make interest and principal payments under the Notes.

The terms of the Operating Company Loans will contain covenants limiting the Companies' financial and operating flexibility.

The terms of the Operating Company Loans will contain various covenants that limit the Companies' financial and operating flexibility. For example, these covenants, subject to exceptions, will restrict the Companies' ability and the ability of certain of their subsidiaries to, among other things:

- incur additional indebtedness and guarantee indebtedness;
- create certain liens;
- make certain asset dispositions;
- make certain loans or investments;
- enter into transactions with affiliates; and
- merge, consolidate, or sell, lease or transfer all or substantially all of their assets.

If a Company fails to comply with these covenants, it would be in default under its respective Operating Company Loan. There can be no assurance that the operating and financial restrictions and covenants in the Operating Company Loan Agreements will not adversely affect the Companies' ability to finance their future operations or capital needs, or engage in other business activities that may be in their interest, or react to adverse market developments.

An event of default under an Operating Company Loan could trap dividends from the Operating Company.

During the 45-day period following each interest payment date on the Notes, funds in the dividend collection accounts may be released to GPH, assuming there are no defaults or events of default under the Secured Debt, no amounts are outstanding under Liquidity Facility and there are no defaults under OpCo loans that would block the release. In certain cases, after the applicable cure period ends, an event of default under an Operating Company Loan could trap dividends of that Operating Company (or in certain circumstances, other non-defaulting Operating Companies) as further described in "Description of the Notes—Collateral Arrangements—Flow of Revenues—Offshore Collateral Trustee Transfer of Funds on Deposit in the GPH Dividend Collection Accounts.

The lenders under the loan facility have certain rights and benefit from certain protections that are not available to the holders of the Notes.

The Issuer will issue the Notes in conjunction with its borrowing under the Loan Facility. The lenders under the Loan Facility enjoy certain rights that are not available to the holders of the Notes, including, without limitation, certain events of default for breaches of representations and conditions precedent under the Operating Company

Loans, ongoing debt service coverage ratio maintenance covenants, and the blocking of dividends paid by a non-defaulting Operating Company from being released from the GPH Distribution Account in the event of certain Events of Default that do not constitute Fundamental Events of Default by another Operating Company, all as further described in "Description of the Notes" and "Description of the Financing Documents—Loan Facility and Liquidity Facility." In the event of Asset Sales the Loans are required to be prepaid with the proceeds thereof, whereas the Issuer will make an offer to purchase the Notes, not a Mandatory Redemption. In addition, the Loan Facility matures prior to the Notes, and may be prepaid by the Issuer, at its option, by having one or more Operating Companies prepay the relevant portion of the Operating Company Loans without redeeming the Notes on a pro rata basis or at all. The Intercreditor Agreement may also limit the ability of the holders of the Notes to enforce their rights in circumstances when the Loan Facility is outstanding, as further described in "Description of the Notes—Intercreditor Agreement."

The Issuer may not be able to repurchase the Notes upon a change of control repurchase event.

Under the Operating Company Loans, if a change of control occurs with respect to the Issuer, all Companies will be required to prepay the portion of their Operating Company Loans funded with proceeds of the Loan Facility. In addition, if a change of control occurs with respect to a Company, the applicable Company will be required to notify the Issuer and prepay its Operating Company Loan as instructed by the Issuer. Under the Indenture, if the Issuer receives notice that a change of control has occurred with respect to an Operating Company, the Issuer will be required to offer to repurchase all outstanding Notes at 101% of their principal amount plus accrued and unpaid interest. The Issuer will instruct the Company to prepay the Operating Company Loan in an amount sufficient to pay the total tender consideration payable to tendering holders of Notes and prepay the portion of the Loan Facility used to fund the applicable Operating Company Loan. The Issuer will apply funds received from the prepayment of the Operating Company Loan to pay the applicable tender consideration and prepay the Loan Facility in part.

If any Company fails to prepay its Operating Company Loan as required, the Issuer will not have sufficient funds to redeem the Notes. The failure of any Company to prepay its Operating Loans would cause a default under the Operating Company Loans and the Issuer's failure to redeem the Notes would cause a default under the Indenture, the Issuer may not be able to repurchase all the Notes tendered pursuant to such an offer because it may not have sufficient funds. The Issuer's failure to repurchase the.

In addition, the change of control repurchase event provisions in the Indenture may not protect you from certain important corporate events, such as a leveraged recapitalization (which would increase the level of our indebtedness), reorganization, restructuring merger or other similar transaction, unless such transaction constitutes a "Change of Control Repurchase Event" under the Indenture. Such a transaction may not involve a change in voting power or beneficial ownership or, even if it does, may not involve a change that constitutes a "Change of Control Repurchase Event" as defined in the Indenture that would trigger our obligation to repurchase the Notes. Therefore, if an event occurs that does not constitute a "Change of Control Repurchase Event" as defined in the Indenture, the Issuer will not be required to offer to repurchase your Notes despite the event. See "Description of the Notes—Change of Control Repurchase Event."

The holders of the Notes will not have a right to determine whether a Company should be permitted to reinvest any Excess Proceeds following an Asset Sale.

Under the Operating Company Loans, and as further described in "Description of the Financing Documents—Operating Company Loan Agreements—Affirmative Covenants—Asset Sales" the Companies are required to reinvest in their respective businesses the proceeds of any Asset Sale within 365 days and to apply any Excess Proceeds (as defined herein) to prepay its Operating Company Loans. Under the Indenture, if the Issuer receives notice that an Asset Sale has occurred, it is required to offer to purchase a principal amount of Notes equal to the pro rata portion of any Excess Proceeds corresponding to the portion of the Operating Company Loans funded with the proceeds of the Notes. Under the Loan Agreement, the Issuer is required to prepay the Loan in an amount equal to any Excess Proceeds received by the Issuer and not applied to repurchase Notes, even if that amount exceeds the pro rata portion of the Excess Proceeds corresponding to the portion of the Operating Company Loans funded with the proceeds of the Loan. As a result, even if the holders of the Notes do not tender the maximum amount of Notes subject to the offer to purchase, the Company will not be permitted to reinvest any Excess Proceeds in its business.

The Issuer may not be able to fund the redemption or repurchase of the Notes prior to their maturity as required under the Indenture if there is an Event of Loss.

Upon the occurrence of an Event of Loss, the relevant Company will be required to prepay a portion of their respective Operating Company Loans and the Issuer will be required to redeem a portion of the Notes. If any Company fails to prepay its Operating Company Loan, the Issuer will not have sufficient funds to redeem the Notes. Further, the Companies may be contractually restricted under the terms of their existing or future indebtedness from prepaying all of the Operating Company Loans. Accordingly, the Companies may not be able to satisfy their obligations to prepay the Operating Company Loans unless they are able to refinance or obtain waivers under their existing indebtedness. The failure of any Company to prepay its Operating Company Loan would cause a default under the Operating Company Loans and the Issuer's failure to redeem the Notes would cause a default under the Indenture. The agreements governing the Companies' or the Issuer's future debt facilities may include events of default that permit lenders to accelerate the maturity of borrowings under those facilities if there is a default under the Operating Company Loans or under the Notes, as applicable and, if that debt is not paid, to enforce security interests in the collateral securing that debt. This would limit the Companies' and the Issuer's ability to raise cash to prepay the Operating Company Loans or redeem the Notes, as applicable, and reduce the practical benefit of the mandatory prepayment and redemption provisions to the Issuer and the holders of the Notes.

The Notes will be secured only by the Collateral, which includes a security interest in the Operating Company Loans and in Global Power Holdings's quotas in the Companies, irrespective of the value of any assets of the Companies.

If there is an event of default under the Notes, the holders of the Notes will be secured only to the extent of the value of the Collateral, which principally consists of the Operating Company Loans, Global Power Holding's equity interest and its rights to receive Dividends from the Companies, which have been or will be pledged for the benefit of the holders of the Notes, the holders of the AES Changuinola Bonds and the lenders under the Loan Facility and the Liquidity Facility. The Notes are not secured by any of the Companies' property, equipment, revenue streams, or any other tangible assets. Holders of the Notes will have no claim or recourse for the payment of any amount owing under the Notes against any of the Issuer's, the Companies' or any of their respective officers, members, directors, employees, security holders or incorporators or their successors or assigns for any amounts payable under the Notes. Accordingly, the Collateral may affect the value of the security granted to the holders of the Notes under the Notes.

Security Interest in the Collateral may not be in place or perfected on the Issue Date or at all.

As of the date of this offering memorandum, Global Power Holdings's quotas in Gas Natural Atlántico and Costa Norte are pledged to the collateral agent under the Colón Facility Financing for the benefit of the lenders under the Colón Facility Financing. On the Issue Date, a portion of the proceeds of the Notes will be applied to fund an Operating Company Loan to Gas Natural Atlántico and Costa Norte, who will apply the proceeds of that Operating Company Loan to prepay the Colón Facility Financing. When all amounts due under the Colón Facility Financing have been paid in full, the existing security interest over Global Power Holdings's quotas in Gas Natural Atlántico and Costa Norte will be released and a new security interest will be created through the CONO/GNA Quota Pledge Agreement as promptly as practicable following the Issue Date in favor of the Onshore Collateral Trustee, as trustee of the Collateral Trust, for the benefit of the holders of the Notes and the lenders under the Liquidity Facility and the Loan Facility. There can be no assurance that the security interest in Global Power Holdings's quotas in Gas Natural Atlántico and Costa Norte will be perfected on a timely or on a first-priority basis following the Issue Date or that, to the extent the security interest is perfected, that any claims of holders of the Notes with respect to that security interest will not be materially impaired by any potential delays or priority of claims.

Holders may not be able to influence actions of the Issuer.

You may be unable to influence or otherwise control the actions of the Issuer, and, as a result, you may be unable to stop actions that are adverse to you. Holders of the Notes may need the approval or consent of other creditors of the Issuer to take or direct various actions relating to the Issuer, and the interests of the other holders may not coincide with your interests, making it more difficult (or impossible) for you to achieve your desired results in a situation requiring the consent or approval of other holders.

Payments on the Notes may be subject to withholding under FATCA.

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "FATCA"), a "foreign financial institution" may be required to withhold U.S. tax on payments on certain debt instruments. However, the application of these rules is not clear. Even if withholding would be required pursuant to FATCA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date final regulations defining "foreign passthrough payments" are published in the U.S. Federal Register, and Notes issued on or prior to the date that is six months after the date on which applicable final regulations are filed generally would be "grandfathered" for FATCA purposes unless materially modified after such date. Non-U.S. governments (including Panama) have entered into agreements with the United States to implement FATCA in a manner that alters the rules described herein. Prospective purchasers should consult their tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is required with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

Risks Relating to the Companies' Businesses

Adverse hydrology conditions, including low rainfall and drought, may result in shortages in the water supply for hydroelectric generators, which would adversely impact the results of AES Panamá and AES Changuinola.

Because most of the AES Panamá's and AES Changuinola's facilities are hydroelectric, they are dependent on the prevailing hydrological conditions in the geographic regions in which they operate. The regions where the Hydroelectric Facilities are located are subject to unpredictable hydrological conditions, with non-cyclical deviations in the availability of water from rainfall or aquifers. Recently, Panama has experienced a severe drought causing domestic water levels to drop significantly. Panama experienced below average hydrology in 2017 and 2018, and it experienced its driest year on record in 2019, while hydrology in the three months ended March 31, 2020 was 97% higher than in the three months ended March 31, 2019.

Below-average inflows result in lower generation of electricity by the Hydroelectric Facilities and, therefore, may reduce the revenue generated by the Hydroelectric Facilities, increasing AES Panamá's dependence on Penonomé, the Colón Plant and, while it remains in operation, Estrella del Mar. In addition, if low hydrological conditions sufficiently reduce the supply of electricity to the Panamanian market and non-hydroelectric plants do not generate sufficient electricity to compensate for this reduction, the Panamanian government may implement broad electricity conservation programs, including mandated reductions in electricity consumption. Similarly, during periods of severe or sustained below-average rainfall, if the non-hydroelectric plants in the system, including Penonomé, Colón Plant and, while it remains in commercial operation, Estrella del Mar, do not produce sufficient electricity to compensate for reduced production by the Hydroelectric Facilities, AES Panamá will be required to purchase electricity on the spot market, possibly at higher prices than it has contracted to sell. Failure to obtain sufficient replacement energy in the spot market could subject AES Panamá to steep penalties as described in "—It may be difficult for the Companies to fulfil their contractual obligations and they may need to purchase energy from other generation companies at the prevailing spot market price which may be higher than the price at which they sell energy under their PPAs."

Hydrological conditions fluctuate, and there can be no assurance that these fluctuations will not adversely affect the operating results of AES Panamá and AES Changuinola. For example, as a result of poor hydrology and because Changuinola was offline for much of 2019, the Hydroelectric Facilities generated significantly less energy in 2019 than in previous years. In order to meet its contractual commitments under its PPAs, AES Panamá relied on generation by Estrella del Mar and purchased more energy on the spot market. Although spot market prices decreased in 2019 due to reduced commodity prices and the introduction of more efficient thermal generation in Panama, there was nevertheless a significant impact on AES Panamá's operating costs. In addition, the Companies expect that climate change may make hydrology less predictable in the future. See "Risk Factors—Risks Relating to the Companies' Business—It might be difficult for the Companies to fulfil their contractual obligations and may need to purchase energy from other generation companies at the prevailing spot market price which may be higher than the price at which they sell energy under their PPAs" for more information regarding risks associated with purchasing electricity in the spot market. In either case, drought or below-average hydrology could adversely affect the financial condition and results of operations of AES Panamá and AES Changuinola. For a further discussion of how hydrology affects the Companies' financial results, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies—Principal Factors Affecting Results of Operations of the Companies," and "Overview of the Panamanian Electricity Industry."

Fluctuating wind conditions, may result in lower generation or increased operational costs, which would adversely impact the results of AES Panamá.

Penonomé uses wind resources to generate electricity. The production of wind energy depends heavily on suitable wind conditions, which are variable and difficult to predict. Operating results for Penonomé vary significantly from period to period depending on the wind resource during those periods. Therefore, the electricity generated by Penonomé may not meet anticipated production levels or the rated capacity of its turbines, which could adversely affect AES Panamá's results of operations. In addition, wind resource estimates used to predict production levels and profitability of Penonomé are based on historical experience and are not expected to reflect actual wind energy production in any given year.

Winds follow seasonal patterns, reaching higher speeds between November and March and having lower speeds between April and October. During the windy months when wind speeds are at their highest, Penonomé is more efficient and generates more energy per hour of operation. During windy months, generation per month at Penonomé is on average 74% higher than generation per month during less windy months.

In addition, higher wind resources could increase the wear and tear and the costs of maintaining Penonomé in good working condition as they subject the plant to additional stress and maintenance and interventions may be required more frequently as a result. Similarly, when Penonomé generates higher revenues, AES Panamá's taxable income increases and the amount of income tax it pays on its results of operations increases as well.

The Panamanian government is considering repurposing the Bayano reservoir, which could adversely affect AES Panamá's results.

As a result of increased water usage due to population growth and the expansion of the Panama Canal and the effects of more volatile hydrology and climate change, the Panamanian government is evaluating alternatives to guarantee water supply in the future, including the use of water from the Bayano reservoir, which is owned by Panama and on concession to AES Panamá, to supply the Panama Canal and for human consumption in Panama City. As of the date of this offering memorandum, the Panamanian government and AES Panamá are negotiating a memorandum of understanding setting out certain guidelines related to the potential use of the Bayano reservoir for this purpose. A repurposing of the Bayano reservoir could reduce AES Panamá's aggregate installed capacity and negatively impact its ability to generate sufficient electricity to satisfy its obligations under its PPAs. If AES Panamá cannot amend its PPAs to reflect this decrease in its generation capacity, it may be required to purchase replacement energy in the spot market at higher prices. AES Panamá believes that if Panama chooses to repurpose the Bayano reservoir, it will compensate AES Panamá on a fair market basis; however, AES Panamá's Operating Company Loan exempts a transaction between Panama and AES Panamá with respect to Bayano from the restrictions otherwise applicable to affiliate transactions. In addition, if a transaction between Panama and AES Panamá involving Bayano takes the form of an asset sale, AES Panamá will be required to reinvest the Net Cash Proceeds of the Asset Sale within 365 days as set out in "Description of the Financing Documents—Operating Company Loans—Negative Covenants—Asset Sales." That reinvestment could include the purchase of Replacement Assets in an entity that would become an unrestricted subsidiary of AES Panamá. If after that reinvestment, Excess Proceeds total at least U.S.\$20 million, AES Panamá will be required to apply those Excess Proceeds to prepay its Operating Company Loan, and the Issuer will apply the proceeds of that prepayment, on a pro rata basis, to prepay the Loan Facility and offer to purchase the Notes as described in "Description of the Notes—Repurchase Upon Asset Sale Repurchase Event". In addition, if a transaction between AES Panamá and Panama involving Bayano constitutes an Asset Sale, AES Panamá will not be required to reinvest the Net Cash Proceeds or offer to purchase the Notes and prepay the Loan Facility if it maintains certain financial ratios after giving effect to the transaction or it obtains a Rating Affirmation with respect to the Notes (taking into account the applicable Bayano Transaction). There can be no assurance that the terms agreed regarding the use of the Bayano reservoir will provide financial compensation equivalent to what AES Panamá would receive from using Bayano to generate electricity.

It may be difficult for the Companies to fulfil their contractual obligations and they may need to purchase energy from other generation companies at the prevailing spot market price which may be higher than the price at which they sell energy under their PPAs.

Under the Panamanian market rules, generation facilities are centrally dispatched by the CND, beginning with renewable variable energy such as run-of-river hydroelectric plants (such as Estí, La Estrella and Los Valles),

and wind power plants (such as Penonomé) followed by hydroelectric plants with reservoirs (such as Bayano), then LNG plants (such as the Colón Plant) and resorting finally to diesel-powered plants (such as Estrella del Mar). As a result of this dispatch hierarchy and the Generation Companies' contractual commitments, the Generation Companies try to attain high levels of availability and dispatch all of the Generation Facilities as much as possible in order to operate profitably. Developments that could adversely affect the dispatch rate of the Generation Facilities include (but are not limited to) (i) changes in price-setting mechanisms and dispatch rules that could result in other plants being dispatched ahead of the Generation Facilities (primarily Bayano, the Colón Plant and Estrella del Mar) and (ii) the construction of new low-cost power plants that may displace Colón Plant and Estrella del Mar in the dispatch order and cause it to be dispatched less frequently. Through 2030, 98% of the Generation Companies' combined firm capacity is under contract.

If the electricity dispatched from the Generation Facilities is less than the level the Generation Facilities have contracted to provide or sell under their PPAs, the Generation Companies must purchase the difference in the spot market in order to fulfill their obligations under their PPAs, except for Penonomé which only compensates the offtaker for any shortfall in energy during the contracted period when its availability is below 90%. Failure to provide the required amount of electricity could subject the Generation Companies to penalties of up to five times the price of the electricity they fail to deliver under the applicable PPA, except for Penonomé which must compensate any shortfall in energy production during its contracted period at the PPA price. This can negatively impact the Generation Companies' results of operations because the replacement costs can be substantially higher than the average price at which they sell under their PPAs. In the three months ended March 31, 2020, due to the CND's dispatch hierarchy, AES Panamá was unable to meet its contractual obligations under hydro-based PPAs from the Hydroelectric Facilities and was required to purchase U.S.\$8.8 million of electricity at the average price of approximately U.S.\$64.27 per MWh, which was lower than the U.S.\$119.94 per MWh average sales price under its PPAs. For further information on the Penonomé PPA, see "AES in Panama—Power Purchase Agreements—Penonomé."

Conversely, during periods when the actual generation of the Generation Facilities is higher than the Generation Companies' contracted capacity, the Generation Companies are able to sell their excess capacity into the market at the then-current spot price, and under these circumstances lower spot prices result in lower revenues than if prevailing spot prices were higher.

Spot prices for energy can be affected by a number of factors that are beyond the Companies' control, such as weather conditions, seasonality, reductions in electricity usage, new market entrants, transmission congestion and new regulations. Fuel prices also affect the spot price for electricity because the spot price is set using the highest variable cost thermal unit to be dispatched to meet the system demand on an hourly basis, and the variable cost of thermal units depends heavily on the price of the fuel used to run them. Similarly, spot prices respond to the number of individual generation technologies available in a specific market. The Panamanian market is relatively less developed, making it more sensitive and volatile with respect to technological changes by its few generation companies.

With the exception of some of the Generation Companies' recently negotiated contracts with Large Customers, the PPAs the Colón Plant and, historically, the PPAs for Estrella del Mar, pricing terms under the Companies' PPAs for both capacity and energy are fixed with no indexation. In the three months ended March 31, 2020, the average all-in price under the PPAs for the Hydroelectric Facilities was approximately U.S.\$99.84 per MWh, which was higher than the average spot market price of U.S.\$65.95 per MWh during the three months ended March 31, 2020, which positively impacted the operating margins and profitability of the Generation Companies to the extent that they were required to purchase electricity on the spot market during that period to cover their obligations under the PPAs.

The PPAs for the Colón Plant, and, historically, the PPAs for Estrella del Mar, which are entered into with the Distribution Companies, incorporate fuel indexations in their contracted energy price calculation. Under these PPAs, operating margins result primarily from capacity payments, and Estrella del Mar and the Colón Plant earn an additional, smaller margin from their contracted energy, which consists of (i) the difference between the energy price used to calculate energy costs under the PPAs and the actual cost of fuel used to run the applicable plant when it is dispatched or (ii) the cost of spot market purchases for replacement energy when the plant is not dispatched. In the three months ended March 31, 2020, the PPAs for Estrella del Mar and the Colón Plant contributed additional revenue of U.S.\$20.5 million and U.S.\$50.7 million, respectively, which contributed to higher operating margins. If the price of the fuel used to operate either Estrella del Mar or the Colón Plant drops below the reference price used to calculate

the payments they receive for their contracted energy under the related PPAs or if the spot price of replacement energy drops below the contract price of the energy they sell, Estrella del Mar and the Colón Plant would not be entitled to payments for contracted energy, which may negatively impact their results of operations. See and "Risk Factors—Risks Related to the Companies' Businesses—The PPAs for Estrella del Mar have expired, and AES Panamá is considering the sale of Estrella del Mar."

The Companies derive a significant portion of their revenue from Panama's three Distribution Companies and Large Customers, which may be less creditworthy than the Distribution Companies.

In the three months ended March 31, 2020, revenues from electricity sales derived from capacity and energy supply agreements with the Distribution Companies and Large Customers represented 95% of AES Panamá's total electricity sales and 75.5% of Gas Natural Atlántico's total electricity sales. The remaining 5% of AES Panamá's revenues from electricity sales and 24.5% of Gas Natural Atlántico's revenue from electricity sales mainly derive from spot market sales. AES Panamá and Gas Natural Atlántico typically deliver electricity approximately forty days prior to receiving payment under their PPAs and are therefore vulnerable to any inability of the Distribution Companies or Large Customers to meet their respective payment obligations. Additionally, the Companies' strategic goal of contracting with Large Customers may result in an increase in credit risk, as these Large Customer offtakers may have lower credit ratings than the Distribution Companies. Accordingly, any adverse change in the assets, financial condition or results of operations of any of the Distribution Companies or Large Customers may materially adversely affect AES Panamá, Gas Natural Atlántico or their respective results of operations.

The PPAs for Estrella del Mar have expired, and AES Panamá is considering the sale of Estrella del Mar.

The Estrella del Mar PPAs expired in June 2020, and AES Panamá participated unsuccessfully in a recent energy auction to obtain a replacement PPA. If AES Panamá is unsuccessful in future energy auctions or if it fails to obtain PPAs with favorable terms, it may be required to continue selling electricity into the spot market at fluctuating prices, which could be more or less favorable to AES Panamá and could result in lower revenues and negatively impact AES Panamá's results of operations. As a result, AES Panamá is considering the sale of Estrella del Mar, and it began identifying potential buyers in the second quarter of 2020. The potential sale price of Estrella del Mar is yet to be determined; therefore, AES Panamá could sell Estrella del Mar for a price that is lower than its residual book value, which could negatively impact AES Panamá's results of operation. Under AES Panama's Operating Company Loan, a sale or other transfer of Estrella del Mar would not be required to comply with the restriction on sales of assets by AES Panamá.

The Colón Plant is subject to risk of loss or damage to the LNG and natural gas that is being processed and/or stored at the Colón Terminal and the Colón Terminal itself.

The natural gas and LNG processed and stored at the Colón Terminal and the Colón Terminal itself may be subject to loss or damage resulting from equipment malfunction, faulty handling or otherwise. As a result of the Colón Terminal's location on the Atlantic entrance to the Panama Canal, damage to the Colón Terminal could impair transit into and through the Panama Canal. Its proximity to the Colón Plant could also affect generation by the Colón Plant and negatively impact the financial condition and results of operations of Gas Natural Atlántico.

In addition, for the period of time during which LNG and natural gas are stored at the Colón Terminal, Costa Norte bears the risk of loss or damage to all such LNG and natural gas. Any such damage or loss to the natural gas and LNG processed and stored at the Colón Terminal or the Colón Terminal itself could have a material adverse effect on AES Colón's financial condition and results of operation.

Coverage under major equipment warranties may be limited.

Some of our equipment, including the Colón Facilities and the Changuinola tunnel, has major equipment warranties that are still in effect. These warranties are subject to certain conditions that, if not satisfied, would limit their coverage, requiring the applicable Company to incur additional costs to repair the equipment or improve its efficiency. Any such additional costs could have an adverse effect on the financial condition of the applicable Company and its ability to make payments under its Operating Company Loan, and in turn on the Issuer's ability to make payments on the Notes. For additional information on warranties and repairs "AES in Panama—The Electricity Generation Business."

The Colón Facilities involve regularly working with volatile and hazardous materials that subject Gas Natural Atlántico and Costa Norte to additional risks that may materially impact AES Colón's operations.

Costa Norte and Gas Natural Atlántico's LNG businesses involves using, storing, transporting and disposing of highly flammable and explosive materials, which are subject to extensive regulation. Even if Costa Norte and Gas Natural Atlántico both comply with requisite environmental, sanitary, security, transportation, risk management and safety requirements and standards, their operations are subject to significant hazards associated with using, storing, transporting and disposing of such materials, including:

- explosions;
- fires;
- mechanical failure, including pipeline or storage tank leaks and ruptures;
- discharges or releases of hazardous substances or gases;
- other environmental risks; and
- sabotage or terrorist attacks.

If any of these hazards were to cause an accident, damage or destruction in relation to Gas Natural Atlántico or Costa Norte's businesses, personnel or the environment, it could have a material adverse effect on Gas Natural Atlántico and Costa Norte's businesses, personnel, financial condition, results of operations, cash flows, prospects, ability to make payments under their Operating Company Loans and, in turn, the Issuer's ability to make payments on the Notes.

The Companies' property may be damaged and their business interrupted or impaired by the occurrence of natural disasters.

Natural disasters, such as hurricanes, floods, earthquakes or tsunamis, could severely impact the Companies' facilities or equipment or cause an interruption in their ability to generate electricity or transport, unload and store LNG and natural gas. There can be no assurance that the scope of damages the Companies may suffer in the event of a natural disaster would not exceed the policy limits of each Company's insurance. In addition, the effects of a natural disaster on Panama's economy could be severe and prolonged, leading to a decline in demand for electricity or natural gas or LNG. The occurrence of a natural disaster, particularly one that causes damages in excess of a Company's insurance policy limits, could have an adverse effect on its business, financial condition and results of operations. In addition, if a facility becomes damaged and the Company that owns it determines it will be unable to repair it, that Company will be required to prepay its Operating Company Loan in part in the amount of any insurance or other proceeds received in connection with the loss. The Issuer, in turn, will be required to redeem the corresponding portion of the Notes at par without a premium of any kind. Should an event of loss occur and the Issuer be required to redeem a portion of the Notes prior to their maturity, the holders of the Notes may not be able to realize their expected return on that portion of the Notes. See "Description of the Notes—Mandatory Redemption—General."

The Panamanian government currently owns a majority of AES Panamá's equity as well as an indirect interest in AES Changuinola and its interests may be different from the interests of Noteholders.

As of March 31, 2020, the Panamanian government owned 50.5% of the outstanding equity of AES Panamá and an indirect interest in AES Changuinola through AES Panamá's 20% ownership stake. See "Principal Equity Holders." In addition, although AES Panamá is subject to an administration agreement pursuant to which AES Latin America exercises managerial and operational control over AES Panamá, and AES Changuinola is subject to an administration agreement pursuant to which AES Panamá exercises managerial and operational control over AES Changuinola, certain matters remain subject to approval by the Company's shareholders. These matters include, among others, any amendment of articles of association or bylaws, mergers or spin offs, dissolution, the encumbrance of its concession agreements, engaging in new lines of business and the transfer of its corporate domicile to another country. The Panamanian government's interest in AES Panamá and its indirect interest in AES Changuinola may be different from those of Global Power Holdings or any of the Companies' stakeholders, including holders of the Notes. Global

Power Holdings has entered into a number of agreements with affiliates of the Panamanian government. For example, the Companies entered into PPAs with the Distribution Companies, in which the government has a minority participation. The Distribution Companies are the Companies' largest customers, and 90% of the Companies' aggregate firm capacity through 2030 is contracted under these PPAs. The Issuer cannot assure you that the Panamanian government will not encourage AES Panamá or AES Changuinola to enter into other agreements which may not necessarily be in the best interest of these Companies or their stakeholders, including holders of the Notes. See also "Risk Factors—Risks Relating to the Companies' Businesses—The Companies' managing equity holders may exercise management control in a manner that differs from the Issuer's interests or your interests as a Noteholder" for more risks related to the Companies' equity holders, as well as "Management—Certain Provisions of the Companies' Articles of Association Relating to Managerial Control of AES Panamá" and "Related Party Transactions."

The Companies' managing equity holders may exercise management control in a manner that differs from the Issuer's interests or your interests as a Noteholder.

The Companies' management is controlled by AES Latin America, which is ultimately controlled by AES. AES is a global conglomerate whose economic interests may be different from the Issuer's or yours as a Noteholder. Accordingly, AES may exercise control over the Companies in a manner that differs from your interests. The Companies have entered into a number of agreements with affiliates of AES. For example, AES Changuinola has entered into a management agreement with AES Panamá, and each of AES Panamá, Costa Norte and Gas Natural Atlántico has entered into a management agreement with AES Latin America. Pursuant to these agreements, AES Changuinola pays AES Panamá, and each of AES Panamá, Costa Norte and Gas Natural Atlántico pays AES Latin America, in all cases, an annual management fee in return for the management of their respective businesses. For additional information regarding these management agreements, see "Related Party Transactions." In addition, the Companies do not have an exclusivity agreement in place with AES, and AES opportunistically considers investments in Panama that could directly or indirectly compete with the Companies in their market. The Companies' other equity holders have voting rights in connection with certain management decisions, including, among other things, the sale or lease of assets, the appointment of board members, the declaration of dividends, inter-company transactions and the approval of liens, mortgages and pledges. A failure to obtain the consent of these other equity holders in connection with these management decisions, and specifically the declaration of dividends, could have a negative impact on the cashflows available to the Issuer to make payments on the Notes. See "Risk Factors—Risk Factors Relating to the Companies' Businesses—The Panamanian government currently owns a majority of AES Panamá's equity as well as an indirect interest in AES Changuinola and its interests may be different from the interests of Noteholders" for more risks related to the Companies' equity holders. Also see "Management—Certain Provisions of the Companies' Articles of Association Relating to Managerial Control of AES Panamá" and "Related Party Transactions."

Early termination of the Companies' concession agreements with the Panamanian government could adversely affect the Companies' results.

The Hydroelectric Facilities operate pursuant to concession agreements with the Panamanian government. These concession agreements expire on December 2048 (Bayano, La Estrella and Los Valles), February 2056 (Estí), and 2056 (Changuinola). In addition, AES Panamá and AES Colón operate Estrella del Mar, the Colón Facilities and Penonomé pursuant to licenses that expire in 2046, 2054 and 2050, respectively. These agreements contain several requirements regarding the operation of the facilities and compliance with applicable Panamanian laws and regulations. Violation of the concession agreements or licenses could result in sanctions, termination and, in certain circumstances (including bankruptcy or dissolution of or suspension of payments by AES Panamá and AES Changuinola), payment to the Panamanian government under performance bonds in the amount of U.S.\$10.0 million for each of Bayano and Estí, U.S.\$4.0 million for each of La Estrella and Los Valles, U.S.\$0.5 million for Changuinola U.S.\$0.8 million for the Colón Plant and U.S.\$30.0 million for the Colón Terminal. The license for Estrella del Mar does not require a performance bond. In those circumstances, the Panamanian government would be entitled to exercise the applicable performance bond and to acquire the assets of the applicable facility at 90% of its fair market value. Additionally, the Panamanian government may unilaterally terminate the concession agreements in case of war, serious disturbance of the public order or urgent social interest. See "Related Party Transactions—Concession Agreements."

AES Panamá and AES Changuinola also have concession agreements that allows them to use water resources to operate the Hydroelectric Facilities. These concession agreements, which expire when the concessions to operate

the Hydroelectric Facilities expire, contain several requirements regarding the use of water resources and compliance with applicable Panamanian laws and regulations. These laws and regulations require AES Panamá and AES Changuinola to comply with applicable environmental restrictions, pay any applicable fees and grant technicians from the Environment Ministry access to the Hydroelectric Facilities. Violation of these concession agreements could result in sanctions or termination of such concessions, which would have an adverse effect on results of operations of AES Panamá and AES Changuinola. See "AES in Panama—Licenses and Concession Agreements."

Costa Norte operates on land subject to a concession agreement between a third party and the Panamanian government.

The Colón Facilities were built on property owned by Panama that forms part of the port concession granted to PPC and leased by PPC to Costa Norte. Costa Norte sub-leases the land on which the Colón Plant is built to Gas Natural Atlántico. PPC's concession terminates in 2022, and it is subject to automatic renewal through 2064

. Each of Costa Norte and Gas Natural Atlántico has entered into an agreement with Panama, acting through the Ministry of Economy and Finance, pursuant to which Panama agrees to lease the land on which the Colón Terminal and the Colón Plant are located directly to Costa Norte and Gas Natural Atlántico if PPC's concession is terminated or not extended.

If PPC's concession agreement is terminated as a result of a breach by Panama, Costa Norte will be entitled under the lease agreement to remove its movable assets from the premises within a reasonable period of time. If the concession agreement expires or is terminated as a result of a breach by PPC, Panama may choose to pay fair market value (determined by an international accounting firm) for any movable assets remaining on the premises, and PPC will be required to pass through to Costa Norte under the lease agreement any payments received from Panama in respect to those assets. If Panama does not pay PPC for those assets following the termination of the concession agreement, PPC is not required to make any payments to Costa Norte. Any property of Costa Norte that is a fixture to the leased premises will be transferred to Panama in accordance with the Concession Agreement.

As a result, if the PPC concession expires or is terminated and Panama fails to comply with its agreement to lease the land on which the Colón Terminal and the Colón Plant are located directly to Costa Norte and Gas Natural Atlántico, this could result in a dispute between the Panama and Gas Natural Atlántico and Costa Norte, and it may have a negative impact on Gas Natural Atlántico and Costa Norte's results of operations. In addition, failure by Gas Natural Atlántico, Costa Norte and Panama to resolve such a dispute could result in an Event of Loss under the Operating Company Loans, a mandatory prepayment of Gas Natural Atlántico and Costa Norte's Operating Company Loan and a partial redemption of the Notes prior to their maturity. See "Risk Factors—Risks Relating to the Notes—The Notes may be redeemed prior to their stated maturity."

Changes in technology or development of new or alternative energy sources could negatively affect the Companies' operating results.

The energy market is subject to far-reaching technological change, both in generation and demand. For example, with respect to energy generation, the development of energy storage devices (battery storage in the megawatt range) or facilities for the temporary storage of power through conversion to gas (so-called "power-to-gas-technology"), and increases in energy supply due to new technological applications such as fracking or the digitalization of generation and distribution networks could potentially disrupt the Companies' businesses. The development of new technologies with lower variable costs may reduce the variable costs, including the opportunity cost of water, which hydroelectric generation companies assign for purposes of determining spot market prices. Any reduction in the variable costs assigned to generators that operate assets like the Generation Facilities will correspondingly reduce spot market prices and may reduce prices of future bilateral contracts. Such a reduction in system electricity prices may adversely affect the Companies' operating results when the Generation Facilities are being dispatched more frequently. If the Companies are unable to react to changes caused by such new technological developments and the associated changes in market structure, the Companies could suffer a material adverse effect on their business, financial condition and results of operations.

The Companies may acquire other assets in the future which may involve certain risks to their results of operation.

Subject to certain limitations as described in "Description of the Notes" and "Description of the Financing Documents", the Companies may acquire other power generation infrastructure assets in the future. The Companies' strategy contemplates increasing their combined generation portfolio by 300 MW of renewable assets over the next five years, including potentially greenfield projects, and AES Panamá is currently developing certain solar projects. Although the Companies conduct what they believe to be a prudent and thorough level of investigation in connection with an acquisition, an unavoidable level of risk remains regarding any undisclosed or unknown liabilities of, or other issues concerning, these acquisitions. Further, any acquisition would involve certain non-recurring costs associated with acquiring and integrating the operations of any new assets and there can be no assurance that those assets will be profitable or compete in the Panamanian energy sector. Finally, the Companies may not be able to successfully integrate future acquisitions with their assets and operations within the expected costs or time.

The Companies may become subject to even stricter environmental regulations which could materially impact their operations.

The Companies' activities are subject to a broad set of laws and regulations relating to the protection of the environment, including the Paris Accord against climate change, adopted by Panama through Law 40 of 2016. The Companies have incurred, and will continue to incur, capital and operating expenditures to comply with these laws and regulations. Because of the possibility of unanticipated regulatory measures or other developments, particularly as environmental laws become more stringent, the amount and timing of future expenditures required to maintain compliance could increase from current levels and could adversely affect the availability of funds for capital expenditures and other purposes. Compliance with existing or new environmental laws and regulations, as well as obligations in agreements with public entities, could result in increased costs and expenses. These requirements, if enacted, could increase the Companies' capital expenditures and expenses for environmental compliance in the future, which may have a material adverse effect on the Companies' businesses, results of operations and financial condition. Moreover, the denial of any permit that the Companies have requested, or the revocation of any of the permits that the Companies hold, may have an adverse effect on its results of operations.

Issues with labor relations could affect the Companies' business.

As of March 31, 2020, AES Panamá employed 179 people, AES Changuinola employed 30 people, Costa Norte employed 17 people and Gas Natural Atlántico employed 44 people. While none of the Companies' employees are members of an external labor union, each Company's workers, in coordination with management, established a union and entered into a collective bargaining agreement with the applicable Company. These collective bargaining agreements mainly address issues relating to employee compensation and benefits. Under applicable labor regulations, utility workers are allowed to strike provided they follow certain procedures established in the Labor Code. While utility workers are not allowed under labor regulations to engage in complete work stoppages or strikes that would stop the delivery of utilities services, if any Company's employees were to nonetheless engage in strikes, work stoppages, slowdowns or other adverse activities, including sabotage, that Company could experience a significant disruption of its operations and higher ongoing labor costs, which could have an adverse effect on their business, financial position or results of operations.

The loss of key personnel or the Companies' ability to recruit or retain qualified personnel could adversely affect the Companies' results of operations.

The Companies' rely on the ability, expertise, judgment, discretion, integrity and good faith of their senior management team. The Companies' success also depends upon their personnel and their ability to recruit and train high quality employees. The Companies must continue to recruit, retain and motivate management and other employees at reasonable rates of compensation to be able to maintain their current business and support their projected growth. The loss of services of any of the Companies' key management could have an adverse effect on its business.

The Companies may be adversely affected by the application and interpretation of regulations affecting their revenues.

The Companies' businesses are subject to extensive regulation by the Panamanian government through ASEP. Accordingly, the results of their operations depend on the applicable regulatory framework and its

interpretation by ASEP. The Companies are generally required to obtain and comply with a wide variety of concessions, licenses, permits and other approvals in order to operate their generation facilities. As of the date of this offering memorandum, the Companies are in compliance with existing regulations, but they may incur significant additional costs as a result of their need to comply with future requirements. If the Companies fail to comply with these regulations or the terms of the performance guarantees they were required to grant to the Panamanian government pursuant to their concession agreements, the Companies could be subject to penalties such as the imposition of liens or fines, the termination of the concession agreements and the exercise of the related performance bonds. In addition, existing ASEP regulations may be revised or reinterpreted, new laws and regulations may be adopted or become applicable to the Companies or to their Generation Facilities, and future changes in laws and regulations including changes to rules and regulations with respect to transmission charges and pricing for distributors may have a detrimental effect on the Companies' businesses and financial results. Because electricity is a utility with high social impact, there has been public debate and pressure to modify the existing regulatory framework in recent years. The Issuer cannot predict what future changes may be made to the regulatory framework or the effect that any changes may have on the Companies' businesses or results of operations.

In addition, because LNG is a relatively new source of energy in the Panamanian market, as of the date of this offering memorandum, the Panamanian government does not regulate the price at which LNG or natural gas can be purchased or sold in Panama but may do so in the future. New regulation could increase AES Colón's costs, reduce its revenue or otherwise impact its results of operations. See "Overview of the Panamanian Electricity Industry—Tariff Structure."

Bottlenecks in or the failure of transmission lines may adversely affect the Companies' operating results.

Bottlenecks or failures in or damage to either the National Transmission System or the connection line linking the Generation Facilities to the National Transmission System could prevent the Companies from selling most or all of their electricity. The Hydroelectric Facilities have experienced technical difficulties with the National Transmission System in the past, and there can be no guarantee that technical difficulties related to either the connection line linking the Generation Facilities to the National Transmission System or to the National Transmission System itself will not arise in the future. In addition, other significant equipment failures could cause an interruption in the Generation Facilities' ability to generate electricity. The National Transmission System is owned by ETESA, the state-owned transmission company, which, pursuant to the market rules issued by the ASEP, is required to indemnify generators for energy they purchase in the spot market when the transmission system is constrained. However, ETESA's ability to indemnify generators such as the Companies depends on its financial condition and, ultimately, the budget or liquidity of the Panamanian government. There can be no assurance that ETESA will meet its indemnity obligations in a timely manner or at all.

Bottlenecks and other failures in the transmission system could affect the dispatch of the Generating Facilities and may cause spot market prices to increase. Because most of Panama's hydroelectric plants (including the most efficient ones) are located in western Panama and consumption is focused in eastern Panama, when the transmission infrastructure fails to deliver electricity produced in western Panama to consumers in eastern Panama, plants located in eastern Panama need to be dispatched. In general, these plants produce energy at a higher cost than the hydroelectric plants located in western Panama, which drives up the price of electricity. When the Generation Facilities generate less electricity than required under their PPAs and the Companies are forced to purchase energy in the spot market to meet their contractual obligations, higher spot market prices caused by bottlenecks or failures in the transmission system negatively affect the Companies' results of operations. The Companies have not experienced bottlenecks since the construction of a third transmission line connecting Panama City to the western region of Panama, which was completed by ETESA in 2017; however, there can be no assurance that they will not experience bottlenecks in the future.

The Companies may be unable to generate cash flow from operations or, if necessary, obtain financing in sufficient amounts and on favorable terms to fund their future obligations.

The Companies' forecasted cash flows from future operations may be adversely affected by various factors, including, but not limited to, those listed in "Cautionary Language Regarding Forward-Looking Statements" and other factors noted elsewhere under this "Risk Factors" section. To the extent the Companies are required to fund future cash requirements, including current and future contractual commitments and debt repayments, from sources other than cash flow from operations, available cash and committed lines of credit, there is no guarantee that any such debt

or equity financings will be available on reasonable terms or at all. The Companies' access to funding may be limited by existing covenants on permitted indebtedness, and factors beyond their control, such as conditions in the international capital markets and investor perceptions of the risks of investing in Panama and in emerging markets generally. If the Companies are unable to source sufficient funds by accessing the international capital markets on favorable terms or at all, they may not be able to implement their strategy, which could have an adverse effect on their ability to grow their business.

The Companies may be adversely affected by unfavorable outcomes in pending legal proceedings.

The Companies are involved in a number of significant legal proceedings for which they have not recorded provisions. There can be no assurance that the Companies will prevail in these or other proceedings or that the Companies will not have to pay significant amounts, including penalties and interest, as payment of their liabilities, which could materially and adversely impact their business and results of operations. For more information regarding certain significant legal proceedings, see "AES in Panama—Legal Proceedings."

The integrity of the Companies' information systems, energy grid and infrastructure present cyber security risks, which could result in delivery service failures, financial loss, violations of privacy laws, customer dissatisfaction and litigation, any of which could have a material adverse effect on the Companies' business.

Information security risks have generally increased in recent years as a result of the proliferation of new technologies and the increased sophistication and activities of cyber-attacks as well as increased connections of equipment and systems to the Internet. In the event of a cyber-attack, the Companies could have their business operations disrupted; experience losses and incur response costs; and be subject to litigation and damage to their reputation. A cyber-attack could adversely affect the Companies' business, results of operations and financial condition.

The Companies may develop projects that impact the lifestyle and conditions of local communities.

Historically, power generation projects are subject to high levels of scrutiny by political parties, environmental groups and other organized advocacy groups. The perception that a local community's lifestyle may be endangered by the development, construction and operation of a project, may trigger protests, political action, legal remedies or negative press that may threaten the long-term viability of a project, delay construction or even disrupt the normal operations. For example, when repairs were being performed on the Changuinola tunnel, protesters blocked the access road to Changuinola, not allowing the EPC contractor to access the facility and delaying the completion of the repairs. For more information on ongoing disputes with local communities, see "AES in Panama—Legal Proceedings."

While the Companies believe their operations incorporate the best industry practices in connection with social responsibility, in order to minimize any negative impact in all communities in which they operate, delays or disruptions caused by organized efforts from these groups may deviate resources and attention, and ultimately affect the Companies' revenues, their ability to make payments on the Operating Company Loans and the Issuer's ability to make payments on the Notes.

The outbreak of the COVID-19 pandemic has had, and a further severe outbreak or an outbreak of another contagious disease could have, a material adverse impact on the Companies' operations and financial condition.

The Companies and their facilities may be impacted by the outbreak of certain public health issues, including epidemics, pandemics and other contagious diseases. If a severe outbreak were to occur in or near Panama, it could adversely impact the Companies' operations and financial condition. In December 2019, a novel strain of coronavirus COVID-19 affected China, then spread across the globe in the first quarter of 2020. A growing number of cases have been identified in the Americas and the Caribbean, including Panama, its neighboring countries and trade partners.

Panama and certain neighboring countries and trade partners have imposed measures in an attempt to contain the spread of COVID-19, and others have not taken action. There can be no assurance that the measures taken by Panama and these other countries will successfully contain the spread or mitigate the social, health and economic impact of COVID-19. As further described in "Summary—Recent Developments—COVID-19 in Panama," the Panamanian government has taken measures to address the COVID-19 pandemic, some of which have had a negative impact on the financial condition of the Distribution Companies and their ability to make timely payments under

PPAs. In addition, the resolutions that institute the payment moratorium permit the Distribution Companies to reduce payments they make under the PPAs in proportion to the reduction in the income they receive as a result of the payment moratorium. There can be no certainty as to whether these measures will be extended or expanded in ways that would aggravate the impact on the Distribution Companies and, by extension, the Companies. In addition, the pandemic has led to increased volatility and decreased economic activity, which has negatively impacted the financial condition of the Panamanian public and Panamanian businesses, including certain of the Companies' Large Customers. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies—Trend Information—Effects of COVID-19" for more information.

The Panamanian government is expected to fund the Tariff Stabilization Fund to compensate Distribution Companies for any mismatch between the payments they receive from consumers and the payments they owe to generation companies as a result of these measures. Nevertheless, as of the date of this offering memorandum, the Tariff Stabilization Fund has not been funded and there can be no assurance that it will be funded on a timely basis or at all or that the amount deposited into the Tariff Stabilization Fund will be sufficient to compensate for any shortfalls in the Distribution Companies' revenues and, in turn, the Companies' revenues. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies —Trend Information—Effects of COVID-19."

In addition, the significant increase in market volatility caused by the COVID-19 pandemic could negatively impact the mark-to-market of certain of the Companies' derivative instruments, which could result in significant unrealized losses and negatively impact the Companies' financial condition and results of operations. See "Risk Factors—Risks Relating to the Companies' Businesses—The Companies face risk related to their derivative instruments" and "Management's Discussion and Analysis of Financial Condition and Results of Operation—Trend Information— Effects of COVID-19."

Should the COVID-19 pandemic continue, the Distribution Companies or the Companies' Large Customers could become unable to make payments to the Companies under their PPAs, which would have a negative impact on the Companies' results of operations. The extent to which the COVID-19 pandemic and its lingering economic effects will impact the Companies' results will depend on future developments, which are highly uncertain and cannot be predicted.

Failure to comply with applicable laws and regulations, including in respect of corruption, money-laundering and other illegal or improper activities could have a material adverse effect on the Companies' business.

The Companies are subject to a variety of domestic and international laws and regulations, including applicable anti-bribery, anti-money laundering and anti-corruption laws and regulations and sanctions related to doing business with certain persons and countries. These laws and regulations vary by jurisdiction and may not be equally stringent. The Companies have policies and procedures specifically designed to promote and achieve compliance by the Companies and their respective directors, officers, employees and agents with anti-bribery, anti-money laundering and anti-corruption laws.

Although the Companies have implemented policies and procedures to prevent inappropriate practices or violations of law in all relevant jurisdictions, there can be no assurance that these policies, procedures and practices completely eliminate such risks. Any failure by the Companies' equity holders, employees, officers and affiliates, customers, suppliers or subconcessionaires to comply with any of these requirements could have an adverse effect on the Companies' business, reputation, result of operations or financial condition.

The Companies face risk related to their derivative instruments.

From time to time, the Companies may use derivative instruments to manage fluctuations in interest rates. These derivative instruments manage the Companies' risks in the form of interest rate swaps and forward hedges. The Companies are periodically required to determine the change in fair value, called the "mark-to-market," of some of these derivative instruments, which could expose the Companies to substantial mark-to-market losses or gains if those rates fluctuate materially from the time the derivatives were entered into. Accordingly, volatility in rates or prices, including as a result of COVID-19, may adversely impact the Companies' business, financial condition, and results of operations and could impact the cost and effectiveness of the Companies' derivative instruments in managing their

risks. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies—Effects of COVID-19."

Risks Relating to the Industries in which the Companies Operate

Excess supply of electricity to the Panamanian market with lower variable cost could cause a decrease in energy spot prices, adversely affecting the Companies' revenues.

Low or no growth in demand, coupled with the addition of new generation capacity, could create oversupply of electricity in the Panamanian market, which may reduce prices of future bilateral contracts. Oversupply of electricity with lower variable cost could adversely affect the Companies' revenues by causing a decrease in energy spot prices. Energy spot prices could decrease if the capacity added to the system by new generators is not absorbed by corresponding demand growth. In this case, the energy spot price could decrease to the extent that the new generators displace relatively expensive generators from the dispatch order. If an excess supply of electricity to the Panamanian market causes a decrease in the Companies' revenues from sales, the Companies' operating margins could be adversely affected. See "AES in Panama—Competition" and "Overview of the Panamanian Electricity Industry—The Spot Market."

Lower demand for electricity in the Panamanian electricity market could cause a decrease in energy sold under PPAs and cause a decrease in energy spot prices, adversely affecting the Companies' revenues.

The amount of electricity that the Companies sell pursuant to their PPAs depends on the percentage of the forecasted peak generation demand they have contracted to supply and actual demand for energy. If actual energy demand decreases, the Companies would be able to sell less energy under their PPAs and more on the spot market. Spot market prices could decrease to the extent that the lower demand does not require relatively expensive generators to be dispatched. If lower demand for electricity in the Panamanian electricity market results in a decrease in the Companies' revenues from sales, their operating margins could be adversely affected. See "AES in Panama—Competition" and "Overview of the Panamanian Electricity Industry—The Spot Market."

The Companies could lose business to competitors, which could adversely affect their operations and financial condition.

The Generation Companies face significant competition from other energy generators for market share for new projects, renewing or entering into new PPAs and generation that is dispatched into the market. If they do not compete effectively with other energy generators, their results of operations and financial condition could be adversely affected. As of the date of this offering memorandum, Gas Natural Atlántico is the only LNG plant in Panama; however, a 656 MW natural gas-powered plant ("Project Telfers"), owned by Panama NG Power .S.A, is under construction. The Companies expect that when this project is completed, the higher-dispatch-priority facilities existing in the system (including these projects, the Hydroelectric Facilities and the Colón Plant) will produce enough electricity to satisfy demand, displacing other thermal plants in the system, including Estrella del Mar. In addition, as of the date of this offering memorandum, Costa Norte owns and operates the only LNG terminal in Panama; however, there can be no assurance that additional LNG terminals will not be built, including in connection with Project Telfers. There are other projects that are in the early stages of development that may in the future compete with the Colón Facilities. For additional information on Estrella del Mar see "AES in Panama—The Electricity Generation Business—the Generation Facilities—Estrella del Mar" and "Risk Factors—Risks Related to the Companies' Businesses— The PPAs for Estrella del Mar have expired, and AES Panamá is considering the sale of Estrella del Mar."

Under Law No. 6 of 1997, or the Electricity Law, and ASEP regulations, the Panamanian electricity industry is market-driven and competitive. In this environment, the Generation Companies compete with international private sector operators as well as government-owned entities. In addition, new entrants to the market, such as the Panama Canal Authority or the "ACP," may have certain competitive advantages over the Generation Companies as these new entrants are not obligated to pay certain taxes or to comply with certain employment regulations applicable to the Generation Companies. If the ACP were to use its competitive advantages to expand its role in power generation generally, the prevailing price of electricity under future long-term bilateral contracts and on the spot market may decrease, which, in turn, could materially adversely affect the Generation Companies' financial condition and results of operations.

The Companies' industry is reliant on complex information technology systems, which may be subject to interruptions or failures.

The Companies' rely on sophisticated information technology systems and infrastructure to support their business, including process control technology, environmental responsibility and safety, and monitoring. Any of these systems may be susceptible to outages due to fire, explosions, floods, power loss, telecommunications failures and similar events. Information technology system failures, network disruptions and breaches of data security could disrupt the Companies' operations. Such failures could have an adverse effect on the Companies' business, financial condition, results of operations, cash flows, prospects and/or their ability to repay the Notes, and the Companies cannot assure you that their business continuity plans, which the Companies expect to continue, will be completely effective during an information technology failure or interruption.

The industries in which the Companies operate are subject to government control and regulation.

Electricity generators in Panama are required to follow the electricity generation and dispatch rules of the Panamanian government. The wholesale electricity spot market is based on a minimum fuel and variable operating and maintenance costs objective. Accordingly, renewable and run-of-river hydroelectric plants are the first to be dispatched. The dispatch process for the generation plants in the system is determined using a Stochastic Dual Dynamic Programming Model, or "SDDP," that calculates the value of water at hydroelectric dams based on their opportunity cost and on a set of system constraints. Using this model, the CND determines when and how hydroelectric plants can use the water in the system, particularly at reservoirs, as well as the order in which plants must supply electricity, also known as the dispatch order. As of the date of this Offering Memorandum, the Colón Plant has been operating under a temporary seawater permit. Although Gas Natural Atlántico has requested a permanent permit, the Environment Ministry is operating at partial capacity as a result of the COVID-19 pandemic, and there can be no assurance that it will issue a permanent seawater permit promptly or at all. For a detailed discussion of how system dispatch is determined, see "Overview of the Panamanian Electricity Industry—Dispatch." Because ASEP has enacted these rules expressly to optimize the system, the rules may not be optimal for each generators' individual profitability.

The Companies are also subject to a broad range of environmental, health and safety laws and regulations in Panama that exposes them to the risk of substantial costs and liabilities. These laws and regulations relate to, among others, limits on emissions, water and air quality, noise, the forest habitat, minimizing risks to the environment while maintaining the quality, safety and efficiency of the electricity sector and the use and handling of hazardous materials and waste disposal practices. In July 1998, the Panamanian government enacted environmental legislation that created an environmental protection agency (ANAM), which was replaced by the Environment Ministry (*Ministerio de Ambiente*) through Law No. 8 of March 25, 2015, and imposed new environmental standards affecting the Companies' operations. Failure to comply with applicable environmental standards, stricter laws and regulations, or stricter interpretation of existing laws or regulations, may impose new liabilities, resulting in the need for additional investments, or adversely impact the Companies' ability to complete future projects. This may adversely affect the Companies' business, financial condition and results of operations in the future. See "Overview of the Panamanian Electricity Industry—Environmental Regulation."

The volatility of fuel oil no. 6 and natural gas prices could have a material adverse effect on the Companies' suppliers, which could have a material adverse effect on the Companies' financial condition.

The volatility in oil prices since late 2014, which has continued into 2020, and the low prevailing prices of natural gas have had a negative effect on the revenues, profits and cash flows of certain of the Companies' suppliers. These suppliers provide a significant portion of the fuel used by the Companies' plants, and if these suppliers become unable to satisfy their contractual obligations, this could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, prospects and/or our ability to repay the Notes.

Each of Estrella del Mar and the Colón Plant relies on a single contracted supplier for fuel. Should either of these suppliers experience significant delays or otherwise fail to deliver the contracted amount of fuel, the applicable facility would be required to obtain replacement fuel elsewhere, which could lead to delays or temporarily impact its operation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies—Principal Factors Affecting Results of Operations of the Generation Companies—Fuel Costs and Variable Margins."

Risks Relating to Panama

The Companies are dependent on the political, legal and economic climate of Panama.

All of the Companies' operations and all of their current customers are located in Panama. Accordingly, the Companies' financial condition and results of operations, including their ability to meet their obligations under the Operating Company Loans and, consequently, the Issuer's ability to meet its obligations under the Notes, are substantially dependent on the economic and political conditions of Panama.

The Panamanian economy is small and relatively undiversified, being largely focused on the services sector, which represents the largest portion of the GDP as of March 31, 2020. A significant portion of Panama's economic activity is linked directly or indirectly to the Panama Canal, shipping and port activities, a large free trade zone, an international banking center and tourism services. Due to the small size and limited focus of the Panamanian economy, adverse developments in Panama could have a more pronounced effect than would be the case if the developments occurred within the context of a larger, more diversified economy. Investing in an emerging market country, such as Panama, carries 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 financial markets outside Panama;
- changes in economic or tax policies;
- the imposition of trade barriers;
- general economic and business conditions in Panama and the global economy;
- the ability of Panama to effect key economic reforms;
- the impact of hostilities or political unrest in other countries that may affect international trade, commodity prices and the global economy;
- the decisions of international financial institutions regarding the terms of their financial agreements with Panama; and
- the impact of epidemics such as the ongoing COVID-19 pandemic currently affecting countries and markets worldwide. See "Risk Factors—Risks Relating the Companies' Businesses—The outbreak of the COVID-19 pandemic has had and a further severe outbreak or an outbreak of another contagious disease could have a material adverse impact on the Companies' operations and financial condition."

Any adverse effect on the Panamanian economy could adversely affect the Companies' business, thereby impairing the Issuer's ability to meet its payment obligations under the Notes.

The Companies may be adversely affected by future political crises in Panama.

Panama has experienced different types of government and governmental policies. Prior to 1968, Panama generally had a constitutional democracy. In 1968, the military secured control over the government and military rule continued until 1989. A political crisis erupted in 1987 among the then ruling military dictator, General Manuel Antonio Noriega, civilian organizations, political parties and the business community, which had been agitating for a return to democratic rule. In December 1989, Mr. Noriega was deposed, largely as a result of U.S. military intervention, and Guillermo Endara, who had been elected by a majority of the Panamanian electorate in a popular vote earlier in the year, was sworn in as President. Since the end of 1989, the Panamanian government has maintained political and economic stability under successive democratically elected governments, and favorable relations with the U.S. have been fully restored. If Panama experiences future political crises, the Companies' financial condition and results of operations may be adversely affected.

The Companies may be adversely affected by governmental policies.

The Panamanian government has exercised, and continues to exercise, significant influence over the Panamanian economy. The Panamanian government has had a significant impact on the economy through various statutory and other governmental initiatives, including enforcement of a rigid labor code, electricity subsidies related to the rise in fuel prices, tariff policies, regulatory policy, taxation and price controls. Accordingly, the Panamanian government's actions regarding the economy could have significant adverse effects on private sector entities in general and on the Companies in particular. It is not possible to determine what effect such plans or actions or the implementation thereof could have on the Panamanian economy or on the Companies' financial condition or results of operations. In addition, there can be no assurance that the Panamanian government will not interfere or intervene in certain sectors of the economy, including power generation. Any interference or intervention could have a material adverse effect on the Companies' business, their ability to meet their obligations under the Operating Company Loans and the Issuer's ability to meet its obligations under the Notes.

Because the Panamanian monetary system is dependent on the U.S. dollar, any downturns in the U.S. economy may adversely affect the Companies

Since shortly after its independence from Colombia in 1903, Panama has used the U.S. dollar as legal tender and sole paper currency, using the balboa only as coinage and as a unit of account with an exchange rate set at parity with the U.S. dollar. Inflation was 0.9% in 2017, 0.8% in 2018, 0.4% in 2019 and 0.2% in the three months ended March 31, 2020. Given the dependence on the U.S. dollar and the U.S. economy, 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 monetary system or, indirectly, the Companies. In addition, there are currently no exchange controls or other restrictions imposed by Panamanian law on payments in U.S. dollars by the Companies or the Issuer, and capital moves freely in and out of the country, without local currency risk. However, if exchange controls or payment restrictions are imposed by the Panamanian government, the Issuer's liability to repay the Notes could be adversely affected.

Because Panama is a service-based economy, fluctuation of prices in basic goods may have a significant impact on the Panamanian economy and the Companies.

According to data from the Ministry of Economy and Finance, the price during the three months ended March 31, 2020 for basic consumption goods (consisting of a basket of 59 basic goods for a three and a half member family) increased on average 1.5% from U.S.\$261.19 to U.S.\$265.18 compared to the three months ended March 31, 2019 while in 2019 decreased on average 1.7% from U.S.\$268.20 to U.S.\$263.52 and during 2018 increased 1.1% from U.S.\$265.31 to U.S.\$268.20. During 2017, the price of the basket decreased to U.S.\$265.31, a 2.5% decrease compared to 2016 due to an increase in the supply of certain products and mitigative measures imposed by the Panamanian government to control prices. If prices should begin to increase again, Panama runs the risk of deceleration of demand, consumption and employment. This, in turn, may adversely affect the growth of the Companies' industry as well as their customers' ability to meet their financial obligations to the Companies, thereby potentially impacting the Companies' ability to repay the Operating Company Loans and the Issuer's ability to repay the Notes.

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. The Companies 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, if at all. In addition, in February 2020,

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. 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, the Companies' 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 the Companies 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 the Companies' business, financial condition and results of operation.

Adverse political and economic conditions in other Latin American countries may adversely affect the Companies.

From time to time, the economies of other Latin American countries, particularly those in Central America, Brazil, Mexico and Argentina, have suffered from high rates of inflation, currency devaluation and/or other developments that have had an adverse effect not only on their economies but also on the economies of other countries in the region. Although all of the Companies' activities are concentrated in Panama, they may still be affected by adverse developments in other Latin American economies.

Following the currency devaluation crises and the ensuing financial and economic crises in the 1990s in Mexico, Russia, Argentina and Asia, the economies of certain Latin American countries experienced reduced levels of economic activity. As a result, there can be no assurance that high inflation rates, volatility in exchange rates or declines in economic activity in other Latin American countries or world markets in general will not have an adverse effect on the Panamanian economy, on the Companies' customers, on the Companies or on the trading value of the Notes.

Risks Relating to the Notes

The public auction at the Panama Stock Exchange will allow any investor to submit a bid for the full principal amount of the Notes and the bidder submitting the highest, and in the case of parity 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 the Issuer will abstain from selling and the offering will be cancelled in consideration to the liabilities that the Issuer could face under the purchase agreement.

The offering of the Notes on the Panama Stock Exchange will be conducted prior to the Issue Date pursuant to a public auction process whereby parties other than the Initial Purchasers may also lodge bids for the full principal amount of the offering at prices other than the offer price set forth on the cover of this offering memorandum. Consequently, settlement of the Notes pursuant to the terms set forth in this offering memorandum will be conditioned upon, among other factors, the Initial Purchasers' success in making the winning bid on the Panama Stock Exchange for the Notes as part of the public auction process. If, as a part of the public auction process, a party other than the Initial Purchasers were to (i) make a bid for the Notes at a higher price than that contained in the Initial Purchasers' bid and reflected on the cover of this offering memorandum or (ii) place an bid for an equivalent price earlier than the bid submitted by the Initial Purchasers, the Issuer will immediately withdraw and cancel the offering of Notes. If the Issuer cancels the offering of the Notes, the Initial Purchasers would be unable to purchase the Notes for subsequent resale to you. Consequently, the Issuer cannot assure you that you will ultimately be able to receive Notes on the Issue Date. See "Plan of Distribution—Panamanian Settlement Process" for more information.

Investors should consider the risks of selling the Notes in the secondary market prior to the Issue Date as settlement is conditioned on the Initial Purchasers having the winning bid on the Panama Stock Exchange 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.

If, as a part of the public auction process in Panama, a party other than the Initial Purchasers were either to lodge a bid for the Notes at a higher price than the offer price contained in the Initial Purchasers' bid and reflected on the cover of this offering memorandum, or if such other party placed an equivalently priced bid for the Notes earlier than the bid submitted by the Initial Purchasers, the Issuer will immediately withdraw and cancel the offering of Notes. If the offering is cancelled, it would not be possible to complete settlement of any secondary market trades. Additionally, any delay in settlement as described above could cause complications for investors that conducted trades in respect of the Notes in the secondary market if such trades are scheduled to settle prior to the time that they receive Notes in their account.

You may be subject to withholding for Panamanian capital gains taxes upon a sale of the Notes, for which the Issuer will not indemnify you.

On June 19, 2006, Panama passed Law 18, or the 2006 Tax Law, which adopted a number of changes to Panama's tax law, which were further regulated through Executive Decree No.135 of February 6, 2012. Under the 2006 Tax Law and its regulations, if the Notes are not sold through an exchange or another organized market, (i) the seller will be subject to income tax in Panama on capital gains on the sale of the Notes at a fixed rate of 10% on the gain realized and (ii) the buyer would be required to withhold from the seller and remit to the Panamanian fiscal authorities, within the following ten days, as an advance on the seller's capital gains tax payment, an amount equal to 5% of the aggregate proceeds of the sale by withholding for the capital gains tax of the seller. The seller may, at its option, consider the amount so withheld by the buyer as definitive payment in full of the capital gains tax, or in the event of overpayment, exceeding 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 amounts paid in excess. See "Taxation—Panamanian Taxation—Taxation of Dispositions." The capital gains income tax provisions of the 2006 Tax Law and its regulations, do not exempt from income tax in Panama capital gains on sales of Notes outside of Panama by holders not resident in Panama and, therefore, such provisions would apply to sales of Notes by "qualified institutional buyers" in the United States, including sales through the facilities of DTC.

Notwithstanding Law No. 18 of June 19, 2006, based on certain opinions issued by the Dirección General de Ingresos, any capital gains by noteholders 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, would not be deemed Panamanian source income and, accordingly, the income realized from that sale would not be subject to income tax in Panama. However, the Issuer's Panamanian counsel has advised the Issuer that the Tax Opinion is not a legally binding interpretation of the 2006 Tax Law.

The Issuer will not indemnify you if you are subject to withholding for Panamanian capital gains taxes under the 2006 Tax Law and its regulations upon a sale of the Notes.

The ability to transfer the Notes may be limited by the absence of an active trading market, and there can be no assurance that any active trading market will develop for the Notes.

The Issuer has not registered, and will not register, the Notes under the Securities Act or any other applicable U.S. securities laws. Accordingly, the offering of the Notes in the U.S. will be made pursuant to exemptions from, and in transactions not subject to, the registration provisions of the Securities Act and state securities laws. The Notes are subject to certain restrictions on resale and other transfers in the U.S., and you may be required to bear the risk of your investment for an indefinite period of time. See "Notice to Investors." Consequently, a holder of Notes and an owner of beneficial interests in those Notes must be able to bear the economic risk of their investment in the Notes for the term of the Notes.

There is currently no market for the Notes in the U.S. The Notes are expected to be listed on the Panama Stock Exchange and the SGX-ST, however, there can be no assurance that the Notes will become or remain listed thereon or that active trading markets for the Notes will develop. Although the Issuer has been advised by the Initial Purchasers that they currently intend to make a market in the Notes following completion of the offering, the Initial Purchasers are not obligated to do so and may discontinue any such market-making activities at any time without notice. The Notes could trade at prices that may be higher or lower than their initial offering price depending on many factors, including some that are beyond the Issuer's control. The liquidity of, and trading market for, the Notes may be adversely affected by changes in interest rates and declines and volatility in the market for similar securities, as well as by any changes in the Companies' financial condition or results of operations and by declines in the market for

investment grade and emerging market securities generally. The Issuer cannot assure you that the market, if any, for the Notes will be free from disruptions or that any such disruptions may not adversely affect the prices at which you may sell your Notes. Therefore, the Issuer cannot assure you will be able to sell your Notes at a particular time or the price that you receive when you sell will be favorable.

It may be difficult to enforce civil liabilities against the Issuer or the Issuer's administrators and executive officers and controlling persons.

The Issuer is a *sociedad de responsabilidad limitada*, or limited liability company, organized under the laws of Panama. Substantially all of its administrators, executive officers and controlling persons reside in Panama. In addition, all or a substantial portion of the assets of these persons and of the Issuer's assets are located outside the U.S. As a result, it may not be possible for investors to effect service of process within the U.S. upon such persons, or to enforce judgments in U.S. courts against them or the Issuer predicated upon the civil liability provisions of the federal securities laws of the U.S. or otherwise obtained in U.S. courts. Because a substantial portion of the Companies' assets is located outside the U.S., any judgment obtained in the U.S. against the Issuer may not be fully collectible in the U.S. The Issuer has been advised by its Panamanian counsel that no treaty exists between the U.S. 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 the U.S. federal securities laws and as to the enforceability in Panamanian courts of judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of the U.S. federal securities laws of the U.S. 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 the issuance of a *writ of exequatur*. However, subject to the issuance of a *writ of exequatur* by the Supreme Court of Panama, a final money judgment rendered in a foreign court (including the U.S.) could be recognized as 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, that is, the foreign court would in similar circumstances recognize a final judgment of the courts of the Republic of Panama, (ii) such judgment was issued by a competent court of the foreign jurisdiction (Panamanian courts have exclusive jurisdiction on matters of real estate located in Panama), (iii) 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, (iv) the judgment arises out of a personal action against the defendant, (v) the obligation in respect of which the judgment was rendered is lawful in Panama and does not contradict the public policy of Panama, (vi) the judgment, in accordance with the laws of the country where it was rendered, is final and not subject to appeal, (vii) the judgment is properly authenticated by diplomatic or consular officers of Panama or pursuant to the 1961 Hague Convention Abolishing the Requirement of Legalization of Foreign Public Documents and (viii) a copy of the final judgment is translated into Spanish by a Panamanian licensed translator.

Enforcing your rights as a holder of Notes in Panama may prove difficult.

Your rights under the Notes will be subject to the insolvency and administrative laws of Panama, and the Issuer cannot assure you that you will be able to effectively enforce your rights in such insolvency or similar proceedings. In addition, insolvency, administrative 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. Such issues may adversely affect your ability to enforce your rights under the Notes in Panama, as the case may be, or limit any amounts that you may receive.

The credit ratings of the Issuer, the Companies or the Notes may be lowered or withdrawn.

The credit ratings of the Notes may not reflect the potential impact of all risks relating to the value of the Notes. In addition, real or anticipated changes in the Companies' or the Issuer's credit ratings or the credit ratings of the Notes will generally affect the market value of the Notes. Thus, even though the Companies and the Issuer are making interest payments when due, the price of the Notes in the secondary market that may develop may be considerably less than the price you paid for your Notes. The Companies have experienced downgrades of credit ratings in the past. 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.

The Collateral securing the Notes consisting of Global Power Holdings's quotas in AES Changuinola will be shared with the holders of the AES Changuinola Bonds, and if a default occurs, the value of that Collateral may not be sufficient to satisfy AES Changuinola's obligations under its Operating Company Loan and the AES Changuinola Bonds.

After the issuance date of the Notes, U.S.\$100 million of the AES Changuinola Series A Bonds and U.S.\$43.3 million of the AES Changuinola Series B Bonds will remain outstanding. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Indebtedness—Long- and Short-Term Indebtedness." Global Power Holdings's equity interest in AES Changuinola will secure both the AES Changuinola Operating Company Loan and the AES Changuinola Bonds, and any recovery will be shared pro-rata with the outstanding amount of AES Changuinola Bonds. In addition, a default under the AES Changuinola Bonds may not result in a default under the Notes; therefore, the holders of the AES Changuinola Bonds may be permitted to exercise certain remedies under the AES Changuinola Bonds that are not available to the Issuer under the Notes, subject to the terms of the Intercreditor Agreement. See "Risk Factors—Risk Relating to the Notes certain decisions with your rights to make certain decisions with respect to your investment in the Notes may be limited by the intercreditor provisions under the Intercreditor Agreement and the other Finance Agreements."

Under certain limited circumstances, the Companies will be permitted to incur additional debt, which may be effectively senior to their obligations under the Operating Company Loans.

The Operating Company Loans, subject to some limitations, permit the Companies' to incur additional secured indebtedness and the Operating Company Loans will be effectively junior to any additional secured indebtedness the Companies may incur.

In the event of a Company's bankruptcy, liquidation, reorganization or other winding up, that Company's assets that secure its secured indebtedness will be available to pay obligations on the Operating Company Loans only after all secured indebtedness, together with accrued interest, has been repaid in full from the Company's assets. If the Companies are unable to repay their secured indebtedness, the creditors could foreclose on substantially all of the Companies' assets which serve as collateral. In this event, the Companies' secured creditors would be entitled to be repaid in full from the proceeds of the liquidation of those assets before those assets would be available for distribution to other creditors, including the Issuer. Except for creditors of the Companies' obligations afforded preference under mandatory provisions of Panamanian law, the Issuer will participate in the proceeds of the liquidation of the Companies' remaining assets ratably with all holders of the Companies' unsecured indebtedness that is deemed to be *pari passu* with the Operating Company Loans, and potentially with all of the Companies' other general creditors. The Issuer advises you that there may not be sufficient assets remaining to pay amounts due on any or all of the Operating Company Loans then outstanding in the event of a liquidation or reorganization. The Companies' inability to pay any amounts under the Operating Company Loans would materially negatively impact the Issuer's ability to make payment on the Notes.

If there are no defaults or events of default under the Operating Company Loan Agreements, the Issuer obtains a Rating Affirmation with respect to the Notes, and the Companies satisfy certain lending criteria set out in the Operating Company Loan Agreement. The Issuer may issue additional debt and lend it to Companies. This additional debt would also be secured by the Collateral and it may have different terms and conditions than the Notes. The Issuer cannot assure you whether it will incur additional debt or the terms on which it may do so.

The Companies' obligations under the Operating Company Loans are subordinated to the Companies' payment of certain statutory liabilities and may have different treatment from the obligations of unrelated creditors in any Panamanian reorganization proceedings.

Except with respect to the Collateral in the AES Changuinola Trust and the Collateral Trust, including Global Power Holdings's and AES Panamá's equity interest in the Companies, the Operating Company Loans will be the Companies' general, unsecured unsubordinated obligations. Under Panamanian law, such unsecured obligations are subordinated to certain statutory preferences. In the event of the Companies' bankruptcy, reorganization, intervention, insolvency or liquidation, such statutory preferences, such as claims for salaries, wages and credits guaranteed over assets (but up to the value of such assets), social security contributions, taxes, court fees and expenses, will have preference over any other unsecured claims, including the claims by any investor in respect of the Notes. In the event of a reorganization proceedings in Panama, the Companies' obligations under the Operating Company Loans may also

be deemed to be related to the Issuer (which may occur in the event that the debtor is part of the same corporate group as a creditor). As a result, the Issuer may be required to vote separately from non-debtor related creditors in order to approve any reorganization plan if the Operating Company Loans (together with any other creditor-linked debt) exceed 50% of the debtor's recognized indebtedness. In addition, the Notes are the obligations of the Issuer only and are not obligations of, nor guaranteed in any manner by, the Panamanian government, AES or any other entity.

Your rights to make certain decisions with respect to your investment in the Notes may be limited by the intercreditor provisions under the Intercreditor Agreement and the other Finance Agreements.

The Intercreditor Agreement sets forth intercreditor matters with respect to the Collateral, including requiring certain notices and procedures for an intercreditor vote in connection with the taking of any enforcement action and the making of modifications to the Security Agreements. Generally, if an event of default occurs or is continuing under the documents for any Secured Debt, secured creditors holding more than 50% of the aggregate principal amount outstanding of the sum of the Secured Debt and the available and undrawn borrowing availability to the Issuer under the Secured Debt documents (except as otherwise provided in the proviso) are required to instruct the Intercreditor Agent to direct any collateral agent to exercise remedies with respect to the Collateral; *provided* that (i) holders of the AES Changuinola Bonds are entitled to vote in a decision relating to the Global Power Holdings' quotas in AES Changuinola and the Dividends Global Power Holdings may receive from AES Changuinola in respect of those quotas (the "AES Changuinola Collateral"), and (ii) to the extent additional Secured Debt is comprised of the Issuer's obligations for hedging transactions, the counterparty to the Issuer in such secured hedging transactions will not have any vote, except for matters requiring the consent of the all secured creditors and certain other limited matters affecting the secured hedge counterparty. See "Description of the Notes—Collateral Arrangements—Limitation on Secured Hedge Bank Voting Rights."

The Issuer may not be able to generate sufficient cash flows to meet its debt service obligations.

The obligations to make payments of principal, premium, if any, and interest on the Notes will be solely the obligations of the Issuer. None of AES, the Companies or any affiliates of any of the foregoing (other than the Issuer) or their respective incorporators, stockholders, members, directors, managers, officers or employees will guarantee the payment of the Notes or will have any liability for any obligations under the Notes or for any claim based on, in respect of, or by reason of, such obligations or their creation.

The Issuer's ability to make scheduled payments on, or to refinance, its obligations with respect to its indebtedness under the Notes, will depend on the Companies' ability to make payments on the Operating Company Loans, which, in turn, will depend on the Companies' financial and operating performance and be affected by general economic conditions and by financial, competitive, regulatory and other factors beyond the Companies' control. There can be no assurance that the Companies' businesses will generate sufficient cash flow from operations or that future sources of capital will be available to them in an amount sufficient to enable the Companies to service their indebtedness under the Operating Company Loans or to fund the Companies' other liquidity needs. If the Companies are unable to generate sufficient cash flow to satisfy their obligations under the Operating Company Loans, they may have to undertake alternative financing plans, such as refinancing or restructuring their debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. There can be no assurance that any refinancing would be possible, that any assets could be sold or, if sold, of the timing of the sales and the amount of proceeds that may be realized from those sales, or that additional financing could be obtained on acceptable terms, if at all.

The perception of higher risk in other countries, especially in emerging economies, may adversely affect the Panamanian economy, the Companies' businesses and the market price of Panamanian securities issued by Panamanian issuers, including the Notes.

The market price of the Notes may be adversely affected by developments in the international financial markets and world economic conditions. Panamanian securities markets are influenced, to varying degrees, by economic and market conditions in other countries, especially those in Latin America and other emerging markets. Emerging markets like Panama are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt business in Panama and adversely affect the price of the Notes. Moreover, financial turmoil in any important emerging market country may adversely affect prices in stock markets and prices for debt securities of issuers in other emerging market countries as investors move their money to more stable, developed markets. An increase in the perceived risks associated with investing in emerging markets could dampen capital flows

to Panama and adversely affect the Panamanian economy in general, and the interest of investors in the Notes, particularly in Panama. There can be no assurance that the value of the Notes will not be negatively affected by events in other emerging markets or the global economy in general.

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

Securities disclosure requirements in Panama differ from those applicable in the United States. Accordingly, the information about the Issuer and the Companies that is 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 the Issuer and the Companies than is regularly published about companies in the U.S. and certain other jurisdictions. Neither Issuer nor the Companies is 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.

The Notes may be redeemed prior to their stated maturity.

The Notes may be redeemed in part prior to their stated maturity upon the occurrence of certain events. If any portion of the Notes is redeemed prior to maturity, you may not realize your expected yield on the Notes and you may not be able to reinvest the proceeds of an early redemption in instruments having the same or a similar risk profile as the Notes or providing returns at least equal to those of the Notes.

USE OF PROCEEDS

The net proceeds of this offering, after deduction of the Initial Purchaser's discount and other expenses relating to this offering, will be approximately U.S.\$1,360,000,000.

The Issuer intends to use the proceeds of the Notes to fund the Operating Company Loans, the proceeds of which the Companies will apply to repay certain existing indebtedness of the Companies, and Gas Natural Atlántico II, S.R.L., an affiliate of the Companies, as set out in the table below, including certain facilities provided to the Companies by affiliates of the Initial Purchasers, plus, pay the mark to market value of interest rate swaps and certain other fees and expenses related to that refinancing. The proceeds of the Notes will be deposited into the Issuer Operating Account, except for the portion to be used to repay the Colón Facility Financing that will be deposited with the Bank of Nova Scotia (Panama), S.A, as administrative agent for the repayment of the Colón Facility Financing. The Offshore Collateral Agent will have irrevocable instructions to wire funds immediately upon receipt in the Issuer Operating Account to (i) Banco General, S.A. as paying agent for the AES Changuinola 6.75% Notes due 2023 and (ii) Deutsche Bank as indenture trustee of the AES Panamá 6.00% Notes due 2022, for the purpose of repaying the corresponding Company debt upon receipt. In addition, a portion of the proceeds of AES Panamá's Operating Company Loan will be applied to finance capital expenditures in connection with the development of certain growth projects. Banco General, S.A., one of the Initial Purchasers, also acted as information agent, depositary and solicitation agent for the AES Changuinola Consent Solicitations and as dealer manager for the AES Changuinola Tender Offer. Other Initial Purchasers and affiliates of the Initial Purchasers will be acting as lenders under the Loan Facility and the Liquidity Facility. See "Plan of Distribution."

	Item	Type of Debt and amount outstanding as of March 31, 2020	Aggregate principal amount of Operating Company Loans	Amount to be funded with proceeds of the Notes ⁽⁶⁾	the Loan Facility ⁽⁶⁾
AES Panamá.....	6.00% Notes due 2022	U.S.\$375 million in Bonds payable ⁽⁴⁾		U.S.\$412.6 million	-
	Acquisition financing for Penonomé	U.S.\$72 million in Loan payable ⁽⁴⁾	U.S.\$525.3 million	U.S.\$63.8 million	U.S.\$8.2 million
	Capital expenditures for the development of growth projects	U.S.\$34 million in capital expenditures		U.S.\$31.2 million	U.S.\$3.8 million
AES Changuinola...	6.75% Notes due 2023 ⁽¹⁾	U.S.\$220 million in Bonds payable ⁽⁵⁾	U.S.\$231.7 million	U.S.\$228.4 million	-
Gas Natural Atlántico & Costa Norte	Colón Facility Financing ⁽²⁾	U.S.\$610 million in Loan payable ⁽⁵⁾	U.S.\$728.0 million	U.S.\$ 626.1 million	U.S.\$28.9 million
	Transmission line construction financing ⁽³⁾	U.S.\$62 million Loan payable ⁽⁵⁾		n/a	U.S.\$62 million
Total		U.S.\$1,330 million	U.S.\$1,485 million	U.S.\$1,362.1 million	U.S.\$102.9 million

- (1) Excludes U.S.\$110 million outstanding of AES Changuinola Series A Bonds, which will not be refinanced and will continue to amortize as scheduled until maturity in 2023.
- (2) Lenders under the Colón Facility Financing include certain Initial Purchasers and certain of their affiliates. See "Management Discussion and Analysis of Financial Condition and Results of Operations of the Companies—Indebtedness."
- (3) Gas Natural Atlántico will lend U.S.\$62 million of the proceeds of Gas Natural Atlántico and Costa Norte's Operating Company Loan to Gas Natural Atlántico II, S.R.L., which Gas Natural Atlántico II, S.R.L. will apply to refinance certain existing indebtedness related to the construction of the transmission line required by the system to support the development of the Colón Plant.
- (4) Excluding interest, unamortized premium, discounts and deferred financing cost.
- (5) Excluding interest and deferred financing cost.
- (6) Excludes certain fees and expenses relating to the refinancing.

CAPITALIZATION

The following tables set forth the capitalization of the Issuer and each of the Companies, as of March 31, 2020, on an actual basis and an as adjusted basis after giving effect to the issuance of the Notes, the disbursement of the Loan Facility and the application of the net proceeds thereof as described under "Use of Proceeds."

You should read the following tables in conjunction with the Companies' respective financial statements and related notes together with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies" included elsewhere in this offering memorandum.

From March 31, 2020, to the date of this offering memorandum, with respect to the Companies, and from March 25, 2020 to the date of this offering memorandum, with respect to the Issuer, there has been no material change in the Issuer's or the Companies' capitalization other than as stated herein.

Issuer

	As of March 31, 2020	
	Actual	As Adjusted
	<i>(U.S.\$ in thousands)</i>	
Cash and cash equivalents	-	-
Loans receivable from related party short-term.....	-	27,346
Loans receivable from related party long-term	-	1,457,654
Short-term debt		
Loan payable	-	27,268
Total short-term debt	-	27,628
Long-term debt		
Bonds payable	-	1,380,000
Loan payable	-	77,732
Total long-term debt	-	1,457,732
Total debt	-	1,485,000
Total stockholders' equity	100	100
Total capitalization	100	1,485,100

AES Panamá

	As of March 31, 2020	
	Actual	As Adjusted
	<i>(U.S.\$ in thousands)</i>	
Cash and cash equivalents	56,551	89,524
Short-term debt		
Loan payable to related party		4,657
Total short-term debt		4,657
Long-term debt		
Derivatives	31,173	-
Bonds payable, net	373,436	-
Loan payable to related party	-	520,652
Loan payable, net	70,003	-
Total long-term debt	474,612	520,652
Total debt	474,612	525,309
Stockholders' equity		

	As of March 31, 2020	
	Actual	As Adjusted
	<i>(U.S.\$ in thousands)</i>	
Total stockholders' equity	128,678	128,678
Total capitalization	603,290	653,987

AES Changuinola

	As of March 31, 2020	
	Actual	As Adjusted
	<i>(U.S.\$ in thousands)</i>	
Cash and cash equivalents	22,491	73,695
Short-term debt		
Loan payable.....	8,000	8,000
Bonds Payable.....	20,000	69,329
Total short-term debt	28,000	77,329
Long-term debt		
Loan payable to related party	-	231,689
Bonds Payable, net	309,438	89,438
Total long-term debt	309,438	321,127
Total debt	337,438	398,456
Stockholders' equity		
Total stockholders' equity	245,489	245,489
Total capitalization	582,927	643,945

Costa Norte

	As of March 31, 2020	
	Actual	As Adjusted
	<i>(U.S.\$ in thousands)</i>	
Cash and cash equivalents	2,998	7,998
Restricted cash	5,000	-
Short-term debt		
Loan payable to related party	-	6,616
Total short-term debt	-	6,616
Long-term debt		
Derivative liabilities.....	13,190	-
Loan payable, net ⁽¹⁾	191,818	-
Loan payable to related party.....	-	205,403
Total long-term debt	205,008	205,403
Total debt	205,008	212,019
Stockholders' equity		
Total stockholders' equity	276,101	276,101
Total capitalization	481,109	488,120

(1) Proceeds of the Notes will be used to refinance the Colón Facility Financing. See "Plan of Distribution."

Gas Natural Atlántico

	As of March 31, 2020	
	Actual	As Adjusted
	<i>(U.S.\$ in thousands)</i>	
Cash and cash equivalents	23,981	51,300
Restricted cash	27,758	-
Loan receivable from related party-long-term		61,755
Short-term debt		
Loan payable.....	15,000	15,000
Loan payable to related party.....	-	16,073
Total short-term debt.....	15,000	31,073
Long-term debt		
Derivative instruments	28,052	-
Loan payable, net ⁽¹⁾	410,281	-
Loan payable to related party	-	499,910
Total long-term debt	438,333	499,910
Total debt	453,333	530,983
Stockholders' equity		
Total stockholders' equity.....	74,182	74,182
Total capitalization.....	527,515	605,165

(1) Proceeds of the Notes will be used to refinance the Colón Facility Financing. See "Plan of Distribution."

SELECTED FINANCIAL AND OPERATING DATA

The following tables set forth the selected financial and operating data of the Companies as of and for each of the periods indicated. The summary statements of comprehensive income and cash flows data for the three months ended March 31, 2020 and for the years ended December 31, 2019, 2018 and 2017 and the summary balance sheet date as of March 31, 2020, and for the years December 31, 2019 and 2018 are derived from, should be read in conjunction with and are qualified in their entirety by reference to the unaudited interim condensed financial statements and the audited financial statements of the Companies, respectively which are included elsewhere in this offering memorandum. The selected historical financial data are not necessarily indicative of results to be expected in future periods, and results for interim periods are not necessarily indicative of results for the full year. The Companies' audited financial statements are referred to collectively as the Companies' "financial statements."

Our financial statements included herein have been prepared in accordance with IFRS. The following selected financial and operating data for AES Panamá, AES Changuinola, Costa Norte and Gas Natural Atlántico should be read in conjunction with the information under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies."

Financial and Operating Data of AES Panamá

Selected Statements of Comprehensive Income Data of AES Panamá

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(U.S.\$ in thousands)				
Revenue					
Electricity Sales	81,775	83,877	338,193	363,429	342,619
Operating costs and expenses					
Electricity purchases	31,833	45,365	152,007	125,989	106,572
Operating lease				18,213	18,585
Other costs of electricity sales	2,442	8,509	24,675	35,483	43,444
Transmission costs	1,534	1,870	6,237	4,746	1,431
Operating, general and maintenance expense	12,913	12,451	55,492	42,174	43,494
Depreciation and amortization	8,412	9,410	38,002	36,912	37,304
Total operating costs and expenses	57,134	77,605	276,413	263,517	250,830
Operating income	24,641	6,272	61,780	99,912	91,789
Other (expense) income					
Interest expense, net	(8,429)	(8,001)	(32,370)	(21,027)	(21,937)
Accretion expense	-	(16)	(62)	(60)	(57)
Other income (expense), net	341	484	(466)	(409)	1,128
Equity earnings (loss) in investment in affiliate	445	(2,567)	(1,888)	6,386	4,578
Total other expenses, net	(7,643)	(10,100)	(34,786)	(15,110)	(16,288)
Income (loss) before income tax expense	16,998	(3,828)	26,994	84,802	75,501
Income tax expense	4,912	378	8,604	22,976	17,200
Net income (loss)	12,086	(4,206)	18,390	61,826	58,301
Amortization of other comprehensive income of affiliate	19	20	78	78	78
Other comprehensive loss of derivative instruments	(20,749) ⁽¹⁾	-	-	-	-
Total other comprehensive (loss) income	(8,644)	(4,186)	18,468	61,904	58,379

(1) Represents unrealized loss from the net fair value of derivative instruments outstanding as of March 31, 2020.

Selected Statements of Financial Position Data of AES Panamá

	As of March 31,	For the year ended December 31,	
	2020	2019	2018
Assets			
Current Assets			
Cash and cash equivalents	56,551	29,608	15,841

	As of March 31,	For the year ended December 31,	
	2020	2019	2018
Accounts receivable			
Trade.....	7,146	5,859	5,762
Related parties.....	60,027	64,393	70,467
Affiliates.....	3,813	3,374	5,653
Other.....	260	213	157
Inventories, net.....	6,570	5,720	7,399
Prepaid income tax, net.....	6,877	13,016	1,523
Prepaid expenses.....	5,579	1,798	4,382
Total current assets	146,823	123,981	111,184
Non-current assets			
Property, plant and equipment, net.....	475,163	482,155	510,651
Other accounts receivable – related parties.....		-	2,500
Intangible assets, net.....	3,630	4,514	8,167
Advance to suppliers.....	1,839	1,880	46
Investment in affiliate.....	49,098	48,634	50,443
Restricted cash.....	2,605	2,540	2,139
Right of use asset, net.....	124,122	124,735	
Other assets.....	72,028	28	14
Total non-current assets	728,485	664,486	573,960
Total assets	875,308	788,467	685,144
Liabilities and Stockholders' Equity			
Current liabilities			
Accounts payable			
Suppliers.....	8,916	16,332	13,866
Related parties.....	4,653	9,264	5,342
Affiliates.....	16,985	8,860	18,456
Interest payable.....	6,161	466	362
Accrued expenses and other liabilities.....	16,740	16,292	8,374
Loan payable			12,000
Total current liabilities	53,455	51,214	58,420
Non-current liabilities			
Seniority premium.....	702	646	623
Accounts payable.....	741	741	673
Loan payable, net.....	70,003	-	-
Bonds payable, net.....	373,436	373,274	372,658
Deferred income tax, net.....	71,240	81,360	86,733
Derivatives.....	31,173	-	-
Asset retirement obligation.....	1,500	1,500	1,438
Deferred income.....		-	7,004
Other liabilities.....	144,380	142,430	
Total non-current liabilities	693,175	599,951	469,129
Stockholders' Equity			
Authorized capital.....	115,365	115,365	141,139
Additional paid-in-capital.....	14,555	14,535	14,464
Retained earnings.....	21,732	9,646	4,314
Deemed tax.....	(161)	(161)	(161)
Other comprehensive loss.....	(22,813)	(2,083)	(2,161)
Total Stockholders' Equity	128,678	137,302	157,595
Total Liabilities and Stockholders' Equity	875,308	788,467	685,144

Selected Statements of Cash Flows of AES Panamá

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	<i>(U.S.\$ in thousands)</i>				
Net cash (used in) provided by operating activities.....	(42,724)	26,798	100,386	122,796	108,302
Net cash used in investing activities	(1,400)	(3,027)	(11,082)	(13,112)	(15,769)
Net cash provided by (used in) financing activities.....	71,067	(6,613)	(75,537)	(110,255)	(93,272)

EBITDA and Credit Ratios of AES Panamá

	For the three months ended March 31,	For the year ended December 31,		
	2020	2019	2018	2017
	<i>(U.S.\$ in thousands)</i>			
EBITDA	38,055	119,064	142,627	135,508
Net Debt/EBITDA ⁽¹⁾	2.8x ⁽²⁾	2.9x	2.6x	2.6x
EBITDA/Interest	6.02x ⁽²⁾	5.22x:	6.34x	6.04x

- (1) Net Debt is calculated as total debt minus cash and cash equivalents.
- (2) Calculated EBITDA and interest for the 12 months ended March 31, 2020. In this table, EBTIDA is calculated as set out in "Presentation of Financial and other Information—Financial Statements," which differs from the definitions of EBITDA used to calculate financial ratios under the Operating Company Loans. The definitions applicable under the Operating Company Loans are set out in "Description of the Financing Documents—Operating Company Loan Agreements—Covenants."

Operating data of AES Panamá

	For the three months ended March 31,	For the year ended December 31,		
	2020	2019	2018	2017
	<i>(U.S.\$ in thousands)</i>			
Installed Capacity (MW).....	554.0	554.0	554.0	554.0
Firm Capacity	371.1	371.1	371.1	371.1
GWh generated (net)	284.2	1,272	2,064.1	2,113.6
GWh sold.....	638.4	2,790.4	2,870.9	2,840.8
Average all-in price of electricity sold ⁽¹⁾	122.5	114.6	104.9	101.1

- (1) Expressed as U.S.\$/MWh.

Financial and Operating Data of AES Changuinola

Selected Statements of Comprehensive Income Data of AES Changuinola

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	<i>(U.S.\$ in thousands)</i>				
Revenue					
Electricity sales	13,656	2,141	9,651 ⁽¹⁾	94,236	80,222
Leases	4,478	4,487	17,876	18,213	18,585
Total revenues	18,134	6,628	27,527	112,449	98,807

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
<i>(U.S.\$ in thousands)</i>					
Operating cost and expenses					
Electricity purchases	1,515	527	1,959	9,125	7,322
Transmission costs	439	688	2,390	1,632	477
Operating, general and maintenance expense	3,595	3,543	20,475	19,210	16,846
Depreciation and amortization	4,733	4,272	17,054	17,029	16,911
Total operating cost and expenses	10,282	9,030	41,878	46,996	41,556
Operating income (loss)	7,852	(2,402)	(14,351)	65,453	57,251
Other income (expenses)					
Interest expense, net	(5,523)	(5,330)	(20,405)	(22,988)	(24,801)
Other income (expenses), net	6	(2,363)	28,676	19	63
Total other (expenses) income, net	(5,517)	(7,693)	8,271	(22,969)	(24,738)
Income (loss) before income tax expense	2,335	(10,095)	(6,080)	42,484	32,513
Income tax expense	123	2,748	3,160	8,721	9,621
Net income (loss)	2,212	(12,843)	(9,240)	33,763	22,892
Amortization of other comprehensive income	97	97	389	389	389
Other comprehensive income ⁽²⁾	97	97	389	389	389
Total other comprehensive income (loss)	2,309	(12,746)	(8,851)	34,152	23,281

- (1) The Changuinola Plant was offline from January 28, 2019 through January 2, 2020, due to the concrete re-lining of the Changuinola tunnel. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies—Principal Factors Affecting Results of Operations of the Companies—AES Changuinola Outage and Other Maintenance and Improvements."
- (2) Represents unrealized income or loss from the net fair value of derivative instruments outstanding at the end of the period.

Selected Statements of Financial Position Data of AES Changuinola

	As of March 31,	For the year ended December 31,	
	2020	2019	2018
Assets			
Current Assets			
Cash and cash equivalents	22,491	25,063	59,386
Accounts receivable:			
Trade	4,447	4,365	442
Affiliates	9,843	3,223	16,636
Others	274	273	406
Inventories, net	1,123	1,161	1,189
Prepaid income tax, net	3,337	3,438	-
Prepaid expenses	3,820	357	368
Total current assets	45,335	37,880	78,427
Non-current assets			
Property, plant and equipment, net	526,079	529,875	490,272
Other accounts receivable	-	-	2,641
Restricted cash	492	475	399
Intangible assets, net	2,744	2,824	2,937
Deferred assets	25,080	22,763	7,004
Deferred income tax, net	16,244	16,266	19,087
Advances to suppliers	10	10	6,005
Others assets	-	-	3,777
Total non-current assets	570,649	572,213	532,122
Total assets	615,984	610,093	610,549
Liabilities and Stockholders' Equity			
Current liabilities			
Accounts payable			
Suppliers	22,983	25,235	5,079
Affiliates	1,302	1,106	1,089
Interest payable	5,808	249	307
Accrued expenses and other liabilities	2,441	2,437	2,170
Loan payable	8,000	-	-
Bonds payable	20,000	20,000	20,000
Total current liabilities	60,534	49,027	28,645

	As of March 31,	For the year ended December 31,	
	2020	2019	2018
Non-current liabilities			
Seniority premium.....	204	182	135
Accounts payable.....	8	8	8
Loan payable	-	8,000	-
Contingencies and commitments	311	311	311
Bonds payable, net	309,438	309,397	329,233
Total non-current liabilities	309,961	317,898	329,687
Stockholders' Equity			
Authorized capital	270,385	270,385	270,385
Additional paid-in-capital	333	321	276
Accumulated deficit	(14,379)	(16,591)	(7,351)
Other comprehensive loss	(10,320)	(10,417)	(10,806)
Deemed tax	(530)	(530)	(287)
Total stockholders' equity	245,489	243,168	252,217
Total Liabilities and Stockholders' Equity	615,984	610,093	610,549

Selected Statements of Cash Flow of AES Changuinola

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	<i>(U.S.\$ in thousands)</i>				
Net cash (used in) provided by operating activities.....	(1,650)	8,858	2,518	72,853	63,004
Net cash (used in) provided by investing activities	(819)	(1,207)	(2,143)	(5,804)	414
Net cash used in financing activities.....	(103)	(10)	(34,698)	(44,257)	(54,316)

EBITDA and Credit Ratios of AES Changuinola

	For the three months ended March 31,	For the year ended December 31,		
	2020	2019	2018	2017
	<i>(U.S.\$ in thousands)</i>			
EBITDA	12,783	3,494	83,574	75,018
Net Debt/EBITDA ⁽¹⁾	22.2x ⁽²⁾⁽³⁾	89.4x ⁽³⁾	3.5x	4.4x
EBITDA/Interest	0.62x ⁽²⁾	0.15x	3.45x	2.94x

- (1) Net Debt is calculated as total debt minus cash and cash equivalents.
- (2) Calculated EBITDA and interest for the 12 months ended March 31, 2020. In this table, EBTIDA is calculated as set out in "Presentation of Financial and other Information—Financial Statements," which differs from the definitions of EBITDA used to calculate financial ratios under the Operating Company Loans. The definitions applicable under the Operating Company Loans are set out in "Description of the Financing Documents—Operating Company Loan Agreements—Covenants."
- (3) Decrease in EBITDA in 2019 was due in part to the concrete re-lining of the Changuinola tunnel performed between January 2019 and January 2020. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations of the Companies—Principal Factors Affecting Results of Operations of the Generation Companies—AES Changuinola Outage and Other Maintenance and Improvements."

Operating data of AES Changuinola

	For the three months ended March 31,	For the year ended December 31,		
	2020	2019	2018	2017
	(in thousands)			
Installed Capacity (MW)	223.0	223.0	223.0	223.0
Firm Capacity	175.3	175.3	175.3	175.3
GWh generated (net)	162.1	1,082.6	856.3	856.3
GWh sold	162.1	91.3	1,082.6	856.3
Average all-in price of electricity sold ⁽²⁾	90.6	91.5	92.2	102.0

(1) Reduced generation was due in part to maintenance and repair work performed on the tunnel.

(2) Expressed as U.S.\$MWh.

Financial and Operating Data of Gas Natural Atlántico

Selected Statements of Comprehensive Income Data of Gas Natural Atlántico

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(U.S.\$ in thousands)				
Revenue					
Electricity sales	67,224	75,239	285,858	84,225	-
Natural gas sales	-	-	2,399	2,465	-
Total revenue	67,224	75,239	288,257	86,690	-
Operating costs and expenses					
Fuel consumption	30,914	42,424	140,787	29,065	-
Electricity purchases	1,060	6,836	18,706	9,633	-
Terminal fee	8,607	8,736	34,267	14,991	-
Fuel costs of sales	-	-	2,399	1,876	-
Other costs of electricity sales	227	295	1,222	311	-
Transmission costs	1,152	925	3,654	1,312	-
Operating general and maintenance expense	3,991	8,691	30,439	17,265	3,074
Depreciation and amortization	5,360	5,335	21,381	7,184	45
Total operating costs and expenses	51,311	73,242	252,855	81,637	(3,119)
Operating income (loss)	15,913	1,997	35,402	5,053	(3,119)
Other (expenses) income					
Interest expense, net	(6,985)	(7,760)	(44,434)	(9,539)	(2,079)
Other income (expense), net	11	139	(3,927)	10	1
Total other expenses, net	(6,974)	(7,621)	(48,361)	(9,529)	(2,078)
Income (loss) before income tax	8,939	(5,624)	(12,959)	(4,476)	(5,197)
Income tax	2,749	1,344	(24)	(5,258)	-
Net income (loss)	6,190	(6,968)	(12,935)	782	(5,197)
Net other comprehensive (loss) income that will be reclassified to profit or loss in subsequent periods					
Change in the fair value of derivative instruments	(46,033)	(5,214)	5,042	3,174	(1,847)
Deferred tax	11,479	1,302	460	(648)	524
Realized derivative instruments, net	117	-	(6,890)	174	(750)
Other comprehensive (loss) income⁽¹⁾	(34,437)	(3,912)	(1,388)	2,700	(2,073)
Total other comprehensive (loss) income	(28,247)	(10,880)	(14,323)	3,482	(7,270)

(1) Represents unrealized income or loss from the net fair value of derivative instruments outstanding at the end of the period.

Selected Statements of Financial Position Data of Gas Natural Atlántico

	As of March 31,	For the year ended December 31,	
	2020	2019	2018
Assets			
Current Assets			
Cash and cash equivalents	23,981	18,118	146
Restricted Cash	27,758	7,825	7,124
Accounts receivable:			
Trade	42,281	44,206	45,907
Related parties	30	3	538
Affiliates	8,797	9,066	95
Others	10	6	420
Loan receivable from related party	3,000	1,500	-
Inventories	17,382	23,776	2,323
Prepaid expenses	10,682	6,836	31,778
Derivative instruments	-	-	1,343
Total current assets	133,921	111,336	89,674
Non-current assets			
Property, plant and equipment, net	438,795	444,112	459,388
Restricted cash	230	211	126
Intangible assets, net	217	229	80
Deferred tax asset, net	16,546	7,013	3,188
Derivative instruments	-	17,981	11,596
Right-of-use assets, net	34,640	34,963	-
Other assets	320	204	119
Total non-current assets	490,748	504,713	474,497
Total Assets	624,669	616,049	564,171
Liabilities and Stockholders' Equity			
Current liabilities			
Accounts payable			
Suppliers	5,943	7,954	13,187
Affiliates	42,445	33,148	25,045
Loans payable to affiliates	-	-	11,000
Interest payable	2,444	284	7,794
Income tax payable, net	3,124	2,322	1,019
Accrued expenses and other liabilities	2,029	3,128	2,119
Loans payable, net	15,000	15,000	379,697
Total current liabilities	70,985	61,836	440,491
Non-current liabilities			
Seniority premium	179	144	90
Deferred income	-	-	6,827
Derivative Instruments	28,052	-	-
Other liabilities	40,990	40,990	-
Loans payable, net	410,281	410,651	-
Total non-current liabilities	479,502	451,785	6,917
Stockholders' Equity			
Authorized capital	117,100	117,100	117,100
Additional paid-in-capital	88	87	79
Accumulated deficit	(16,435)	(22,625)	(9,690)
Other comprehensive (loss) income	(26,551)	7,886	9,274
Deemed tax	(20)	(20)	-
Total stockholders' equity	74,182	102,428	116,763
Total Liabilities and Stockholders' Equity	624,669	616,049	564,171

Selected Statements of Cash Flows

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
<i>(U.S.\$ in thousands)</i>					
Net cash flows provided by (used in) operating activities.....	32,741	9,439	47,629	(51,021)	(8,889)
Net cash used in investing activities	(22,132)	(3,576)	(4,868)	(55,419)	(226,919)
Net cash (used in) provided by financing activities.....	(4,746)	3,704	(24,789)	106,259	236,018

EBITDA and Credit Ratios of Gas Natural Atlántico

	For the three months ended March 31,	For the year ended December 31,		
	2020	2019	2018	2017
<i>(U.S.\$ in thousands)</i>				
EBITDA	21,765	68,706	12,635	(2,619)
Net Debt/EBITDA ⁽¹⁾	5.2x ⁽²⁾	5.8x	29.5x	(98.5.0x)
EBITDA/Interest	3.23x ⁽²⁾	2.83x	0.53x	0.22x

(1) Net Debt is calculated as total debt minus cash and cash equivalents.

(2) Calculated EBITDA and interest for the 12 months ended March 31, 2020. In this table, EBTIDA is calculated as set out in "Presentation of Financial and other Information—Financial Statements," which differs from the definitions of EBITDA used to calculate financial ratios under the Operating Company Loans. The definitions applicable under the Operating Company Loans are set out in "Description of the Financing Documents—Operating Company Loan Agreements—Covenants."

Operating data of Gas Natural Atlántico

	For the three months ended March 31,	For the year ended December 31,		
	2020	2019	2018	2017
Installed Capacity (MW)	381	381	381	n/a
Firm Capacity	354.7	360.0	360.0	n/a
GWh generated (net)	718.2	2,708.0	487.0	n/a
GWh sold	477.3	2,092.4	640	n/a
Average all-in price of electricity sold ⁽¹⁾	106.3	103.9	117.8	n/a

(1) Expressed as U.S.\$/MWh.

Financial and Operating Data of Costa Norte

Selected Statements of Comprehensive Income Data of Costa Norte

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
<i>(U.S.\$ in thousands)</i>					
Revenue					
Terminal services	10,878	8,736	37,617	21,930	-
Total Revenue	10,878	8,736	37,617	21,930	-
Operating costs and expenses					
Operating, general and maintenance expense	1,901	2,020	10,099	9,881	6,655
Depreciation and amortization	3,831	2,380	11,592	3,157	26
Total operating costs and expenses	5,732	4,400	21,691	13,038	6,681
Operating income (loss)	5,146	4,336	15,926	8,892	(6,681)

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
(U.S.\$ in thousands)					
Other (expenses) income					
Interest expense, net	(4,872)	(1,997)	(18,578)	(127)	(661)
Other income (expense), net	8	1	(2,098)	3,938	3,947
Total other (expenses) income, net.....	(4,864)	(1,996)	(20,676)	3,811	3,286
Income (loss) before income tax expense (benefit)	282	2,340	(4,750)	12,703	(3,395)
Income tax expense (benefit)	135	660	(605)	(2,186)	390
Net income (loss)	147	1,680	(4,145)	14,889	(3,785)
Net other comprehensive (losses) income that will be reclassified to profit or loss in subsequent periods:					
Realized derivative instrument, net.....	88	86	(5,085)	(88)	(363)
Change in the fair value of financial instruments	(21,633)	(2,443)	4,208	659	(583)
Deferred tax	5,386	1,058	333	(165)	(894)
Other comprehensive (loss) income⁽¹⁾	(16,159)	(1,299)	(544)	406	(1,840)
Total other comprehensive (loss) income	(16,012)	381	(4,689)	15,295	(5,625)

(1) Represents unrealized income or loss from the net fair value of derivative instruments outstanding at the end of the period.

Selected Statements of Financial Position Data of Costa Norte

	As of March 31,	For the year ended December 31,	
	2020	2019	2018
Assets			
Current Assets			
Cash and cash equivalents.....	2,998	10,059	283
Restricted cash	5,000	3,814	-
Accounts receivable			
Affiliates	28,254	19,882	22,205
Others	774	776	123
Trade receivables – sublease.....	2,774	2,644	-
Loans receivable from affiliates.....	-	-	11,000
Inventories	490	544	150
Derivative instrument.....	-	-	444
Prepaid expenses	2,481	646	839
Total current assets	42,741	38,365	35,044
Non-current assets			
Terminal and equipment, net	469,996	469,891	427,326
Restricted cash	206	200	1,262
Deferred tax asset, net	7,618	2,044	522
Derivative instrument.....	--	8,443	4,297
Deferred income	-	-	5,094
Trade receivables - sublease	38,791	38,783	-
Right-of-use asset, net.....	86,416	87,219	-
Other assets	2,547	2,606	338
Total non-current assets	605,574	609,186	438,839
Total Assets.....	648,315	647,551	473,883
Liabilities and Stockholders' Equity			
Current liabilities			
Accounts payable			
Suppliers	11,261	9,069	54,332
Affiliates	6,904	6,917	128
Interest payable	1,204	54	2,514
Income tax payable, net	557	235	294
Derivative liabilities	-	-	59
Accrued expenses and other liabilities.....	4,233	4,197	965
Loans payable, net.....	-	-	120,461
Total current liabilities.....	24,159	20,472	178,753

	As of March 31,	For the year ended December 31,	
	2020	2019	2018
Non-current liabilities			
Seniority premium.....	60	39	86
Other liabilities.....	142,987	142,987	17,771
Derivative instruments	13,190	-	447
Loan payable, net	191,818	191,941	-
Total non-current liabilities.....	348,055	334,967	18,304
Stockholders' Equity			
Authorized capital	285,700	285,700	265,700
Additional paid-in-capital	85	84	79
Retained earnings	4,324	4,177	8,322
Deemed tax	(30)	(30)	-
Other comprehensive (loss) income.....	(13,978)	2,181	2,725
Total stockholders' equity.....	276,101	292,112	276,826
Total Liabilities and Stockholders' Equity	648,315	647,551	473,883

Selected Statements of Cash Flows of Costa Norte

	For the three months ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
			(U.S.\$ in thousands)		
Net cash flow (used in) provided by operating activities.....	(1,841)	(7,863)	22,977	(1,407)	495
Net cash used in investing activities	(3,116)	(30,913)	(38,757)	(29,348)	(104,442)
Net cash (used in) provided from financing activities	(2,104)	38,569	25,556	30,554	104,407

EBITDA and Credit Ratios of Costa Norte

	For the three months ended March 31,	For the year ended December 31,		
	2020	2019	2018	2017
		(U.S.\$ in thousands)		
EBITDA.....	9,852	31,307	12,756	(5,948)
Net Debt/EBITDA ⁽¹⁾	5.6x ⁽²⁾	5.7x	9.3x	(5.5x)
EBITDA/Interest	3.25x ⁽²⁾	2.97x	1.85x	1.98x

(1) Net Debt is calculated as total debt minus cash and cash equivalents.

(2) Calculated EBITDA and interest for the 12 months ended March 31, 2020. In this table, EBTIDA is calculated as set out in "Presentation of Financial and other Information—Financial Statements," which differs from the definitions of EBITDA used to calculate financial ratios under the Operating Company Loans. The definitions applicable under the Operating Company Loans are set out in "Description of the Financing Documents—Operating Company Loan Agreements—Certain Definitions."

Operating data of Costa Norte

	For the three months ended March 31,	For the year ended December 31,		
	2020	2019	2018	2017
Storage Capacity (M ³)	180,000	180,000	n/a	n/a
Contracted TBTUs (as a percentage of total storage capacity).....	34%	34%	n/a	n/a

The Companies' dividend practice

The dividend practice of the Companies is to maximize the payment of dividends subject to a number of factors and considerations. For AES Panamá, the relevant factors are the restricted payment covenant under the AES Panamá Notes (unless that covenant is suspended for so long as AES Panamá retains one investment grade rating as set forth in the indenture related to those bonds). The AES Panamá Notes are expected to be prepaid in full on the

Issue Date with the proceeds of the Operating Company Loan incurred by AES Panamá. In addition, as the payments are made in cash, AES Panamá would need to ensure that there is adequate cash at the business, which is a function of adequate working capital at the business level and overall liquidity, including the availability of cash and short-term credit lines. AES Panamá also considers its long-term forecast (such as funding for capital expenditure) as well as any relevant tax and accounting issues. AES Panamá distributed dividends of U.S.\$69.8 million in 2017, U.S.\$98.5 million in 2018 and U.S.\$13.1 million in 2019. In addition, AES Panamá distributed dividends of U.S.\$ 25 million on July 16, 2020. As of December 31, 2019, Global Power Holdings owned 49.07% of AES Panamá's authorized capital.

With respect to AES Changuinola, the dividends are paid in proportion of the ownership interest of Global Power Holdings and AES Panamá which as of December 31, 2019, was 80% and 20%, respectively. AES Changuinola is currently subject to the restricted payment covenants under the AES Changuinola Series A Bonds, the AES Changuinola Series B Bonds and the Changuinola Line of Credit. AES Changuinola expects that the holders of the AES Changuinola Bonds and the lenders under the Changuinola Line of Credit will vote to amend those provisions to delete the restricted payment covenants. In the event the restricted payment covenants would no longer be in effect, AES Changuinola would need to ensure there is adequate cash in the business which is a function of adequate working capital at the business level and overall liquidity, including the availability of cash and short-term credit lines. AES Changuinola also considers its long-term forecast (such as funding for capital expenditure) as well as any relevant tax and accounting issues. AES Changuinola distributed U.S.\$8.9 million in dividends in 2017 and did not distribute dividends in 2018 and 2019.

With respect to Gas Natural Atlántico and Costa Norte, since these companies are recently operational no dividends have been declared or distributed; however they share a similar dividend practice as AES Panamá and AES Changuinola. Gas Natural Atlántico and Costa Norte are currently subject to the restricted payment covenant under the Colón Facility Financing, which is expected to be prepaid in full on the Issue Date with the proceeds of the Operating Company Loans.

The Operating Company Loans will not contain any restricted payment covenants and, accordingly, no financial covenants that would contractually limit the Companies' ability to pay dividends are anticipated (other than the Series A Changuinola Bonds while they remain outstanding). Any decision as to whether to declare and pay dividends is ultimately made by the board or directors of the relevant entity, and there is no assurance as to how each board of directors will make any future determination regarding the payment of dividends.

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

The following discussion and analysis is derived from and should be read together with our historical financial statements and the notes thereto included elsewhere in this offering circular. The following discussion includes certain forward-looking statements. For a discussion of important factors, including the continuing development of our business, actions of regulatory authorities and competitors and other factors which could cause actual results to differ materially from the results referred to in the forward-looking statements, see "Cautionary Language Regarding Forward-Looking Statements" and "Risk Factors."

Overview

The Generation Facilities derive substantially all of their revenue from the sale of electricity through firm capacity and energy supply agreements ("PPAs"), spot market sales and regional market sales in U.S. dollars. Except for AES Changuinola, which sells all of the electricity it generates to AES Panamá, the Generation Facilities' primary customers are Panama's three energy distribution companies: Elektra Noreste, S.A., (rated BBB by Fitch Ratings and owned by Empresas Públicas de Medellín) Empresa de Distribución Eléctrica Metro-Oeste, S.A. (owned by Naturgy Energy Group which is rated Baa2 by Moody's, BBB by S&P and BBB by Fitch) and Empresa de Distribución Eléctrica Chiriquí, S.A. (also owned by Naturgy), (collectively, the "Distribution Companies"). AES Panamá and Gas Natural Atlántico also have capacity and energy supply agreements with 47 large customers (the "Large Customers"). Together, as of March 31, 2020 the revenue derived by AES Panamá and Gas Natural Atlántico from capacity and energy supply agreements with the Distribution Companies and Large Customers represented 95.0% and 75.5% of their respective total revenues.

As of the date of this offering memorandum, on average 83% of the average combined firm capacity of the Generation Companies was under contract through 2030 pursuant to PPAs. The Companies have PPAs with the Distribution Companies and with Large Customers. The table below details each Generation Company's contracted capacity and certain key details about their PPAs.

	Contracted Capacity		Contracted Energy		Number of PPAs	Offtakers	PPA Expiration Years
	MW	%	GWh	%			
AES Panamá ⁽¹⁾	383	79 ⁽²⁾	2,800	100	61	Distribution Companies and Large Customers	7
AES Changuinola.....	175	100 ⁽³⁾	960	100 ⁽³⁾	1	AES Panamá	10
Gas Natural Atlántico.....	350	92	2,323	92	3	Distribution Companies	8
Penonomé.....	-	-	91	69	1	Altenergy (Celsia)	4
Total/Weighted Average	908	88.2%	6,174	96.5%	66		8

(1) Excludes Estrella del Mar.

(2) Includes 175MW of reserve capacity under contract with AES Changuinola.

(3) Calculated based on AES's Changuinola's firm capacity.

In addition, Costa Norte currently receives terminal fees from Colón Terminal clients in exchange for providing regasification and truck loading services and certain other fees under two terminal use agreements and expects to receive fees for bunkering and certain other services in the future. Costa Norte sells 26% of its capacity for LNG storage to Gas Natural Atlántico pursuant to a terminal use agreement (the "Gas Natural Atlántico TUA") to be used to fuel the Colón Plant, and it sells the 7.6% of its capacity through Colón LNG Marketing S. de R.L. ("Colón LNG Marketing"), a joint venture 50% owned by Global Power Holdings and the Motta family and 50% indirectly owned by Total S.A., the second largest private LNG operator worldwide. Colón LNG Marketing will not guarantee the Notes, and Global Power Holdings's equity interest in Colón LNG Marketing will not be part of the Collateral.

Pursuant to a terminal use agreement among Costa Norte, Colón LNG Marketing and Total Holdings S.A.S. expiring in 2029 (the "Total TUA" and, together with the Gas Natural Atlántico TUA, the "Terminal Use Agreements"), Total Holdings S.A.S. purchases 6 TBTUs of LNG storage capacity per year from Costa Norte. Under this agreement, Total Holdings S.A.S. is required to pay Costa Norte for this storage capacity even if it is unable to market any amounts through Colón LNG Marketing. This arrangement provides a consistent source of revenue for Costa Norte. In addition, pursuant to a marketing letter agreement among Costa Norte, Colón LNG Marketing and Total Holdings S.A.S., 50% the capacity contracted with clients that Colón LNG Marketing attracts to the Colón Terminal is applied to reduce the amount of Total Holdings S.A.S.'s commitment under the Total TUA. Colón LNG Marketing's potential clients are electricity generators, gas distributors, industrial customers and are eventually expected to include vessels transiting the Panama Canal.

Trend Information

Effects of COVID-19

The COVID-19 pandemic has taken a substantial toll on the Panamanian economy. The Panamanian government has enacted measures to mitigate the economic effect on the economy, including a prohibition on shutting off electricity services for non-payment and mandating the Distribution Companies to provide discounts to certain customers on their electricity bill. The discounts are to be funded through a tariff stabilization fund (*Fondo de Estabilización Tarifaria*), which has not yet been funded. This has caused the Distribution Companies to make only partial payments on the Companies' invoices during April, May and June. Nevertheless, there can be no certainty as to when the Panamanian government will fund the Tariff Stabilization Fund, and continued payment delays and shortfalls could adversely affect the financial condition and results of operation of the Companies. For more information on the measures taken by the Panamanian Government see "Summary—Recent Developments—COVID-19 in Panama."

The COVID-19 pandemic has also caused a downturn in consumer demand for certain goods and services as well as the temporary closure of businesses and industries. This has adversely affected the financial condition of some of the Companies' Large Customers and lowered their overall demand for electricity. Although the Companies' Large Customers have been making timely payments as of the date of this offering memorandum, there can be no assurance that they will be able to continue making timely payments in the future. Although no official data has been published, the Companies expect that electricity demand will fall, which could also lower the average price for energy in the spot market. This decline in spot price is largely mitigated by the Companies' PPAs but could nonetheless affect their results of operation. See "Risk Factors—Risks relating to the Companies' Businesses—The outbreak of the COVID-19 pandemic has had and a further severe outbreak or an outbreak of another contagious disease could have a material adverse impact on the Companies' operations and financial condition."

As a result of the pandemic, market volatility has increased significantly, which has affected the mark-to-market of the Companies' derivative instruments and has led to significant unrealized losses, which the Companies expect to see reflected in financial statements for upcoming periods. Continuing market volatility as a result of COVID-19 or otherwise could further adversely affect the financial condition and results of operation of the Companies. See "Risk Factors—Risks relating to the Companies' Businesses—The Companies face risk related to their derivative instruments."

The Companies adopted a number of measures to preserve liquidity and address the impact of the COVID-19 pandemic and the various related government measures. AES Panamá drew U.S.\$23 million from an uncommitted line of credit with the Bank of Nova Scotia N.A. and, Gas Natural Atlántico drew U.S.\$15 million in March 2020 from an uncommitted line of credit with Banco Aliado to enhance the available cash on hand.

Seasonality of Wind

As a result of the incorporation of Penonomé, the results of operations of AES Panamá will become sensitive to the availability of the wind resource necessary for Penonomé to generate. Because the availability of wind tends to increase during the dry season, while hydrology is low, the generation profile of Penonomé is expected to be inversely correlated to that of the Hydroelectric Plants. As a result, Penonomé is expected to be dispatched less frequently during the wet season and significantly more frequently during the dry season.

In addition, higher wind resources could increase the wear and tear and the costs of maintaining Penonomé in good working condition as they subject the plant to additional stress and maintenance and interventions may be required more frequently as a result. Similarly, when Penonomé generates higher revenues, AES Panamá's 'taxable income increases and the amount of income tax it pays on its results of operations increases as well.

Technical Availability of Penonomé

As a result of the acquisition of Penonomé, the technical availability of Penonomé is expected to impact AES Panamá's results of operations because it is the metric by which the potential for generation of Penonomé is measured. Availability is expressed as the percentage of time that the Penonomé is in operable state, therefore, higher availability is generally correlated with higher generation and higher revenues.

Under AES Panamá's maintenance services agreement for Penonomé ("MSA"), the contractors that maintain Penonomé are required to maintain a minimum percentage of plant availability. If these contractors fail to maintain that minimum availability, they are required to pay liquidated damages to AES Panamá. The availability of Penonomé is calculated on a quarterly basis and record other income from availability liquidated damages accrued during the applicable period at the end of each fiscal quarter.

Removal of Estrella del Mar from Commercial Operation

On July 14, 2020, after consulting with the CND, ASEP authorized AES Panamá to remove Estrella del Mar from commercial operation effective August 1, 2020. This removal will allow AES Panamá to sell the asset, and AES Panamá is considering options for selling in the international market. Once Estrella del Mar is removed from commercial operation, its generation license will become ineffective. For more information on the removal of commercial operation of Estrella del Mar and its potential sale, see "Risk Factors—Risks Related to the Companies' Businesses—The PPAs for Estrella del Mar have expired, and AES Panamá is considering the sale of Estrella del Mar" and "AES in Panama—The Electricity Generation Business—the Generation Facilities—Estrella del Mar."

Principal Factors Affecting the Results of Operations of the Companies

The Panamanian Electricity Sector

The Companies believe the Panamanian government, the largest equity holder of AES Panamá, considers the electricity sector as vitally important to the continued economic growth of Panama. As the leading electricity generation conglomerate in Panama and given that the government is AES Panamá's majority equity holder, the Companies believe the Panamanian government is committed to the success of the Companies and understands the importance of their generation assets to the Panamanian power sector. Accordingly, the Companies believe the Panamanian government has an interest in the continued success of AES Panamá and AES Changuinola as well as the Panamanian electricity sector.

Hydrology and Seasonality

The results of operations of the Generation Companies are directly affected by hydrology, the amount of water that feeds into the rivers or reservoirs that supply the Generation Facilities, as well as seasonality. The wet season in Panama typically runs from May to December, and during those months the Hydroelectric Facilities (especially the run-of-river facilities) dispatch significantly more electricity than during the dry season. In addition, during dry season, applicable regulation limits reservoir facilities like Bayano from being dispatched even if spot market prices are higher and dispatching reservoir facilities, which are lower cost providers than thermal plants, could reduce spot market prices. Accordingly, during the dry season, thermal plants, including Estrella del Mar and the Colón Plant, are dispatched more frequently and sell more electricity during the dry season.

Hydrology in Panama was below average in 2017, 2019 and the three months ended March 31, 2020. Hydrology in 2018 improved as compared to 2017, and 2019 was Panama's driest year on record. Hydrology in the three months ended March 31, 2020 improved as compared to the three months ended March 31, 2019. In 2017 and 2018, despite below average hydrology, AES Panamá and AES Changuinola were able to generate sufficient electricity from the Hydroelectric Facilities and Estrella del Mar to satisfy their contracted PPA obligations and sell additional power on the spot market, which reflected positively in their results of operations for those years. In the

three months ended March 31, 2020, the Hydroelectric Facilities generated 427 GWh of electricity a 220 GWh increase from 207 GWh for the three months ended March 31, 2019, partially as a result of poor hydrology in the first quarter of 2019 and partially because the concrete re-lining of the Changuinola tunnel took Changuinola offline for a large part of 2019 and early 2020. Changuinola became fully operational in January 2020. For additional information on the Changuinola outage, see "Management's Discussion and Analysis of Financial Conditions and Results of Operations of the Companies—AES Changuinola Outage and Other Maintenance and Improvements."

AES Panamá's operating income increased by 290.5% to U.S.\$24.6 million in the three months ended March 31, 2020 from U.S.\$6.3 million in the three months ended March 31, 2019, and AES Changuinola's operating income increased by 429.2% to U.S.\$7.9 million in the three months ended March 31, 2020 from a loss of U.S.\$2.4 million in the three months ended March 31, 2019. AES Panamá's operating income decreased by 38.1% to U.S.\$61.8 million in 2019 from U.S.\$99.9 million in 2018, and AES Changuinola's operating income decreased to a loss of U.S.\$14.4 million in 2019 from income of U.S.\$65.5 million in 2018. Changuinola began to operate at full capacity again in January 2020.

These conditions were partially mitigated by the fact that the Colón Plant was fully operational in 2019, and generated 2,708 GWh of electricity. Generally, a low level of hydrology drives spot market prices up, as it results in reduced production by hydroelectric plants and causes the system to rely more heavily on thermal plants, such as Estrella del Mar and the Colón Plant, which tend to be higher cost providers. However, diversification of the generation matrix in 2019, including the introduction of the Colón Plant in September 2018, stabilized the supply of electricity and reduced spot market volatility, mitigating the effects of poor hydrology not only on hydroelectric generators but also on the system as a whole. In the three months ended March 31, 2020 the average spot market price was U.S.\$65.95 per MWh as compared to U.S.\$103.71 per MWh in the three months ended March 31, 2019, U.S.\$91.40 per MWh in 2019, U.S.\$76.70 per MWh in 2018 and U.S.\$58.51 per MWh in 2017. For a breakdown of average annual spot prices since 2015, see "Overview of The Panamanian Electricity Industry—The Spot Market—Spot Market for Energy."

Long-term Contracts and the Spot Market

A generation company's contracted capacity is the portion of its firm capacity that it has contractually committed to make available to third parties including the Distribution Companies and Large Customers. A generation company's contracted revenue is the revenue it has contracted to receive for the sale of capacity and the related energy. In the case of PPAs with Large Customers, the Generation Companies may contract to sell an amount of energy without committing a portion of the applicable Company's firm capacity to the offtaker. A high percentage of contracted revenue can contribute to the stability of the company's cash flows. For the three months ended March 31, 2020 and 2019, AES Panamá's and Gas Natural Atlántico's combined contracted revenue was 86.2% and 84.8%, respectively. For the years ended December 31, 2019, 2018 and 2017, the Generation Companies' combined contracted revenue was 86.2%, 83.9% and 84.6%, respectively.

The Generation Companies' primary customers are Panama's three Distribution Companies. The Generation Companies also have capacity and energy supply agreements with 47 Large Customers. Together, the revenue derived from capacity and energy supply agreements with the Distribution Companies and Large Customers represented 95% and 94.8% of AES Panamá's total revenue and 75.5% and 73.7% of Gas Natural Atlántico total revenue for the three months ended March 31, 2020 and 2019, respectively. In 2019, AES Panamá and Gas Natural Atlántico sold 90% and 77%, respectively, of the electricity they produced to Distribution Companies while AES Panamá sold 10% of the electricity it produced to Large Customers. In addition, in 2019, Gas Natural Atlántico sold 23% of the electricity it produced in the spot market.

As of the date of this offering memorandum, on average, 83% of the Generation Companies' average revenue was under contract through 2030 pursuant to PPAs. The table below details each Generation Company's contracted capacity and other information about their PPAs.

Contracted Capacity		Contracted Energy		Number of PPAs	Offtakers	PPA Expiration Years
<i>MW</i>	%	<i>GWh</i>	%			

AES Panamá ⁽¹⁾	383	79 ⁽²⁾	2,800	100	61	Distribution Companies and Large Customers	7
AES Changuinola.....	175	100 ⁽³⁾	960	100 ⁽³⁾	1	AES Panamá	10
Gas Natural Atlántico.....	350	92	2,323	92	3	Distribution Companies	8
Penonomé.....	-	-	91	69	1	Altenergy (Celsia)	4
Total/Weighted Average	908	88.2%	6,174	96.5%	66		8

(4) Excludes Estrella del Mar.

(5) Includes 175MW of reserve capacity under contract with AES Changuinola.

(6) Calculated based on AES's Changuinola's firm capacity.

The shortages or surpluses between the Generation Companies' actual generation capacity and their contracted generation capacity are purchased or sold in the spot market from other Panamanian generation companies at the spot market price. Spot market prices are calculated on an hourly basis by the CND. When a Generation Company produces less electricity than it is required to deliver pursuant to its PPAs, if the spot price exceeds the contract price, its results of operation are negatively impacted. Conversely, when a Generation Company produces more electricity than it is required to deliver under its PPAs and it sells the excess in the spot market, if the prevailing spot prices are relatively high, the company's results of operations are positively impacted. The electricity that AES Panamá and Gas Natural Atlántico generates that is not sold under PPAs is sold in the spot market; however, AES Changuinola sells all of the electricity it generates to AES Panamá, and it is not directly exposed to the spot market.

In 2017, 2018, 2019 and in the three months ended March 31, 2020, because of the dry hydrology conditions, AES Panamá was required to purchase more electricity on the spot market than it would have purchased in an average hydrology year. In 2017 and 2018, spot market prices in Panama remained high, at an average of U.S.\$58.51 per MWh in 2017 and U.S.\$76.70 per MWh in 2018. In 2019, the average spot market price further increased to U.S.\$91.40 per MWh before decreasing to U.S.\$65.95 per MWh in the three months ended March 31, 2020. By contrast, the average all-in price under AES Panamá's PPAs was approximately U.S.\$101.1 per MWh in 2017, U.S.\$104.9 per MWh in 2018, U.S.\$114.6 per MWh in 2019 and U.S.\$122.5 per MWh in the three months ended March 31, 2020. For a further discussion of the recent trend of spot market electricity prices for electricity in Panama from 2017 through 2019 and for the three months ended March 31, 2020, see "Overview of the Panamanian Electricity Industry—System Operation."

Because Gas Natural Atlántico's PPAs (and AES Panamá's PPAs with Distribution Companies and Large Customers) are financial contracts, when the Colón Plant is not dispatched, Gas Natural Atlántico will realize an energy margin determined by the difference between the price at which the energy is sold under the PPA and the spot price associated with the replacement energy it purchases in the market. Because the Colón Plant went into operation in September 2018, Gas Natural Atlántico's obligations to produce electricity under its PPAs did not go into effect until September 2018. In the fourth quarter of 2018, in 2019 and in the three months ended March 31, 2020, the average all-in price under Gas Natural Atlántico's PPAs was U.S.\$117.8 per MWh, U.S.\$103.9 per MWh and U.S.\$106.3 per MWh, respectively, as compared to average prices of U.S.\$76.7 per MWh, U.S.\$91.4 per MWh and U.S.\$65.5 per MWh, respectively, in the spot market. As a result of the poor hydrology conditions in the three months ended March 31, 2020 and in 2019 and decreased generation by hydroelectric plants, the Colón Plant was dispatched frequently and it sold 259 GWh and 673 GWh of excess electricity in the spot market, respectively

Transmission Charges and Adjustments

The transmission charges that the Companies pay to ETESA for use of and connection to the transmission system and the integrated operation service include fixed charges and variable charges. ETESA sets the amount of variable transmission charges on an annual basis depending on the cost of transmission that ETESA expects to incur when a plant connects to the system. See "Overview of the Panamanian Electricity Industry—Transmission." Each year, ETESA reviews the transmission charges actually paid by generation companies in the previous year against the actual cost of transmission in that year, and it applies adjustments. If actual charges paid exceed the actual cost of transmission, ETESA applies compensation adjustments in favor of the applicable generation company, and if the actual cost of transmission exceeds the actual charges paid, it applies compensation adjustments in favor of ETESA.

These compensation adjustments can affect the Generation Companies' transmission costs and costs of electricity sales.

Commercial Operation of the Colón Plant

The Colón Plant began commercial operations in September 2018. The Colón Plant is usually among the first three thermal plants in the system to be dispatched after hydroelectric and renewable plants. Because the Colón Plant is a lower-cost generator than the other thermal plants in the system, when the Colón Plant is dispatched, spot market prices are lower than they would be in the absence of LNG-fired thermal plants. This decrease in spot market prices benefits other generators in the system, such as AES Panamá, when they are required to purchase replacement energy to satisfy their contracted obligations. Following startup of the Colón Plant in September 2018, Gas Natural Atlántico received revenue and incurred costs from the operation of the Colón Plant in the fourth quarter of 2018, in 2019 and in the three months ended March 31, 2020.

Gas Natural Atlántico's operating income in 2019 and 2018 was U.S.\$35.4 million and U.S.\$5.1 million respectively, and Costa Norte's operating income in 2019 and 2018 was U.S.\$15.9 million and U.S.\$8.9 million, respectively. The Colón Plant was only operational for four months in 2018, and the Colón Terminal was only operational for the last five months of 2019.

Gas Natural Atlántico's operating income in the three months ended March 31, 2020 and the three months ended March 31, 2019 was U.S.\$15.9 million and U.S.\$2.0 million, respectively, Costa Norte's operating income in the three months ended March 31, 2020 and the three months ended March 31, 2019 was U.S.\$5.1 million and U.S.\$4.3 million, respectively. The Colón Terminal was not operational in the three months ended March 31, 2019.

AES Changuinola Outage and Other Maintenance and Improvements

Because Changuinola was out of service for most of 2019 while its tunnel was being re-lined with concrete, AES Changuinola and AES Panamá modified their reserve contract to reduce AES Changuinola's committed capacity from 175MW to 9MW for a period of 12 months, beginning in February 2019. This modification mitigated the impact of the Changuinola outage on AES Changuinola's results of operations; however, the PPAs pursuant to which AES Panamá sells electricity to the Distribution Companies and Large Customers were not modified, causing AES Panamá to rely more heavily on generation from its other plants and on replacement energy purchased on the spot market in 2019. AES Changuinola received a U.S.\$39.9 million insurance payment in connection with the outage. Changuinola came back online in January 2020 and is now fully operational; nevertheless, AES Changuinola brought an arbitral claim against the engineering, procurement and construction contractor for Changuinola for deficiencies in the design of the Changuinola tunnel. For additional information on the Changuinola outage and the related arbitration, see "Summary—Recent Developments—Changuinola Tunnel Arbitration" and "AES in Panama—Legal Proceedings—AES Changuinola—Arbitration Proceeding."

In addition, in 2017, the Bayano 2 turbines underwent a major overhaul and that unit was offline from May to October 2017. As a result, Bayano's generation decreased during 2017, causing AES Panamá to rely more heavily on generation from its other plants and on replacement energy purchased on the spot market in 2017.

Although no extended maintenance outages are currently expected for any of the Companies during the remainder of 2020, any unexpected outages for maintenance or other reasons during or after 2020 could have an adverse impact on the operating results of the applicable Company.

Fuel Costs and Variable Margins

Although the Hydroelectric Plants and Penonomé run on freely available water and wind, as applicable, and their operation does not result in significant expenses in respect of fuel costs, the Colón Plant and Estrella del Mar run on natural gas and fuel oil no. 6, respectively, neither of which is a freely available resource. As a result, AES Panamá and Gas Natural Atlántico incur fuel costs in connection with the operation of the Colón Plant and Estrella del Mar.

These Companies' fuel costs mainly derive from fuel purchases under a contract with each Company's primary fuel supplier. The effects of these contracts on AES Panamá's and Gas Natural Atlántico's variable margins may differ. Gas Natural Atlántico obtains its supply of natural gas from Global LNG SAS ("Total Global") pursuant

to an LNG sale and purchase agreement, with pricing linked to the Henry Hub Natural Gas benchmark as determined based on the New York Mercantile Exchange ("NYMEX HH"). AES Panamá obtains its supply of fuel oil no. 6 from Refinería Panamá S. de R.L., a subsidiary of Chevron, pursuant to a fuel supply agreement with pricing based on the Platt's U.S. Gulf Products Waterborne Fuel Oil No. 6, 3% S benchmark. Generally, both AES Panamá and Gas Natural Atlántico pass through these supply costs to their offtakers pursuant to their PPAs.

Principal Factors Affecting Results of Operations of Costa Norte

The Colón Terminal began commercial operations in August 2019. As a result, Costa Norte received revenue and incurred costs from the operation of the Colón Terminal for four months in 2018 as compared to the full year 2019. In addition, Costa Norte rented a floating storage unit, which stored LNG that would be used to power the Colón Plant during the period between the start of commercial operations of the Colón Plant and the start of commercial operations of the Colón Terminal. This represented an additional cost to Costa Norte between September 2018 and August 2019.

Principal Factors Affecting Results of Operations of the Companies

A number of principal factors affected the Companies' financial performance during the three months ended March 31, 2020, and the years ended December 31, 2019, 2018 and 2017, including the level of growth of the Panamanian economy, the development of the Panamanian electricity sector, hydrology and seasonality, the Companies' long-term contracts and the spot market and maintenance of and improvements to the Generation Facilities. These factors continue to affect the results of operations and financial performance of the Companies and are discussed below.

Panamanian Economic Conditions

The results of operations and financial condition of the Companies depend on the Panamanian economy, inflation rates, interest rates, regulation, taxation, social instability, political unrest and other developments in or affecting Panama. In the three months ended March 31, 2020, 2019, 2018 and 2017, Panama's economy registered growth of 1.91%, 3%, 3.7% and 5.3%, respectively. If the growth of the Panamanian economy continues to slow, it could adversely affect the results of operations and financial condition of the Companies. 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 in a larger, more diversified economy.

Management Fees payable under Management Contracts

Each of AES Panamá, Costa Norte and Gas Natural Atlántico has entered into a management agreement with AES Solutions, which was assigned to AES Latin America in 2019, and AES Changuinola has entered into a management agreement with AES Panamá. Under their management agreements with AES Latin America, (a) AES Panamá pays AES Latin America annual management fees that vary based on AES Panamá's level of activity, subject to a minimum payment of U.S.\$4.0 million and (b) Gas Natural Atlántico and Costa Norte pay AES Latin America fixed annual management fees equal to U.S.\$739,000 and U.S.\$317,000, respectively. Under its management agreement with AES Panamá, AES Changuinola pays AES Panamá annual management fees equal to personnel costs incurred by AES Panamá on behalf of AES Changuinola plus an additional 5%. In addition to these management agreements, while the Colón Facilities were under construction, Gas Natural Atlántico and Costa Norte each had a construction management agreement with AES Solutions. These agreements were terminated once the respective facilities began operations.

The Companies account for payments made pursuant to these management agreements as Operating, general and maintenance expenses. As a result, the level of activity of AES Panamá and AES Changuinola and the commencement of operations of the Colón Facilities has impacted and could continue to impact the Companies' Operating, general and maintenance expenses. For additional information on these management agreements, see "Related Party Transactions."

Results of Operations of the Companies

The following discussion should be read in conjunction with and is qualified in its entirety by reference to the financial statements of the Companies and related notes thereto which have been prepared in accordance with IFRS.

AES Panamá Comparison of the Three Months Ended March 31, 2020 and the Three Months Ended March 31, 2019

AES Panamá's electricity sales for the three months ended March 31, 2020 were U.S.\$81.8 million, a decrease of U.S.\$2.1 million or 2.5% from U.S.\$83.9 million for three months ended March 31, 2019. AES Panamá earned U.S.\$77.7 million under its PPAs, U.S.\$2.0 million from sales in the spot market and U.S.\$2.1 million in auxiliary services and intercompany capacity and energy sales in the three months ended March 31, 2020, while in the first three months of 2019, AES Panamá earned U.S.\$79.5 million from PPAs, U.S.\$1.1 million from sales in the spot market and U.S.\$3.3 million in auxiliary services and intercompany capacity and energy sales. This decrease in electricity sales mainly resulted from:

- a U.S.\$3.6 million decrease in revenue from energy and contracted capacity in 2020, which was due to a decrease in sales prices under AES Panamá's PPAs as a result of a decline in the international fuel indexes used to calculate PPA prices for Estrella del Mar;
- a U.S.\$0.6 decrease in sale prices in the spot market;
- a U.S.\$0.4 million decrease in revenue from capacity and energy sales in 2020 to Gas Natural Atlántico; and
- a U.S.\$0.8 million decrease in revenue from auxiliary services in 2020, due to a decrease in lower must-run compensation caused by decreased generation by Estrella del Mar during 2020.

This decrease in energy sales was partially offset by:

- a U.S.\$1.8 million increase in sales volumes; and
- a U.S.\$1.5 million increase in energy and capacity revenue from sales to the spot market in 2020 mainly associated with the increase of AES Changuinola's committed capacity under its PPA with AES Panamá in 2020, which made available additional energy for AES Panamá to sell in the spot market.

Operating costs and expenses

AES Panamá's operating costs and expenses for the three months ended March 31, 2020 were U.S.\$57.1 million, a decrease of U.S.\$20.5 million or 26.4% from U.S.\$77.6 million for the three months ended March 31, 2019. AES Panamá's operating costs and expenses were composed of the following items:

	Three months ended March 31,	
	2020	2019
	<i>(U.S.\$ in thousands)</i>	
Electricity purchases	31,833	45,365
Other costs of electricity sales	2,442	8,509
Transmission costs	1,534	1,870
Operating, general and maintenance expense	12,913	12,451
Depreciation and amortization	8,412	9,410
Total operating costs and expenses	57,134	77,605

Electricity purchases

AES Panamá's electricity purchases for the three months ended March 31, 2020 were U.S.\$31.8 million, a decrease of U.S.\$13.6 million or 30% from U.S.\$45.4 million for the three months ended March 31, 2019. This

decrease was primarily attributable to due to a U.S.\$25.0 million decrease in purchases of energy in the spot market, including purchases from Gas Natural Atlántico, which was partially offset by a U.S.\$11.5 million increase in intercompany energy purchases related to the increase of AES Changuinola's committed capacity under its PPA with AES Panamá. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies—Principal Factors Affecting Results of Operations of the Generation Companies—AES Changuinola Outage and Other Maintenance and Improvements."

Other costs of electricity sales

AES Panamá's other costs of electricity sales for the three months ended March 31, 2020 were U.S.\$2.4 million, a decrease of U.S.\$6.1 million, or 71.8%, compared to U.S.\$8.5 million for the three months ended March 31, 2019. This decrease was primarily attributable to a U.S.\$6.4 million decrease in fuel costs due to lower generation and fuel consumption by Estrella el Mar, which was partially offset by an increase of U.S.\$0.5 million in costs of variable transmission associated with higher generation by AES Panama's hydroelectric plants.

Transmission costs

AES Panamá's transmission costs for the three months ended March 31, 2020 were U.S.\$1.5 million, a decrease of U.S.\$0.4 million, or 21.1%, compared to U.S.\$1.9 million in for the three months ended March 31, 2019. This decrease was primarily attributable to a change in the billing process by the regulator, where the regulator began to bill actual costs of transmission rather than billing estimated costs and making subsequent adjustments.

Operating, general and maintenance expense

AES Panamá's operating and maintenance expense for the three months ended March 31, 2020 were U.S.\$12.9 million, an increase of U.S.\$0.4 million, or 3.2%, compared to U.S.\$12.5 million for the three months ended March 31, 2019. This increase was primarily attributable to (i) a U.S.\$0.4 million increase in salaries and other benefits, (ii) a U.S.\$0.3 million increase in basic services and (iii) a U.S.\$0.3 million increase in advisory and professional fees, which were partially offset by a U.S.\$0.6 million decrease in services and maintenance contracts related to lower maintenance services provided to AES Panamá's Generation Facilities during 2020.

Depreciation and amortization

AES Panamá's depreciation and amortization for the three months ended March 31, 2020 were U.S.\$8.4 million, a decrease of U.S.\$1.0 million, or 10.6%, compared to U.S.\$9.4 million for the three months ended March 31, 2019. This decrease was primarily attributable to a U.S.\$1.2 million decrease in expenses due to the end of the depreciation period of Estí, La Estrella and Los Valles. This decrease was partially offset by a U.S.\$0.2 million net increase of intangible amortization.

Operating income

For the reasons set forth above, AES Panamá's operating income for the three months ended March 31, 2020 was U.S.\$24.6 million, an increase of U.S.\$18.3 million or 290.5%, compared to U.S.\$6.3 million for the three months ended March 31, 2019.

Other (expenses) income

AES Panamá's other (expenses) income consisted of the following line items:

	Three months ended March 31,	
	2020	2019
	<i>(U.S.\$ in thousands)</i>	
Interest expense, net.....	(8,429)	(8,001)
Accretion expense.....	0	(16)
Other income, net.....	341	484
Equity earnings (loss) in investment in affiliate.....	445	(2,567)
Total other expenses, net.....	(7,643)	(10,100)

Interest expense, net

AES Panamá recorded U.S.\$8.4 million in interest expense, net for the three months ended March 31, 2020, an increase of U.S.\$0.4 million, or 5.0%, as compared to U.S.\$8.0 million for the three months ended March 31, 2019. This increase was primarily due to (i) a U.S.\$0.2 million increase in interest expense-lease in connection with a portion of the AES Changuinola PPA and certain other contractual arrangements recorded as a result of the implementation of IFRS 16, (ii) a U.S.\$0.1 million decrease in interest expense, attributable to a commercial discount applicable during the three months ended March 31, 2019 in connection with the Tariff Stabilization Fund and (iii) a U.S.\$0.1 million decrease in interest income generated primarily as a result of a lower deposit balance.

Equity earnings (loss) in investment in affiliate

AES Panamá's equity earnings in investment in affiliate for the three months ended March 31, 2020 were U.S.\$0.4 million, as compared to U.S.\$2.6 million in losses in the three months ended March 31, 2019. This was primarily attributable to a U.S.\$3.0 million increase in income from equity participation in affiliates, as a result of the income generated AES Changuinola in 2020 associated due to the commencement operations of the plant on January 2020 after completion of tunnel improvements.

Income (loss) before income tax expense

For the reasons set forth above, AES Panamá's income (loss) before income tax expense for the three months ended March 31, 2020 was U.S.\$17.0 million an increase of U.S.\$20.8 million from U.S.\$3.8 million loss before tax for the three months ended March 31, 2019.

Income tax expense

For the three months ended March 31, 2020 AES Panamá incurred an income tax expense of U.S.\$4.9 million a U.S.\$4.5 million increase from U.S.\$0.4 million for the three months ended March 31, 2019. This increase was mainly due to higher taxable income for the three months ended March 31, 2020 than for three months ended March 31, 2019. For the three months ended March 31, 2020, AES Panamá's effective tax rate was 28.82% as compared to 10.53% for the three months ended March 31, 2019.

Net income (loss)

For the reasons set forth above, AES Panamá's net income for the three months ended March 31, 2020 was U.S.\$12.1 million, an increase of U.S.\$16.3 million or 388.1% from U.S.\$4.2 million net loss for the three months ended March 31, 2019.

AES Panamá Comparison of the Years Ended December 31, 2019 and 2018

Electricity sales

AES Panamá's electricity sales for the year ended December 31, 2019 were U.S.\$338.2 million a decrease of U.S.\$25.2 million or 6.9% from U.S.\$363.4 million for the year ended December 31, 2018. For the year ended December 31, 2019, AES Panamá earned U.S.\$322.5 million under PPAs and U.S.\$5.6 million from sales in the spot market, while in 2018, AES Panamá earned U.S.\$301.3 million from PPAs and U.S.\$36.6 million from sales in the spot market. The decrease in electricity sales mainly resulted from:

- a U.S.\$13.5 million decrease in sales volumes;
- a U.S.\$31.0 million decrease in energy and capacity revenue from sales to the spot market in 2019 due to (i) a U.S.\$34.6 million decrease in spot market sales volumes, mainly associated with the reduction of AES Changuinola's committed capacity under its PPA with AES Panamá in 2019, which reduced the energy that AES Panamá had available for sale; and (ii) a decrease in generation by Estrella del Mar;
- a U.S.\$6.6 million decrease in revenue from intercompany capacity and energy sales in 2019, including U.S.\$4.3 million in sales to Gas Natural Atlántico and a U.S.\$2.3 million decrease in sales to Changuinola; and
- a U.S.\$8.9 million decrease in revenue from auxiliary services in 2019, due to a decrease in lower must-run compensation and a decrease in generation by the Estrella del Mar during 2019.

This decrease was partially offset by:

- a U.S.\$21.2 million increase in energy revenue and contracted capacity in 2019, which was due to an increase in sales prices under AES Panamá's key contracts;
- the execution of new PPAs with higher sales prices, which contributed an additional U.S.\$34.7 million; and
- an increase in spot market sales prices, which contributed U.S.\$3.7 million.

For information regarding the reduction to AES Changuinola's committed capacity under its PPA with AES Panamá, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of The Companies—Principal Factors Affecting Results of Operations of the Generation Companies—AES Changuinola Outage and Other Maintenance and Improvements."

Operating costs and expenses

AES Panamá's operating costs and expenses for the year ended December 31, 2019 were U.S.\$276.4 million, an increase of U.S.\$12.9 million or 4.9% from U.S.\$263.5 million for the year ended December 31, 2018. AES Panamá's operating costs and expenses were comprised of the following items:

	Year ended December 31,	
	2019	2018
	(U.S.\$ in thousands)	
Electricity purchases	152,007	125,989
Operating lease	--	18,213
Other costs of electricity sales	24,675	35,483
Transmission costs	6,237	4,746
Operating, general and maintenance expense	55,492	42,174
Depreciation and amortization	38,002	36,912
Total operating costs and expenses	276,413	263,517

Electricity purchases

AES Panamá's electricity purchases for the year ended December 31, 2019 were U.S.\$152.0 million, an increase of U.S.\$26.0 million, or 20.6%, compared to U.S.\$126.0 million in the year ended December 31, 2018. This increase was primarily attributable to (i) a U.S.\$109.9 million increase in purchases of energy in the spot market, including purchases from Gas Natural Atlántico and (ii) a U.S.\$83.9 million decrease in intercompany energy purchases related to the reduction of AES Changuinola's committed capacity under its PPA with AES Panamá. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies—Principal Factors Affecting Results of Operations of the Generation Companies—AES Changuinola Outage and Other Maintenance and Improvements."

Operating lease

AES Panamá did not record any expenses related to an operating lease for the year ended December 31, 2019, although it recorded U.S.\$18.2 million in the year ended December 31, 2018. Following the adoption of IFRS 16, AES Panamá began to record as a right-of-use asset amortization under operating, general and maintenance expenses the portion of the Changuinola PPA it previously recorded under operating lease.

Other costs of electricity sales

AES Panamá's other costs of electricity sales for the year ended December 31, 2019 were U.S.\$24.7 million, a decrease of U.S.\$10.8 million, or 30.4%, compared to U.S.\$35.5 million in the year ended December 31, 2018. This decrease was primarily attributable to (i) a U.S.\$2.3 million decrease in costs of variable transmission associated with decreased generation by AES Panamá's Hydroelectric Facilities due to poor hydrology and compensation adjustments received from ETESA for previous years and (b) a U.S.\$8.5 million decrease in fuel costs due to lower generation and fuel consumption by Estrella el Mar. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies—Principal Factors Affecting Results of Operations of the Generation Companies—Transmission Charges and Adjustments."

Transmission costs

AES Panamá's transmission costs for the year ended December 31, 2019 were U.S.\$6.2 million, an increase of U.S.\$1.5 million, or 31.9%, compared to U.S.\$4.7 million in the year ended December 31, 2018. This increase was primarily attributable to compensation adjustments received from ETESA for previous years. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies—Principal Factors Affecting Results of Operations of the Generation Companies—Transmission Charges and Adjustments."

Operating, general and maintenance expense

AES Panamá's operating and maintenance expense for the year ended December 31, 2019 were U.S.\$55.5 million, an increase of U.S.\$13.3 million, or 31.5%, compared to U.S.\$42.2 million in the year ended December 31, 2018. This increase was primarily attributable to (i) a U.S.\$13.0 million right-of-use asset amortization and a U.S.\$2.4 million decrease in operating lease caused by the adoption of IFRS 16, (ii) a U.S.\$1.2 million increase in management fees paid to AES Solutions and AES Latin America and (iii) a U.S.\$1.5 million increase in other expenses. For additional information on management fees, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies—Principal Factors Affecting Results of Operations of the Companies—Management Fees payable under Management Contracts" and "Related Party Transactions".

Depreciation and amortization

AES Panamá's depreciation and amortization for the year ended December 31, 2019 were U.S.\$38.0 million, an increase of U.S.\$1.1 million, or 3.0%, compared to U.S.\$36.9 million in the year ended December 31, 2018. This increase was primarily attributable to U.S.\$0.5 million in software amortization and a U.S.\$0.6 million capitalization of the floating storage barge used to store fuel for Estrella del Mar.

Operating income

For the reasons set forth above, AES Panamá's operating income for the year ended December 31, 2019 was U.S.\$61.8 million, a decrease of U.S.\$38.1 million or 38.1%, compared to U.S.\$99.9 million for the year ended December 31, 2018.

Other (expenses) income

AES Panamá's other (expenses) income consisted of the following line items:

	Year ended December 31,	
	2019	2018
	<i>(U.S.\$ in thousands)</i>	
Interest expense, net.....	(32,370)	(21,027)
Accretion expense.....	(62)	(60)
Other expense, net.....	(466)	(409)
Equity (loss) earnings in investment in affiliate.....	(1,888)	6,386
Total other expenses, net.....	(34,786)	(15,110)

Interest expense, net

AES Panamá recorded U.S.\$32.4 million in interest expense, net for the year ended December 31, 2019, an increase of U.S.\$11.4 million, or 54.3%, as compared to U.S.\$21.0 million in the year ended December 31, 2018. This increase was primarily due to (i) U.S.\$10.4 million in interest expenses-lease in connection with a portion of the AES Changuinola PPA and certain other contractual arrangements recorded as a result of the implementation of IFRS 16, and (ii) a U.S.\$0.9 million increase in net interest expenses, U.S.\$0.3 million of which was generated by AES Panamá's credit lines, and U.S.\$0.6 million of which was generated by lower capitalization of interest for construction projects.

Equity (loss) earnings in investment in Affiliate

AES Panamá's equity losses in investment in affiliate for the year ended December 31, 2019 were U.S.\$1.9 million, as compared to U.S.\$6.4 million in earnings in the year ended December 31, 2018. This was primarily attributable to a U.S.\$8.3 million decrease in income from equity participation in affiliates, as a result of the loss recorded by AES Changuinola in 2019. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies —AES Changuinola Comparison of the Years Ended December 31, 2019 and 2018."

Income before income tax expense

For the reasons set forth above, AES Panamá's income before income tax expense for the year ended December 31, 2019 was U.S.\$27.0 million, a decrease of U.S.\$57.8 million from U.S.\$84.8 million in the year ended December 31, 2018.

Income tax expenses

For the year ended December 31, 2019 AES Panamá incurred an income tax expense of U.S.\$8.6 million, a U.S.\$14.4 million decrease from U.S.\$23.0 million for the year ended December 31, 2018, mainly due to lower taxable income for the year ended December 31, 2019 than for the year ended December 31, 2018 due in part to lower hydrology. For the year ended December 31, 2019, AES Panamá's effective tax rate was 31.85% as compared to 27.12% for the year ended December 31, 2018.

Net income

For the reasons set forth above, AES Panamá's net income for the year ended December 31, 2019 was U.S.\$18.4 million, a decrease of U.S.\$43.4 million or 70.2% from U.S.\$61.8 million for the year ended December 31, 2018.

AES Panamá Comparison of the Years Ended December 31, 2018 and 2017

Electricity sales

AES Panamá's electricity sales for the year ended December 31, 2018 were U.S.\$363.4 million, an increase of U.S.\$20.8 million, or 6.1%, from U.S.\$342.6 million for the year ended December 31, 2017. For the year ended December 31, 2018, AES Panamá earned U.S.\$301.3 million under PPAs and U.S.\$36.6 million from sales in the spot market, while in 2017, AES Panamá earned U.S.\$289.8 million from PPAs and U.S.\$25.1 million from sales in the spot market. The increase in electricity sales mainly resulted from:

- higher energy revenue and contracted capacity in 2018, which was due in part to a U.S.\$7.1 million increase in sales volumes and in part to an increase in sales prices under AES Panamá's key contracts and the execution of new PPAs with higher sales prices, which contributed an additional U.S.\$4.4 million;
- higher energy and capacity revenue from sales to the spot market in 2018, which was due to a U.S.\$8.9 million increase in spot market sales volumes as a result of improved hydrology and an increase in spot market sales prices, which contributed U.S.\$2.6 million; and
- a U.S.\$6.5 million increase in revenue from intercompany capacity and energy sales in 2018, which includes U.S.\$5.3 million in sales to Gas Natural Atlántico and a U.S.\$1.3 million increase in sales to Changuinola.

These increases were partially offset by:

- a U.S.\$8.6 million decrease in revenue from auxiliary services in 2018, mainly as a result of lower must-run compensation of Estrella del Mar. For additional information on must-run compensation, see "Overview of the Panamanian Electricity Industry—Dispatch—Economic Dispatch."

Operating costs and expenses

AES Panamá's operating costs and expenses for the year ended December 31, 2018 were U.S.\$263.5 million, an increase of U.S.\$12.7 million, or 5.1%, from U.S.\$250.8 million for the year ended December 31, 2017. AES Panamá's operating costs and expenses include:

	Year ended December 31,	
	2018	2017
	<i>(U.S.\$ in thousands)</i>	
Electricity purchases	125,989	106,572
Operating lease	18,213	18,585
Other costs of electricity sales	35,483	43,444
Transmission costs	4,746	1,431
Operating, general and maintenance expense	42,174	43,494
Depreciation and amortization	36,912	37,304
Total operating cost and expenses	263,517	250,830

Electricity purchases

AES Panamá's electricity purchases for the year ended December 31, 2018 were U.S.\$126.0 million, an increase of U.S.\$19.4 million, or 18.2%, compared to U.S.\$106.6 million in the year ended December 31, 2017. This increase was primarily attributable to (a) higher energy purchases from AES Changuinola in 2018 as compared to 2017, which resulted in increased expenses of U.S.\$14.3 million and (b) a U.S.\$5.1 million increase in purchases of capacity and energy on the spot market mainly due to the increased client demand from new PPAs.

Operating lease

AES Panamá's operating lease cost for the year ended December 31, 2018 was U.S.\$18.2 million, a decrease of U.S.\$0.4 million, or 2.2%, compared to U.S.\$18.6 million in the year ended December 31, 2017. This decrease was primarily due to the fourth amendment to the PPA between AES Panamá and AES Changuinola entered into on

December 7, 2018, which sets power and energy prices for the period from 2023 until 2030, impacting the straight-line capacity payments under lease accounting. Prior to this amendment, AES Panamá did not include the period from 2023 to 2030 in accounting for straight-line capacity payments for purposes of calculating lease income.

Other costs of electricity sales

AES Panamá's other costs of electricity sales for the year ended December 31, 2018 were U.S.\$35.5 million, a decrease of U.S.\$7.9 million, or 18.2%, compared to U.S.\$43.4 million in the year ended December 31, 2017. This decrease was primarily attributable to lower dispatch of Estrella del Mar as a result of better hydrology, which permitted higher dispatch of hydroelectric plants, and the commencement of commercial operation of the Colón Plant. Both hydroelectric plants and the Colón Plant dispatch before Estrella del Mar.

Transmission costs

AES Panamá's transmission costs for the year ended December 31, 2018 were U.S.\$4.7 million, an increase of U.S.\$3.3 million, or 235.7%, compared to U.S.\$1.4 million in the year ended December 31, 2017. This increase was primarily attributable to an increase in transmission tariffs during 2018.

Operating, general and maintenance expense

AES Panamá's operating general and maintenance expense for the year ended December 31, 2018 was U.S.\$42.2 million, a decrease of U.S.\$1.3 million, or 3.0%, compared to U.S.\$43.5 million in the year ended December 31, 2017. This decrease was primarily attributable to the expiration in 2018 of a rental contract for a floating storage barge that stored backup fuel for Estrella del Mar temporarily while maintenance was performed on AES Panamá's own storage barge and a lower management fee in 2018 as compared to 2017. For additional information on management fees, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies—Principal Factors Affecting Results of Operations of the Companies—Management Fees payable under Management Contracts" and "Related Party Transactions".

Depreciation and amortization

AES Panamá's depreciation and amortization for the year ended December 31, 2018 were U.S.\$36.9 million, a decrease of U.S.\$0.4 million, or 1.1%, compared to U.S.\$37.3 million in the year ended December 31, 2017. This decrease was primarily attributable to an adjustment to the useful life of certain of AES Panamá's assets as a result of an analysis performed in December 2017.

Operating income

For the reasons set forth above, AES Panamá's operating income in the year ended December 31, 2018 increased to U.S.\$99.9 million from U.S.\$91.8 million for the year ended December 31, 2017.

Other (expenses) income

AES Panamá's other (expenses) income include:

	Year ended December 31,	
	2018	2017
	<i>(U.S.\$ in thousands)</i>	
Interest expense, net.....	(21,027)	(21,937)
Accretion expense.....	(60)	(57)
Other (expenses) income, net.....	(409)	1,128
Equity earnings in investment in affiliate.....	6,386	4,578
Total other expenses, net.....	(15,110)	(16,288)

Interest expense, net

AES Panamá recorded U.S.\$21.0 million in interest expense, net for the year ended December 31, 2018, a decrease of U.S.\$0.9 million, or 4.1%, as compared to U.S.\$21.9 million in the year ended December 31, 2017. The decrease was primarily due to higher capitalized interest associated with maintenance performed on Bayano's Unit 2

Turbine, and a higher deposit balance generating additional interest income. See " Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies —Principal Factors Affecting Results of Operations of the Generation Companies—AES Changuinola Outage and other Maintenance and Improvements."

Other (expenses) income

AES Panamá recorded U.S.\$0.4 million in other expenses (income), net for the year ended December 31, 2018, as compared to a gain of U.S.\$1.1 million in the year ended December 31, 2017. This amount was primarily due to a U.S.\$1.5 million insurance pay-out received from ASSA Compañía de Seguros, S.A in 2017 in connection with maintenance performed on Bayano's Unit 2 Turbine.

Equity earnings in investment in affiliate

AES Panamá's equity earnings in investment in affiliate for the year ended December 31, 2018 were U.S.\$6.4 million, an increase of U.S.\$1.8 million, or 39.1%, compared to U.S.\$4.6 million in the year ended December 31, 2017. This increase was primarily attributable to higher results of AES Changuinola as a result of better hydrology in 2018.

Income before income tax expense

For the reasons set forth above, AES Panamá's income before income tax expense for the year ended December 31, 2018 increased to U.S.\$84.8 million from an income of U.S.\$75.5 million in the year ended December 31, 2017.

Income tax expenses

For the year ended December 31, 2018 AES Panamá incurred an income tax expense of U.S.\$23.0 million increased from U.S.\$17.2 million for the year ended December 31, 2017, mainly due to higher taxable income for the year ended December 31, 2018 than for the year ended December 31, 2017 caused in part by a favorable tax resolution obtained by the Company in relation to its 2013 income tax. AES Panamá's effective tax rate for the year ended December 31, 2018 was 27.12% as compared to 22.78% for the year ended December 31, 2017.

Net income

For the reasons set forth above, AES Panamá's net income for the year ended December 31, 2018 increased to U.S.\$61.8 million from U.S.\$58.3 million for the year ended December 31, 2017.

AES Changuinola Comparison of the Three Months Ended March 31, 2020 and the Three Months ended March 31, 2019

Electricity sales

AES Changuinola's electricity sales for the three months ended March 31, 2020 were U.S.\$13.7 million, an increase of U.S.\$11.6 million or 552.4%, from U.S.\$2.1 million in the three months ended March 31, 2019. This increase is a result of the increase of U.S.\$11.5 million in energy sales to AES Panama due renewed operations after the repair of the Changuinola Tunnel in January 2020. See " Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies —Principal Factors Affecting Results of Operations of the Generation Companies—AES Changuinola Outage and Other Maintenance and Improvements.

Lease income

AES Changuinola's lease income for the three months ended March 31, 2020 was U.S.\$4.5 million and did not vary from the lease income for, in the three months ended March 31, 2019.

Operating cost and expenses

AES Changuinola's operating cost and expenses for the period ended March 31, 2020 were U.S.\$10.3 million, for an increase of U.S.\$1.3 million or 14.4%, from U.S.\$9.0 million for the three months ended March 31, 2019. AES Changuinola's operating cost and expenses include:

	Three months ended March 31,	
	2020	2019
	<i>(U.S.\$ in thousands)</i>	
Electricity purchases.....	1,515	527
Transmission costs.....	439	688
Operating, general and maintenance expense.....	3,595	3,543
Depreciation and amortization.....	4,733	4,272
Total operating cost and expenses.....	10,282	9,030

Electricity purchases

AES Changuinola's electricity purchases for the three months ended March 31, 2020 were U.S.\$1.5 million, an increase of U.S.\$1.0 million, or 200.0%, from U.S.\$0.5 million in the three months ended March 31, 2019. This increase was primarily attributable to higher variable transmission costs as a result of higher levels of generation during 2020.

Transmission costs

AES Changuinola's transmission costs for the three months ended March 31, 2020 were U.S.\$0.4 million, a decrease of U.S.\$0.3 million, or 42.9%, from U.S.\$0.7 million in the three months ended March 31, 2019. This decrease was primarily attributable to a change in the billing process by the regulator associated with billing the actual costs of transmission and eliminating subsequent adjustments based on projections.

Operating, general and maintenance expenses

AES Changuinola's operating, general and maintenance expense for the three months ended March 31, 2020 were U.S.\$3.6 million, an increase of U.S.\$0.1 million, or 2.9%, from U.S.\$3.5 million in the three months ended March 31, 2019.

Depreciation and amortization

AES Changuinola's depreciation and amortization for the three months ended March 31, 2020 were U.S.\$4.7 million, an increase of U.S.\$0.4 million, or 9.3%, from U.S.\$4.3 million in the three months ended March 31, 2019. This increase was primarily due to the capitalization of the tunnel lining performed in January 2020.

Operating income (loss)

For the reasons set forth above, AES Changuinola's operating income for the three months ended March 31, 2020 was U.S.\$7.9 million, as compared to a an operating loss of U.S.\$2.4 million for the three months ended March 31 2019.

Other income (expenses)

AES Changuinola's other income (expenses) includes:

	Three months ended March 31,	
	2020	2019
	<i>(U.S.\$ in thousands)</i>	
Interest expense, net.....	(5,523)	(5,330)
Other income (expenses), net	6	(2,363)
Total other expenses, net.....	(5,517)	(7,693)

Interest expense, net

AES Changuinola recorded U.S.\$5.5 million interest expenses, net for the three months ended March 31, 2020, an increase of U.S.\$0.2 million, or 3.8%, from U.S.\$5.3 million in interest expense, net in the three months ended March 31 2019. This increase was primarily due to interest earned on investments and term deposits.

Other income (expenses), net

AES Changuinola recorded U.S.\$6,000 of other income (expenses), net for the three months ended March 31, 2020, as compared to U.S.\$2.4 million in the three months ended March 31, 2019. This decrease of U.S.\$2.4 million in other income (expense) was primarily due to the partial retirement of property, plant and equipment as a result of the concrete re-lining of the Changuinola tunnel.

Income (loss) before income tax expense

For the reasons set forth above, AES Changuinola's income (loss) before income tax expense for the three months ended March 31, 2020 was U.S.\$2.3 million, as compared to a loss of U.S.\$10.1 million in the three months ended March 31, 2019

Income tax expense

For the three months ended March 31, 2020, AES Changuinola incurred an income tax expense of U.S.\$0.1 million, a decrease of U.S.\$2.6 million, or 96.3% from the three months ended March 31, 2019. This decrease was mainly due to lower taxable income for the three months ended March 31, 2020 than for the three months ended March 31, 2019. For the three months ended March 31, 2020, AES Changuinola's effective tax rate was 4.35% as compared to 26.73% for the three months ended March 31, 2019.

Net income (loss)

For the reasons set forth above, AES Changuinola's net for income the three months ended March 31, 2020 was U.S.\$2.2 million, as compared to the U.S.\$12.8 million of loss for the three months ended March 31, 2019.

AES Changuinola Comparison of the Years Ended December 31, 2019 and 2018

Electricity sales

AES Changuinola's electricity sales for the year ended December 31, 2019 were U.S.\$9.6 million, a decrease of U.S.\$84.6 million or 89.8% compared to U.S.\$94.2 million in the year ended December 31, 2018. For the year ended December 31, 2019, AES Changuinola earned U.S.\$9.6 million under its reserve contract with AES Panamá, while in 2018, it earned U.S.\$93.5 million. The decrease in electricity sales by U.S.\$84.6 million is mainly related to the reduction of AES Changuinola's committed capacity under its PPA with AES Panamá. See " Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies —Principal Factors Affecting Results of Operations of the Generation Companies—AES Changuinola Outage and Other Maintenance and Improvements."

Lease income

AES Changuinola's lease income for the year ended December 31, 2019 was U.S.\$17.9 million, a decrease of U.S.\$0.3 million or 1.6%, compared to U.S.\$18.2 million in the year ended December 31, 2018. This decrease was primarily due to the fourth amendment to the Changuinola PPA between AES Panamá and AES Changuinola, which was entered into on December 7, 2015 and sets the power and energy prices for the period from 2023 until 2030, which impacted the straight-line capacity payments under lease accounting. Prior to this amendment, AES Changuinola did not include the period from 2023 to 2030 in accounting for straight-line capacity payments for purposes of calculating lease income.

Operating cost and expenses

AES Changuinola's operating cost and expenses for the year ended December 31, 2019 were U.S.\$41.9 million, for a decrease of U.S.\$5.1 million or 10.9%, from U.S.\$47.0 million for the year ended December 31, 2018. AES Changuinola's operating cost and expenses include:

	Year ended December 31,	
	2019	2018
	<i>(U.S.\$ in thousands)</i>	
Electricity purchases.....	1,959	9,125
Transmission costs.....	2,390	1,632
Operating, general and maintenance expense.....	20,475	19,210
Depreciation and amortization.....	17,054	17,029
Total operating cost and expenses.....	41,878	46,996

Electricity purchases

AES Changuinola's electricity purchases for the year ended December 31, 2019 were U.S.\$2.0 million, a decrease of U.S.\$7.1 million, or 78%, compared to U.S.\$9.1 million in the year ended December 31, 2018. This decrease was primarily attributable to (i) a U.S.\$2.3 million decrease in capacity purchases from AES Panamá under the reserve contract between AES Panamá and AES Changuinola and (ii) a U.S.\$5.0 million decrease in variable transmission costs associated with compensation adjustments received from ETESA in June 2019 for previous years as a result of the review of charges for use and connection of the transmission system and the integrated operation service. See "Factors Affecting the Results of Operations of the Generation Companies—Transmission Charges and Adjustments."

Transmission costs

AES Changuinola's transmission costs for the year ended December 31, 2019 were U.S.\$2.4 million, an increase of U.S.\$0.8 million, or 50%, compared to U.S.\$1.6 million in the year ended December 31, 2018. This increase was primarily attributable to an increase in transmission tariffs in 2019.

Operating, general and maintenance expenses

AES Changuinola's operating, general and maintenance expense for the year ended December 31, 2019 was U.S.\$20.5 million, an increase of U.S.\$1.3 million, or 6.8%, compared to U.S.\$19.2 million in the year ended December 31, 2018. This increase was primarily attributable to a U.S.\$5.0 million increase in advisory and professional fees mainly due to legal services related to the re-lining of the Changuinola tunnel, which was offset by (i) a decreases in the management fee with AES Panamá and (ii) a U.S.\$3.2 million decrease in community support. In 2018, AES Changuinola made U.S.\$3.2 million in contributions to the communities directly and indirectly affected by the development of Changuinola. For additional information on management fees, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies —Principal Factors Affecting Results of Operations of the Companies—Management Fees payable under Management Contracts" and "Related Party Transactions".

Depreciation and amortization

AES Changuinola's depreciation and amortization for the year ended December 31, 2019 were U.S.\$17.1 million, an increase of U.S.\$0.1 million, or 0.6%, compared to U.S.\$17.0 million in the year ended December 31, 2018.

Operating (loss) income

For the reasons set forth above, AES Changuinola's operating loss for the year ended December 31, 2019 was U.S.\$14.4 million, as compared to income of U.S.\$65.5 million for the year ended December 31, 2018.

Other income (expenses)

AES Changuinola's other income (expenses) includes:

	Year ended December 31,	
	2019	2018
	<i>(U.S.\$ in thousands)</i>	
Interest expense, net.....	(20,405)	(22,988)
Other income, net.....	28,676	19
Total other income (expenses), net.....	8,271	(22,969)

Interest expense, net

AES Changuinola recorded U.S.\$20.4 million in interest expenses, net for the year ended December 31, 2019, a decrease of U.S.\$2.6 million, or 11.3%, as compared to U.S.\$23.0 million in interest expense, net in the year ended December 31, 2018. This decrease was primarily due to U.S.\$1.1 million in amortization payments made under the AES Changuinola Series A Bonds and U.S.\$1.5 million in capitalization interests for construction projects in connection with the re-lining of the Changuinola tunnel.

Other income, net

AES Changuinola recorded U.S.\$28.7 million of other income, net for the year ended December 31, 2019, as compared to U.S.\$19,000 in other income, net in the year ended December 31, 2018. This increase was primarily due to the net effect of (i) a U.S.\$40.0 million insurance pay-out received from ASSA Compañía de Seguros, S.A and (ii) a U.S.\$11.2 million loss on retirement of property plant and equipment related to the re-lining of the Changuinola tunnel.

(Loss) income before income tax expense

For the reasons set forth above, AES Changuinola's loss before income tax expense for the year ended December 31, 2019 was U.S.\$6.1 million, as compared to an income of U.S.\$42.5 million in the year ended December 31, 2018.

Income tax expenses

For the year ended December 31, 2019, AES Changuinola incurred an income tax expense of U.S.\$3.2 million, a decrease of U.S.\$5.5 million, or 63.2% from an income tax expense of U.S.\$8.7 million for the year ended December 31, 2018. This decrease was mainly due to lower taxable income for the year ended December 31, 2019 than for the year ended December 31, 2018 due in to part the concrete re-lining of the Changuinola tunnel performed between January 2019 and January 2020. For the year ended December 31, 2019, AES Changuinola's effective tax rate was 52.46% as compared to 20.47% for the year ended December 31, 2018.

Net (loss) income

For the reasons set forth above, AES Changuinola's net loss for the year ended December 31, 2019 was U.S.\$9.2 million, as compared to the U.S.\$33.8 million of net income for the year ended December 31, 2018.

AES Changuinola Comparison of the Years Ended December 31, 2018 and 2017

Electricity sales

AES Changuinola's electricity sales for the year ended December 31, 2018 were U.S.\$94.2 million, an increase of U.S.\$14.0 million or 17.5%, compared to U.S.\$80.2 million in the year ended December 31, 2017. For the year ended December 31, 2018, AES Changuinola earned U.S.\$82.9 million under its reserve contract with AES Panamá, while in 2017, it earned U.S.\$72.6 million. The increase in electricity sales mainly resulted from higher energy sales to AES Panamá of 235 GWh due to higher generation as a result of better hydrology compared to 2017.

Lease income

AES Changuinola's lease income for the year ended December 31, 2018 was U.S.\$18.2 million, a decrease of U.S.\$0.4 million or 2.2%, compared to U.S.\$18.6 million in the year ended December 31, 2017. This decrease was primarily due to the fourth amendment to the PPA between AES Panamá and AES Changuinola, which was entered into on December 7, 2015 and sets the power and energy prices for the period from 2023 until 2030, which impacted the straight-line capacity payments under lease accounting. Prior to this amendment, AES Changuinola did not include the period from 2023 to 2030 in accounting for straight-line capacity payments for purposes of calculating lease income.

Operating cost and expenses

AES Changuinola's operating cost and expenses for the year ended December 31, 2018 were U.S.\$47.0 million, an increase of U.S.\$5.4 million or 13.0%, compared to U.S.\$41.6 million in the year ended December 31, 2017. AES Changuinola's operating cost and expenses include:

	Year ended December 31,	
	2018	2017
	<i>(U.S.\$ in thousands)</i>	
Electricity purchases	9,125	7,322
Transmission costs	1,632	477
Operating, general and maintenance expense.....	19,210	16,846
Depreciation and amortization.....	17,029	16,911
Total operating cost and expenses.....	46,966	41,556

Electricity purchases

AES Changuinola's electricity purchases for the year ended December 31, 2018 were U.S.\$9.1 million, an increase of U.S.\$1.8 million, or 24.7%, compared to U.S.\$7.3 million in the year ended December 31, 2017. This increase was primarily attributable to an increase in capacity purchases from AES Panamá of U.S.\$1.3 million through the power purchase and sale reserve contract and an increase in variable transmission costs of U.S.\$0.6 million associated with the return for rate adjustment, which occurred in September 2017 as a consequence of the review of charges for use and connection of the transmission system and the integrated operation service.

Transmission costs

AES Changuinola's transmission costs for the year ended December 31, 2018 were U.S.\$1.6 million, an increase of U.S.\$1.1 million, or 220%, compared to U.S.\$0.5 million in the year ended December 31, 2017. This increase was primarily attributable to an increase in transmission tariffs in 2018.

Operating, general and maintenance expense

AES Changuinola's operating, general and maintenance expense for the year ended December 31, 2018 was U.S.\$19.2 million, an increase of U.S.\$2.4 million, or 14.3%, compared to U.S.\$16.8 million in the year ended December 31, 2017. This increase was primarily attributable to community support expenses of U.S.\$3.2 million, due to the contributions made by AES Changuinola to the communities affected by the development of Changuinola, partially offset by U.S.\$1.3 million due to a decrease in service and maintenance contracts related to the concrete lining of the Changuinola tunnel.

Depreciation and Amortization

AES Changuinola's depreciation and amortization for the year ended December 31, 2018 were U.S.\$17 million, an increase of U.S.\$0.1 million, or 0.6%, compared to U.S.\$16.9 million in the year ended December 31, 2017.

Operating income

For the reasons set forth above, AES Changuinola's operating income for the year ended December 2018 was U.S.\$65.5 million, an increase of U.S.\$8.2 million, or 14.3% from U.S.\$57.3 million for the year ended December 31, 2017.

Other income (expenses)

AES Changuinola's other income (expenses) include:

	Year ended December 31,	
	2018	2017
	<i>(U.S.\$ in thousands)</i>	
Interest expense, net.....	(22,988)	(24,801)
Other income, net.....	19	63
Total other income (expenses), net	(22,969)	(24,738)

Interest expense, net

AES Changuinola recorded U.S.\$23.0 million in interest expense, net for the year ended December 31, 2018, a decrease of U.S.\$1.8 million, or 7.3%, as compared to U.S.\$24.8 million in the year ended December 31, 2017. This decrease was primarily due to amortization payments made under the AES Changuinola Series A Bonds as well as a higher deposit balance during 2018.

Income before income tax expenses

For the reasons set forth above, AES Changuinola's income before income tax expense for the year ended December 31, 2018 was U.S.\$42.5 million, an increase of U.S.\$10.0 million compared to U.S.\$32.5 million for the year ended December 31, 2017.

Income tax expenses

For the year ended December 31, 2018 AES Changuinola incurred an income tax expense of U.S.\$8.7 million, decreased from U.S.\$9.6 million for the year ended December 31, 2017, mainly due to an adjustment in its valuation allowance of deferred tax. For the year ended December 31, 2018 AES Changuinola's effective tax rate was 20.47% as compared to 29.54% for the year ended December 31, 2017.

Net income

For the reasons set forth above, AES Changuinola's net income for the year ended December 31, 2018 increased to U.S.\$33.8 million from U.S.\$22.9 million for the year ended December 31, 2017.

Gas Natural Atlántico's Comparison of the Three Months Ended March 31, 2020 and the Three Months ended March 31, 2019

Electricity sales

Gas Natural Atlántico's electricity sales for the three months ended March 31, 2020 were U.S.\$67.2 million, a decrease of U.S.\$8.0 million or 10.6% from U.S.\$75.2 million for the three months ended March 31, 2019. This decrease in electricity sales mainly resulted from (i) the decline in international fuel prices that index the PPA prices and (ii) a decline in demand for electricity in Panama due to a government curfew related to COVID-19 which affected both the PPAs and the spot market.

Operating costs and expenses

Gas Natural Atlántico's operating costs and expenses for the three months ended March 31, 2020 were U.S.\$51.3 million a decrease of U.S.\$21.9 million or 29.9% from U.S.\$73.2 million for the three months ended March 31, 2019. Gas Natural Atlántico's operating costs and expenses include:

	Three months ended March	
	2020	2019
	<i>(U.S.\$ in thousands)</i>	
Fuel consumption.....	30,914	42,424
Electricity purchases	1,060	6,836
Terminal fee	8,607	8,736
Other costs of electricity sales	227	295
Transmission costs.....	1,152	925
Operating, general and maintenance expense.....	3,991	8,691
Depreciation and amortization.....	5,360	5,335
Total operating costs and expenses	51,311	73,242

Fuel consumption

Gas Natural Atlántico's fuel consumption for the three months ended March 31, 2020 was U.S.\$30.9 million, an increase of U.S.\$11.5 million, or 27.1%, compared to U.S.\$42.4 million in the three months ended March 31, 2019. This decrease was primarily attributable a substantial decline in international fuel prices.

Electricity purchases

Gas Natural Atlántico's electricity purchases for the three months ended March 31, 2020 were U.S.\$1.1 million, a decrease of U.S.\$5.7 million, or 83.8%, compared to U.S.\$6.8 million in the three months ended March 31, 2019. This decrease was primarily attributable to lower demand for electricity in Panama due to the curfew imposed by Panama due to COVID-19.

Transmission costs

Gas Natural Atlántico's transmission costs for the three months ended March 31, 2020 were U.S.\$1.2 million, an increase of U.S.\$0.3 million, or 33.3 %, compared to U.S.\$0.9 million in the three months ended March 31, 2019. This increase was primarily attributable to a higher volume of energy sold and transmitted on the grid due to a higher generation.

Operating, general and maintenance expense

Gas Natural Atlántico's operating, general and maintenance expenses for the three months ended March 31, 2020 were U.S.\$4.0 million, a decrease of U.S.\$4.7 million, or 54.0%, compared to U.S.\$8.7 million in the three months ended March 31, 2019. This decrease is mainly attributable to the following:

- a U.S.\$5.0 million decrease on the amortization of right-of-use asset due to the expiration of a finance lease in June 2019;
- a U.S.\$0.4 million decrease on contract services due to the completion and full operation of the power plant, offset by:
- a U.S.\$0.6 million increase on insurance expense amortized related to higher insurance policy.

Operating income

For the reasons set forth above, Gas Natural Atlántico's operating income in the three months ended March 31, 2020 increased to U.S.\$15.9 million from U.S.\$2.0 million for the three months ended March 31, 2019.

Other (expenses) income

Gas Natural Atlántico's other (expenses) income include:

	Three months ended March 31,	
	2020	2019
	(U.S.\$ in thousands)	
Interest expense, net.....	(6,985)	(7,760)
Other income.....	11	139
Total other expenses, net.....	(6,974)	(7,621)

Interest expense, net

Gas Natural Atlántico recorded U.S.\$7.0 million in interest expense, net for the three months ended March 31, 2020, a decrease of U.S.\$0.8 million, or 10.3%, as compared to U.S.\$7.8 million in the three months ended March 31, 2019. This decrease was primarily due to the following:

- a U.S.\$1.6 million decrease on interest expense, resulting from: (i) \$1.5 million decrease on debt interest expenses, due to lower interest rate resulting from Gas Natural Atlántico refinancing of its previous debt, and (ii) \$0.1 million decrease on interest expenses from leases
- a U.S.\$0.5 million increase in deferred financing costs amortized throughout 2020 associated with new debt; and
- a U.S.\$0.3 million of lower interest income throughout 2020.

Income (loss) before income tax

For the reasons set forth above, Gas Natural Atlántico's income before income tax for the three months ended March 31, 2020 was U.S.\$8.9 million, an increase of U.S.\$14.5 million from a loss before income tax of U.S.\$5.6 million in the three months ended March 31, 2019.

Income tax

For the three months ended March 31, 2020, Gas Natural Atlántico realized an income tax expense of U.S.\$2.7 million, a decrease of U.S. \$1.4 million from U.S. \$1.3 million for the three months ended March 31, 2019. This decrease is mainly due to higher taxable income for the three months ended March 31, 2020 as compared to the three months ended March 31, 2019 attributable to a favorable operational results mainly driven by a decrease of LNG market prices. For the three months ended March 31, 2020, Gas Natural Atlántico's effective tax rate was 30.75% compared to a negative effective tax rate of 23.90% for the three months ended March 31, 2019.

Net income (loss)

For the reasons set forth above, Gas Natural Atlántico's net income for the three months ended March 31, 2020 was U.S.\$6.2 million, as compared to net loss of U.S.\$7.0 million for the three months ended March 31, 2019.

Gas Natural Atlántico's Comparison of the Years Ended December 31, 2019 and 2018

Electricity sales

Gas Natural Atlántico's electricity sales for the year ended December 31, 2019 were U.S.\$285.9 million, an increase of U.S.\$201.7 million or 239.5% from U.S.\$84.2 million for the year ended December 31, 2018. This increase in electricity sales mainly resulted from (i) a U.S.\$141.5 million increase in PPA sales and (ii) a U.S.\$60.2 million increase in spot market sales, including to AES Panamá, in 2019. The Colón Plant began commercial operations in September 2018 and was in operation throughout 2019.

Natural gas sales

Gas Natural Atlántico's natural gas sales for the year ended December 31, 2019 were U.S.\$2.4 million, a decrease of U.S.\$0.1 million or 4.0% from U.S.\$2.5 million for the year ended December 31, 2018. Natural gas sales are not a core business for Gas Natural Atlántico, and natural gas sales in 2018 and 2019 each reflect individual opportunistic sales.

Operating costs and expenses

Gas Natural Atlántico's operating costs and expenses for the year ended December 31, 2019 were U.S.\$252.9 million an increase of U.S.\$171.3 million or 209.9% from U.S.\$81.6 million for the year ended December 31, 2018. Gas Natural Atlántico's operating costs and expenses include:

	Year ended December 31,	
	2019	2018
	<i>(U.S.\$ in thousands)</i>	
Fuel consumption.....	140,787	29,065
Electricity purchases.....	18,706	9,633
Terminal fee.....	34,267	14,991
Fuel cost of sales.....	2,399	1,876
Other costs of electricity sales.....	1,222	311
Transmission costs.....	3,654	1,312
Operating, general and maintenance expense.....	30,439	17,265
Depreciation and amortization.....	21,381	7,184
Total operating costs and expenses.....	252,855	81,637

Fuel consumption

Gas Natural Atlántico's fuel consumption for the year ended December 31, 2019 was U.S.\$140.8 million, an increase of U.S.\$111.7 million, or 383.8%, compared to U.S.\$29.1 million in the year ended December 31, 2018. This increase was primarily attributable to a higher generation in 2019 when compared to 2018. The Colón Plant began commercial operations in September 2018 and was in operation throughout 2019.

Electricity purchases

Gas Natural Atlántico's electricity purchases for the year ended December 31, 2019 were U.S.\$18.7 million, an increase of U.S.\$9.1 million, or 94.8%, compared to U.S.\$9.6 million in the year ended December 31, 2018. This increase was primarily attributable to the amount of energy that Gas Natural Atlántico was required to purchase in the spot market to comply with its commitments. Gas Natural Atlántico purchased U.S.\$13.4 million more electricity in the spot market and U.S.\$4.3 million less electricity from AES Panamá in 2019. The Colón Plant began commercial operations in September 2018 and was in operation throughout 2019.

Terminal fee

Gas Natural Atlántico's terminal fee for the year ended December 31, 2019 was U.S.\$34.3 million, an increase of U.S.\$19.3 million, or 128.7%, compared to U.S.\$15.0 million in the year ended December 31, 2018. This concept corresponds to the terminal and storage services that Costa Norte's Colón Terminal provides to Gas Natural Atlántico. These services started in June 2018 while for 2019 the services were provided during the whole year.

Fuel cost of sales

Gas Natural Atlántico's fuel cost of sales for the year ended December 31, 2019 was U.S.\$2.4 million, an increase of U.S.\$0.5 million, or 26.3%, compared to U.S.\$1.9 million in the year ended December 31, 2018. This increase was primarily attributable to the cost of our natural gas sales.

Other costs of electricity sales

Gas Natural Atlántico's other costs of electricity sales for the year ended December 31, 2019 were U.S.\$1.2 million, an increase of U.S.\$0.9 million, or 300.0%, compared to U.S.\$0.3 million in the year ended

December 31, 2018. This increase was primarily attributable to a higher volume of energy sold over the energy grid due to a larger generation period in 2019 since the initial commercial operation date of the power plant was September 1, 2018.

Transmission costs

Gas Natural Atlántico's transmission costs for the year ended December 31, 2019 were U.S.\$3.7 million, an increase of U.S.\$2.4 million, or 184.6%, compared to U.S.\$1.3 million in the year ended December 31, 2018. This increase was primarily attributable to a higher volume of energy sold over the energy grid due to a larger generation period in 2019 since commercial operation date of the power plant was in September 1, 2018.

Operating, general and maintenance expense

Gas Natural Atlántico's operating, general and maintenance expense for the year ended December 31, 2019 was U.S.\$30.4 million, an increase of U.S.\$13.1 million, or 75.7%, compared to U.S.\$17.3 million in the year ended December 31, 2018. This increase is mainly attributable to the fact that the Colón Plant began commercial operations in September 2018 and was in operation throughout 2019, resulting in:

- a U.S.\$5.4 million net increase attributable to: (i) a right-of-use asset amortization of U.S.\$11.2 million and (ii) lower operating lease of U.S.\$5.8 million as a result of the adoption of IFRS 16;
- a U.S.\$3.2 million increase in insurance expenses under Gas Natural Atlántico's captive insurance policy;
- a U.S.\$3.0 million increase in contract service, professional fees and maintenance services; and
- a U.S.\$1.5 million increase in salaries and other benefits and other operational expenses.

Depreciation and amortization

Gas Natural Atlántico's depreciation and amortization for the year ended December 31, 2019 were U.S.\$21.4 million, an increase of U.S.\$14.2 million, or 197.2%, compared to U.S.\$7.2 million in the year ended December 31, 2018. Because Gas Natural Atlántico only depreciates its assets once they become operational, it recorded depreciation expenses corresponding only to the last four months of 2018 as compared to the full year 2019.

Operating income

For the reasons set forth above, Gas Natural Atlántico's operating income in the year ended December 31, 2019 increased to U.S.\$35.4 million from U.S.\$5.1 million for the year ended December 31 2018.

Other (expenses) income

Gas Natural Atlántico's other (expenses) income include:

	Year ended December 31,	
	2019	2018
	<i>(U.S.\$ in thousands)</i>	
Interest expense, net.....	(44,434)	(9,539)
Other (expense) income, net.....	(3,927)	10
Total other expenses, net.....	(48,361)	(9,529)

Interest expense, net

Gas Natural Atlántico recorded U.S.\$44.4 million in interest expense, net for the year ended December 31, 2019, an increase of U.S.\$34.9 million, or 367.4%, as compared to U.S.\$9.5 million in the year ended December 31, 2018. This increase was primarily due to the following:

- a U.S.\$15.2 million increase in interest expense because the majority of Gas Natural Atlántico's interest expense in 2018 was capitalized as part of the construction costs of the Colón plant;
- a U.S.\$3.2 million increase in deferred financing costs amortized throughout 2019;
- U.S.\$14.2 million from the write-off of costs related to the original project financing entered into for the construction of the Colón Facilities (the "Colón Project Finance Loan") when refinanced with the Colón Facility Financing; and
- U.S.\$3.3 million recorded as interest from financial lease.

This increase was partially offset by interest income of U.S.\$1.0 million.

Other (expense) income, net

Gas Natural Atlántico recorded U.S.\$3.9 million in other (expenses) income, net for the year ended December 31, 2019, as compared to U.S.\$10,000 in other income, net for the year ended December 31, 2018. This change was primarily due to a U.S.\$4.1 million prepayment penalty paid in connection with the refinancing of the Colón Project Finance Loan.

Loss before income tax

For the reasons set forth above, Gas Natural Atlántico's loss before income tax for the year ended December 31, 2019 was U.S.\$13.0 million, an increase of U.S.\$8.5 million, or 188.9% from a loss of U.S.\$4.5 million in the year ended December 31, 2018.

Income tax

For the year ended December 31, 2019, Gas Natural Atlántico realized an income tax benefit of U.S.\$24,000, a decrease of U.S.\$5.2 million from the income tax benefit of U.S.\$5.3 million for the year ended December 31, 2018, mainly due to higher taxable income for the year ended December 31, 2019 as compared to the year ended December 31, 2018 due in part to the achievement of the first year of commercial operation of the Colón Plant and the realization of deferred tax. For the year ended December 31, 2019, Gas Natural Atlántico's effective tax rate was 0.19% as compared to 117.78% for the year ended December 31, 2018.

Net (loss) income

For the reasons set forth above, Gas Natural Atlántico's net loss for the year ended December 31, 2019 was U.S.\$12.9 million, as compared to net income of U.S.\$0.8 million for the year ended December 31, 2018.

Gas Natural Atlántico's Comparison of the Years Ended December 31, 2018 and 2017

Electricity sales

Gas Natural Atlántico's electricity sales for the year ended December 31, 2018 were U.S.\$84.2 million. This figure corresponds to the first four months of operations of the Colón Plant, which began commercial operations in September 2018.

Natural gas sales

Gas Natural Atlántico's natural gas sales for the year ended December 31, 2018 were U.S.\$2.5 million as compared to no natural gas sales in 2017. Natural gas sales are not a core business for Gas Natural Atlántico, and natural gas sales in 2018 reflects an individual opportunistic sale.

Operating costs and expenses

Gas Natural Atlántico's operating costs and expenses for the year ended December 31, 2018 were U.S.\$81.6 million, an increase of U.S.\$78.5 million from U.S.\$3.1 million for the year ended December 31, 2017. Gas Natural Atlántico's operating costs and expenses include:

	Year ended December 31,	
	2018	2017
	<i>(U.S.\$ in thousands)</i>	
Fuel consumption.....	29,065	--
Electricity purchases.....	9,633	-
Terminal fee.....	14,991	-
Fuel cost of sale.....	1,876	-
Other costs of electricity sales.....	311	-
Transmission costs.....	1,312	-
Operating, general and maintenance expense.....	17,265	3,074
Depreciation and amortization.....	7,184	45
Total operating costs and expenses.....	81,637	3,119

Fuel consumption

Gas Natural Atlántico's fuel consumption for the year ended December 31, 2018 was U.S.\$29.1 million. This figure corresponds to LNG consumed by the Colón Plant beginning in September 2018 when it began commercial operations.

Electricity purchases

Gas Natural Atlántico's electricity purchases for the year ended December 31, 2018 were U.S.\$9.6 million, which corresponded to electricity purchases during the first four months of commercial operations of the Colón Plant. From the total amount of electricity purchased, U.S.\$5.3 million involved transactions with AES Panamá and the remaining U.S.\$4.3 million involved purchases in the spot market.

Terminal fee

Gas Natural Atlántico's terminal fee for the year ended December 31, 2018 was U.S.\$15.0 million. This figure corresponded to terminal fee services provided by Costa Norte beginning in June 2018 as set out in the Terminal Use Agreement.

Fuel cost of sales

Gas Natural Atlántico's fuel cost of sales for the year ended December 31, 2018 was U.S.\$1.9 million, corresponding to the cost of LNG sold to an affiliate of AES in the Dominican Republic.

Transmission costs

Gas Natural Atlántico's transmission costs for the year ended December 31, 2018 were U.S.\$1.3 million. This figure corresponds to transmission costs incurred during the first four months of commercial operations of the Colón Plant.

Operating, general and maintenance expense

Gas Natural Atlántico's operating, general and maintenance expense for the year ended December 31, 2018 was U.S.\$17.3 million, an increase of U.S.\$14.2 million compared to U.S.\$3.1 million in the year ended December 31, 2017. Before the Colón Plant began commercial operation, operating, general and maintenance expense covered

primarily personnel salaries and other minor expenses. The increase in 2018 from 2017 is mainly attributable to an increase of:

U.S.\$8.8 million in operating lease expenses of the floating storage unit and office space;

- U.S.\$1.6 million in contract services and professional fees;
- U.S.\$2.2 million in salaries and other benefits; and
- U.S.\$1.6 million in other operational expenses related to commencement of operation such as maintenance, insurance and other operational expenses.

Depreciation and amortization

Gas Natural Atlántico's depreciation and amortization for the year ended December 31, 2018 was U.S.\$7.2 million, an increase of U.S.\$7.1 million compared to U.S.\$45,000 in the year ended December 31, 2017. This was primarily attributable to the fact that Gas Natural Atlántico only depreciates its assets once they become operational.

Operating income (loss)

For the reasons set forth above, Gas Natural Atlántico's operating income for the year December 31, 2018 was U.S.\$5.1 million, which represent an increase from an operating loss of U.S.\$3.1 million for the year ended December 31, 2017.

Other (expense) income

Gas Natural Atlántico's other (expenses) income include:

	Year ended December 31,	
	2018	2017
	<i>(U.S.\$ in thousands)</i>	
Interest expense, net.....	(9,539)	(2,079)
Other (expenses) income, net.....	10	1
Total other expenses, net.....	(9,529)	(2,078)

Interest expense, net

Gas Natural Atlántico recorded U.S.\$9.5 million in interest expense, net for the year ended December 31, 2018, an increase of U.S.\$7.4 million, or 352.4%, as compared to U.S.\$2.1 million in the year ended December 31, 2017. This increase was primarily due to lower capitalized interest during 2018 as a result of the commencement of commercial operations of the Colón Plant.

Loss before income tax

For the reasons set forth above, Gas Natural Atlántico's net loss before income tax for the year ended December 31, 2018 was U.S.\$4.5 million, a decrease of U.S.\$0.7 million, or 13.5% from net loss before income tax of U.S.\$5.2 million in the year ended December 31, 2017.

Income tax

For the year ended December 31, 2018, Gas Natural Atlántico incurred an income tax credit of U.S.\$5.3 million whereas in the year ended December 31, 2017, Gas Natural Atlántico paid zero income tax. This positive effect was due in part to the fact that the LNG plant had not commenced commercial operation and to the recognition of a deferred tax asset. Gas Natural Atlántico's effective tax rate for the year ended December 31, 2018 was 117.78%.

Net income (loss)

For the reasons set forth above, Gas Natural Atlántico's net income for the year ended December 31, 2018 was U.S.\$0.8 million, an increase from a net loss of U.S.\$5.2 million for the year ended December 31, 2017.

Costa Norte's Comparison of the Three Months ended March 31, 2020 and the Three Months ended March 31, 2019

Terminal services

Costa Norte's terminal service revenue for the three months ended March 31, 2020 was U.S.\$10.9 million, an increase of U.S.\$2.2 million or 25.3% from U.S.\$8.7 million for the three months ended March 31, 2019. This increase in terminal services revenue mainly resulted from the activation of a new terminal service agreement with Total & Gas Powered, Limited London during the third quarter of 2019.

Operating costs and expenses

Costa Norte's operating costs and expenses for the three months ended March 31, 2020 were U.S.\$5.7 million an increase of U.S.\$1.3 million or 29.5% from U.S.\$4.4 million for the three months ended March 31, 2019. Costa Norte's operating costs and expenses include:

	Three months ended March 31,	
	2020	2019
	<i>(U.S.\$ in thousands)</i>	
Operating, general and maintenance expenses	1,901	2,020
Depreciation and amortization.....	3,831	2,380
Total operating costs and expenses	5,732	4,400

Operating, general and maintenance expense

Costa Norte's operating, general and maintenance expenses for the three months ended March 31, 2020 were U.S.\$1.9 million, a decrease of U.S.\$0.1 million, or 5.0%, compared to U.S.\$2.0 million in the three months ended March 31, 2019. This increase was primarily attributable to:

- a U.S.\$0.4 million decrease in professional fees during 2020; offset by:
- a U.S.\$0.3 million increase on fees payable under insurance contracts.

Depreciation and amortization

Costa Norte's depreciation and amortization for the three months ended March 31, 2020 were U.S.\$3.8 million, an increase of U.S.\$1.4 million, or 58.3%, compared to U.S.\$2.4 million in the three months ended March 31, 2019. This increase was primarily attributable to the depreciation associated with Costa Norte's LNG storage tank, which became operational on August 2019.

Operating income

For the reasons set forth above, Costa Norte's operating income in the three months ended March 31, 2020 increased to U.S.\$5.1 million from U.S.\$4.3 million for the three months ended March 31 2019.

Other income (expenses)

Costa Norte's other income (expenses) included:

	Three months ended March 31,	
	2020	2019
	<i>(U.S.\$ in thousands)</i>	
Interest expense, net.....	(4,872)	(1,997)
Other income, net.....	8	1
Total other expenses, net.....	(4,864)	(1,996)

Interest expense, net

Costa Norte recorded U.S.\$4.9 million in interest expense, net for the three months ended March 31, 2020, as compared to U.S.\$2.0 million in the three months ended March 31, 2019. This increase was primarily due to:

- a U.S.\$2.3 million increase in interest expenses and U.S.\$0.4 million increase in amortization of deferred financing cost. During the construction period in 2019 those expenses were capitalized as part of the costs incurred for the construction of the terminal and LNG storage tank; and
- a U.S.\$0.1 million decrease in interest income during 2020;

Income before income tax expense

For the reasons set forth above, Costa Norte's income before income tax expense for the three months ended March 31, 2020 was U.S.\$0.3 million, as compared to income before income tax expenses of U.S.\$2.3 million in the three months ended March 31, 2019.

Costa Norte's Comparison of the Years Ended December 31, 2019 and 2018

Terminal services

Costa Norte's terminal services revenue for the year ended December 31, 2019 was U.S.\$37.6 million, an increase of U.S.\$15.7 million or 71.7% from U.S.\$21.9 million for the year ended December 31, 2018. This increase in terminal service revenue mainly resulted from:

- a U.S.\$11.2 million increase in revenue under the Gas Natural Atlántico TUA during the full year 2019 as compared to the last six months of 2018 after the Gas Natural Atlántico TUA became effective; and
- U.S.\$4.5 million in revenue under the Total TUA, which became effective in August 2019.

Operating costs and expenses

Costa Norte's operating costs and expenses for the year ended December 31, 2019 were U.S.\$21.7 million, an increase of U.S.\$8.7 million or 66.9% from U.S.\$13.0 million for the year ended December 31, 2018. Costa Norte's operating costs and expenses include:

	Year ended December 31,	
	2019	2018
	<i>(U.S.\$ in thousands)</i>	
Operating, general and maintenance expenses.....	10,099	9,881
Depreciation and amortization.....	11,592	3,157
Total operating costs and expenses.....	21,691	13,038

Operating, general and maintenance expense

Costa Norte's operating, general and maintenance expenses for the year ended December 31, 2019 was U.S.\$10.1 million, an increase of U.S.\$0.2 million, or 2.0%, compared to U.S.\$9.9 million in the year ended December 31, 2018. This increase was primarily attributable to:

- a U.S.\$2.0 million increase in salaries and other benefits and contract services related to more operational activities;
- a U.S.\$0.5 million increase in payments under insurance contracts; and
- a U.S.\$3.2 million right-of-use asset amortization.

This increase was partially offset by a U.S.\$5.5 million decrease in rent expenses and other expenses.

Depreciation and amortization

Costa Norte's depreciation and amortization for the year ended December 31, 2019 were U.S.\$11.6 million, an increase of U.S.\$8.4 million, or 262.5%, compared to U.S.\$3.2 million in the year ended December 31, 2018. This increase was primarily attributable to the depreciation of Costa Norte's LNG storage tank, which Costa Norte began to record once the storage tank became operational.

Operating income

For the reasons set forth above, Costa Norte's operating income in the year ended December 31, 2019 increased to U.S.\$15.9 million from U.S.\$8.9 million for the year ended December 31, 2018.

Other income (expenses)

Costa Norte's other income (expenses) included:

	Year ended December 31,	
	2019	2018
	<i>(U.S.\$ in thousands)</i>	
Interest expense, net.....	(18,578)	(127)
Other (expense) income, net.....	(2,098)	3,983
Total of other (expense) income, net	(20,676)	3,811

Interest expense, net

Costa Norte recorded U.S.\$18.6 million in interest expense, net for the year ended December 31, 2019, as compared to U.S.\$0.1 million in the year ended December 31, 2018. This increase was primarily due to:

- a U.S.\$2.4 million increase in interest expense because the majority of Costa Norte's interest expense in 2018 was capitalized as part of the construction costs of the Colón Terminal and the LNG storage tank;
- a U.S.\$1.1 million increase in deferred financing costs amortized throughout 2019;
- a U.S.\$7.1 million write-off of costs related to the Colón Project Finance Loan when refinanced with the Colón Facility Financing;
- U.S.\$10.9 million recorded as interest from financial lease; and
- U.S.\$3.0 million in interest income, net of the land sub-lease with Gas Natural Atlántico.

As a result of the adoption of IFRS 16, Costa Norte began to account for the land sub-lease with Gas Natural Atlántico as interest income in 2019, while it had previously accounted for it as other income.

Other (expense) income, net

Costa Norte recorded U.S.\$2.1 million in other (expense) income, net for the year ended December 31, 2019, as compared to U.S.\$3.9 million in other (expense) income, net for the year ended December 31, 2018. This was primarily due to the combined effect of:

- a U.S.\$2.2 million prepayment penalty paid in connection with the refinancing of the Colón Project Finance Loan; and
- U.S.\$3.8 million in other income recorded in 2018 in connection with the land sub-lease with Gas Natural Atlántico prior to the adoption of IFRS 16, net of other expense.

(Loss) income before income tax expense

For the reasons set forth above, Costa Norte's loss before income tax expense for the year ended December 31, 2019 was U.S.\$4.7 million, as compared to income of U.S.\$12.7 million in the year ended December 31, 2018.

Income tax expense

For the year ended December 31, 2019, Costa Norte realized an income tax benefit of U.S.\$0.6 million, as compared to an income tax benefit of U.S.\$2.2 million for the year ended December 31, 2018 due in part to a financial recognition under NIIF 16 regarding lease agreements. For the year ended December 31, 2019, Costa Norte's effective tax rate was 12.77% as compared to -17.32% for the year ended December 31, 2018.

Net (loss) income

For the reasons set forth above, Costa Norte's net loss for the year ended December 31, 2019 was U.S.\$4.1 million, a decrease of U.S.\$19.0 million or 127.5% from a net income of U.S.\$14.9 million for the year ended December 31, 2018.

Costa Norte's Comparison of the Years Ended December 31, 2018 and 2017

Terminal services

Costa Norte's terminal service revenue for the year ended December 31, 2018 was U.S.\$21.9 million. This figure corresponds to terminal service revenue received by Costa Norte under the Gas Natural Atlántico TUA, which went into effect in June 2018.

Operating costs and expenses

Costa Norte's operating costs and expenses for the year ended December 31, 2018 were U.S.\$13.0 million an increase of U.S.\$6.3 million or 94.0% from U.S.\$6.7 million for the year ended December 31, 2017. Costa Norte's operating costs and expenses included:

	Year Ended December 31,	
	2018	2017
	<i>(U.S.\$ in thousands)</i>	
Operating, general and maintenance expense.....	9,881	6,655
Depreciation and amortization.....	3,157	26
Total operating costs and expenses	13,038	6,681

Operating, general and maintenance expense

Costa Norte's operating, general and maintenance expense for the year ended December 31, 2018 was U.S.\$9.9 million, an increase of U.S.\$3.2 million, or 47.8%, compared to U.S.\$6.7 million in the year ended December 31, 2017. This increase was primarily attributable to a U.S.\$1.8 million increase in rent expense due to an update in the contractual price of the land lease and a U.S.\$1.3 million increase in professional fees and contract services related to the partial initial operation of phase I of the Colón Terminal.

Depreciation and amortization

Costa Norte's depreciation and amortization for the year ended December 31, 2018 were U.S.\$3.2 million, an increase of U.S.\$3.1 million, as compared to U.S.\$26,000 in the year ended December 31, 2017. This increase corresponds to depreciation expenses related to the capitalization of phase I of the Colón Terminal as it began commercial operations.

Operating income (loss)

For the reasons set forth above, Costa Norte's operating income in the year ended December 31, 2018 increased to U.S.\$8.9 million from an operating loss of U.S.\$6.7 million for the year ended December 31, 2017.

Other income (expenses)

As shown in the table below, other income (expenses), is composed of (i) interest expense, net which reflects interest paid under the Colón Project Finance Loan, most of which was capitalized, as well as interest income from the deposit balance and (ii) other income, net which corresponds to income received from Gas Natural Atlántico in connection with the land sub-lease.

	Year ended December 31,	
	2018	2017
	<i>(U.S.\$ in thousands)</i>	
Interest expense, net.....	(127)	(661)
Other income, net.....	3,938	3,947
Total other income, net.....	3,811	3,286

Income (loss) before income tax expense (benefit)

For the reasons set forth above, Costa Norte's income before income tax expense for the year ended December 31, 2018 was U.S.\$12.7 million, as compared to a loss of U.S.\$3.4 million in the year ended December 31, 2017.

Income Tax expense (benefit)

For the year ended December 31, 2018, Costa Norte realized an income tax benefit of U.S.\$2.2 million, as compared to an income tax expense of U.S.\$0.4 million for the year ended December 31, 2017. The income tax benefit in 2018 was mainly due to the recognition of a deferred tax asset. For the year ended December 31, 2018, Costa Norte's effective tax rate was -17.32%.

Net Income (loss)

For the reasons set forth above, Costa Norte's net income for the year ended December 31, 2018 was U.S.\$14.9 million, as compared to a loss of U.S.\$3.8 million for the year ended December 31, 2017.

Liquidity and Capital Resources

The Companies' principal sources of liquidity are available cash, cash flows from operations and lines of credit with commercial banks. The table below sets out the cash and cash equivalents of each of the companies as of December 31, 2019 and the cash flow from operations of each of the Companies for the year ended December 31, 2019.

	Cash and Cash Equivalents	Cash Flows from Operations
	<i>(U.S.\$ in thousands)</i>	
AES Panamá	29,608	100,386
AES Changuinola	25,063	2,518
Gas Natural Atlántico	18,118	47,629
Costa Norte	10,059	22,977

Historically, the Companies have used cash primarily to fund operating costs and expenses, capital expenditures for property, plant equipment and to service indebtedness. The Companies believe that their sources of liquidity should be sufficient to satisfy their operating costs and expenses, capital expenditures and debt service obligations for the foreseeable future.

Cash And Cash Equivalents

AES Panamá

As March 31, 2020, AES Panamá had cash and cash equivalents of U.S.\$56.6 million and U.S.\$2.6 million in a restricted cash account required to be maintained under the Labor Law to fund seniority premia payable to employees upon termination.

As of December 31, 2019, AES Panamá had cash and cash equivalents of U.S.\$29.6 million and U.S.\$2.5 million in a restricted cash account required to be maintained under the Labor Law to fund seniority premia payable to employees upon termination.

As of December 31, 2018, AES Panamá had cash and cash equivalents of U.S.\$15.8 million and U.S.\$2.1 million in a restricted cash account required to be maintained under the Labor Law to fund seniority premia payable to employees upon termination.

AES Changuinola

As of March 31, 2020, AES Changuinola's had cash and cash equivalents of U.S.\$22.5 million and U.S.\$0.5 million in a restricted cash account required to be maintained under the Labor Law to fund seniority premia payable to employees upon termination.

As of December 31, 2019, AES Changuinola's had cash and cash equivalents of U.S.\$25.1 million and U.S.\$0.5 million in a restricted cash account required to be maintained under the Labor Law to fund seniority premia payable to employees upon termination.

As of December 31, 2018, AES Changuinola had cash and cash equivalents of U.S.\$59.4 million and U.S.\$0.4 million in a restricted cash account required to be maintained under the Labor Law to fund seniority premia payable to employees upon termination.

Gas Natural Atlántico

As of March 31, 2020, Gas Natural Atlántico had cash and cash equivalents of U.S.\$24.0 million, U.S.\$27.8 million in a restricted cash account associated with cash management agreement related to the Colón Bridge Loan and U.S.\$0.2 million in a restricted cash account required to be maintained under the Labor Law to fund seniority premia payable to employees upon termination.

As of December 31, 2019, Gas Natural Atlántico had cash and cash equivalents of U.S.\$18.1 million, U.S.\$7.8 million in a restricted cash account associated with cash management agreement related to the Colón Facility Financing and U.S.\$0.2 million in a restricted cash account required to be maintained under the Labor Law to fund seniority premia payable to employees upon termination.

As of December 31, 2018, Gas Natural Atlántico had cash and cash equivalents of U.S.\$0.1 million, U.S.\$7.1 million in a restricted cash account associated with cash management agreement related to the Colón Project Finance Loan and U.S.\$0.1 million in a restricted cash account required to be maintained under the Labor Law to fund seniority premia payable to employees upon termination.

Costa Norte

As of March 31, 2020, Gas Natural Atlántico had cash and cash equivalents of U.S.\$3.0 million, U.S.\$5.0 million in a restricted cash account associated with cash management agreement related to the Colón Bridge Loan and U.S.\$0.2 million in a restricted cash account required to be maintained under the Labor Law to fund seniority premia payable to employees upon termination.

As of December 31, 2019, Costa Norte had cash and cash equivalents of U.S.\$10.1 million, U.S.\$3.8 million in a restricted cash account associated with each cash management agreement related to the Colón Project Finance Loan, and U.S.\$0.2 million in a restricted cash account required to be maintained under the Labor Law to fund seniority premia payable to employees upon termination.

As of December 31, 2018, Costa Norte had cash and cash equivalents of U.S.\$0.3 million, U.S.\$1.1 million in a restricted cash account associated with each cash management agreement related to the Colón Project Finance Loan and U.S.\$0.1 million in a restricted cash account required to be maintained under the Labor Law to fund seniority premia payable to employees upon termination.

Cash Flows

AES Panamá Cash Flows from Operating Activities

AES Panamá's net cash used in operating activities for the three months ended March 31, 2020 was U.S.\$42.7 million, a decrease of U.S.\$69.5 million, or 259.3%, compared to U.S.\$26.8 million provided by operating activities for the three months ended March 31, 2019. This decrease was primarily attributable to (i) a U.S.\$71.4 million increase in other long-term assets related to the payment promise letter for \$72.0 million issued as collateral of the purchase of Penonomé, (ii) a U.S.\$9.8 million decrease in accounts payable mainly due to lower energy purchases as of March 31, 2020 due to higher generation and higher energy purchases for the three months ended March 31, 2019 due to lower generation of the plants, (iii) a U.S.\$3.3 million increase in prepaid expenses mainly due to the liquidation of advanced payment to Refinería Panama during 2019 related to the purchase of fuel and (iv) a U.S.\$2.4 million increase in inventory related to the stock of fuel #6 for EDM I, partially offset by:

- a U.S.\$16.3 million increase in net income and U.S.\$0.9 million of positive adjustments (depreciation, amortization and equity earnings (loss) in investment in affiliate).

AES Panamá's net cash provided by operating activities for the year ended December 31, 2019 was U.S.\$100.4 million, a decrease of U.S.\$22.4 million, or 18.2%, compared to U.S.\$122.8 million provided by operating activities in the year ended December 31, 2018. This decrease was primarily attributable to a U.S.\$43.4 million decrease in net income, offset by net positive effect of:

- a U.S.\$11.7 million decrease in accounts receivable mainly due to collection repowering transmission line;
- a U.S.\$3.4 million decrease in inventories; and
- a U.S.\$6.5 million decrease in prepaid expenses mainly due to a decrease in fuel prepayments for Estrella del Mar as a result of decreased operation and generation in 2019.

AES Panamá's net cash provided by operating activities for the year ended December 31, 2018 was U.S.\$122.8 million, an increase of U.S.\$14.5 million, or 13.4%, compared to U.S.\$108.3 million in the year ended December 31, 2017. This increase was primarily attributable to a U.S.\$3.5 million increase in net income and the net positive effect of:

- a U.S.\$6.9 million increase in accounts receivable;
- a U.S.\$7.8 million increase in accounts payable by suppliers and related parties;
- a U.S.\$2.3 million increase in accrued expenses and other liabilities mainly due to dividend withholding tax; and
- a U.S.\$6.0 million increase in inventories and prepaid expenses mainly due to higher quantity of fuel purchased.

AES Panamá Cash Flows from Investing Activities

AES Panamá recorded U.S.\$1.4 million in cash flows used in investing activities for the three months ended March 31, 2020, a decrease of U.S.\$1.6 million, or 53.3%, from U.S.\$3.0 million in cash used in investing activities for the three months ended March 31, 2019. This decrease is due to a U.S.\$1.6 million decrease in acquisition of property, plant and equipment and intangible assets.

AES Panamá recorded U.S.\$11.1 million in cash used in investing activities for the year ended December 31, 2019, a decrease of U.S.\$2.0 million, or 15.3%, as compared to U.S.\$13.1 million in cash used in investing activities for the year ended December 31, 2018. This decrease is due to a U.S.\$2.0 million decrease in acquisition of property, plant and equipment and intangible assets in 2019 as compared to 2018.

AES Panamá recorded U.S.\$13.1 million in cash used in investing activities for the year ended December 31, 2018, a decrease of U.S.\$2.7 million, or 17.1%, as compared to U.S.\$15.8 million in cash used in investing activities for the year ended December 31, 2017. This decrease was primarily due to a U.S.\$5.9 million decrease in acquisition of property, plant and equipment and intangible assets, offset by:

- a U.S.\$1.5 million in cash insurance pay-out received from ASSA Compañía de Seguros, S.A in connection with maintenance performed on Bayano's Unit 2 Turbine; and
- U.S.\$1.8 million in dividends received from AES Changuinola in 2017.

AES Panamá Cash Flows from Financing Activities

AES Panamá recorded U.S.\$71.0 million in cash flows provided from financing activities for the three months ended March 31, 2020, a U.S.\$77.6 million, or 1,175.8% increase as compared to U.S.\$6.6 million in cash used in financing activities for the three months ended March 31, 2019. The increase was primarily due to (i) proceeds of U.S.\$72.0 million from new loan obtained for the acquisition of Penonomé, (ii) a U.S.\$6.0 million increase related to loan payments made by AES Panamá under its credit lines for the three months ended March 31, 2019 and (iii) a U.S.\$0.4 million increase in payment of financing for property, plant and equipment due to finance capex paid during the three months ended March 31, 2019. This increase was partially offset by (i) U.S.\$0.6 million in payments of financing costs related to the new loan to acquire de UEP I wind farm project and (ii) a U.S.\$0.2 million decrease in payments of lease liabilities.

AES Panamá recorded U.S.\$75.5 million in cash used in financing activities for the year ended December 31, 2019, a U.S.\$34.8 million, or 31.6% decrease as compared to U.S.\$110.3 million in cash used in financing activities for the year ended December 31, 2018. The decrease was primarily due to (i) a U.S.\$85.4 million decrease in dividend payments during 2019 and (ii) a U.S.\$13.0 million increase in disbursements under AES Panamá's credit lines. This decrease was partially offset by (i) U.S.\$37.0 million in loan payments made by AES Panamá under its credit lines, (ii) U.S.\$1.5 million in payment of lease liabilities and (iii) a U.S.\$25.8 million capital reduction.

AES Panamá recorded U.S.\$110.3 million in cash used in financing activities for the year ended December 31, 2018, a U.S.\$17.0 million, or 18.2% decrease, as compared to U.S.\$93.3 million in cash used in financing activities for the year ended December 31, 2017. The decrease was primarily due to a U.S.\$28.7 million increase in dividend payments during 2018, which was partially offset by U.S.\$12.0 million in disbursements under AES Panamá's credit lines.

AES Changuinola Cash Flows from Operating Activities

AES Changuinola's net cash used by operating activities for the three months ended March 31, 2020 was U.S.\$1.7 million, a decrease of U.S.\$10.6 million, or 119.1%, compared to U.S.\$8.9 million provided by operating activities in the three months ended March 31, 2019. This decrease was primarily attributable to:

- A decrease of U.S.\$2.4 million negative adjustment of property plant and equipment related with the tunnel.

- A decrease of U.S.\$20.5 million mainly due to an increase in account receivables with affiliates due to higher sales in 2020.
- A decrease of U.S.\$2.6 million in income tax expenses for 2020.

Offset by:

- An increase in net income from U.S.\$15.0 million for 2020.

AES Changuinola's net cash provided by operating activities for the year ended December 31, 2019 was U.S.\$2.5 million, a decrease of U.S.\$70.4 million, or 96.6%, compared to U.S.\$72.9 million provided by operating activities in the year ended December 31, 2018. This decrease was primarily attributable to:

- a decrease in net income from a net income of U.S.\$33.8 million for 2018 to a net loss of U.S.\$9.2 million for 2019;
- the reclassification to cash provided by investing activities of a U.S.\$39.9 million insurance pay-out received from ASSA Compañía de Seguros, S.A in 2019 in connection with the re-lining of the Changuinola tunnel; and
- a U.S.\$11.2 million positive adjustment of loss on retirement of property plant and equipment related to the relining of the Changuinola tunnel.

AES Changuinola's net cash provided by operating activities for the year ended December 31, 2018 was U.S.\$72.9 million, an increase of U.S.\$9.9 million, or 15.7%, compared to U.S.\$63.0 million in the year ended December 31, 2017. This increase was primarily attributable to (i) an increase in net income from U.S.\$22.9 million for 2017 to a net income of U.S.\$33.8 million for 2018, and (ii) a U.S.\$3.5 million decrease in accounts receivable with affiliates, offset by a U.S.\$4.6 million increase in income tax payment.

AES Changuinola Cash Flows from Investing Activities

AES Changuinola recorded U.S.\$0.8 million in cash used in investing activities for the three months ended March 31, 2020, a decrease of U.S.\$0.4 million or 32.2%, compared to U.S.\$1.2 million used in the three months ended March 31, 2019. This decrease corresponds to lower acquisition of property, plant and equipment related to the relining of the Changuinola tunnel and lower payment of intangible assets.

AES Changuinola recorded U.S.\$2.1 million in cash used in investing activities for the year ended December 31, 2019, a decrease of U.S.\$3.7 million or 63.8%, compared to U.S.\$5.8 million used in the year ended December 31, 2018. This decrease was primarily due to the combined effect of:

- a U.S.\$39.9 million insurance payout received from ASSA Compañía de Seguros, S.A in 2019 in connection with the re-lining of the Changuinola tunnel;
- a U.S.\$32.8 million increase in acquisition of property, plant and equipment and intangible assets related to the re-lining of the Changuinola tunnel; and
- a U.S.\$3.5 million decrease in proceeds from the sale of property, plant and equipment.

AES Changuinola recorded U.S.\$5.8 million in cash used in investing activities for the year ended December 31, 2018, a decrease of U.S.\$6.2 million as compared to the U.S.\$0.4 million in cash flow provided by investing activities in the year ended December 31, 2017. This decrease was primarily due to a U.S.\$8.6 million increase in acquisition of property, plant and equipment and intangible assets related to the re-lining of the Changuinola tunnel and a U.S.\$2.4 million increase in proceeds from the sale of property, plant and equipment.

AES Changuinola Cash Flows from Financing Activities

AES Changuinola recorded U.S.\$0.1 million in cash used in financing activities for the three months ended March 31, 2020, compared to U.S.\$10,000 used in the three months ended March 31, 2019.

AES Changuinola recorded U.S.\$34.7 million in cash used in financing activities for the year ended December 31, 2019, a U.S.\$9.6 million, or 21.7% decrease as compared to the U.S.\$44.3 million used in the year ended December 31, 2018. This decrease was primarily due to U.S.\$8.0 million in disbursement under the AES Changuinola Line of Credit and a U.S.\$1.6 million decrease in interest payments.

AES Changuinola recorded U.S.\$44.3 million in cash used in financing activities for the year ended December 31, 2018, a U.S.\$10.0 million, or 18.4% decrease, as compared to the U.S.\$54.3 million used in the year ended December 31, 2017. The decrease was primarily due to a U.S.\$8.9 million decrease in dividend payments and a U.S.\$1.1 million decrease in interest payments.

Gas Natural Atlántico Cash flows from Operating Activities

Gas Natural Atlántico's net cash provided by operating activities for the three months ended March 31, 2020 was U.S.\$32.7 million, compared to U.S.\$9.4 million provided in the three months ended March 31, 2019. This difference was primarily attributable to an increase of U.S.\$13.2 million in net income, in addition to U.S.\$4.3 million in net negative adjustments (amortizations, deferred financing costs and extinguishment of debt), resulting from:

- a U.S.\$5.8 million decrease in accounts receivable due to higher collection of energy sales from PPAs and sales in the spot market;
- a U.S.\$19.6 million increase in accrued liabilities and accounts payable mainly from lower payments to Costa Norte related to terminal services;
- a U.S.\$6.9 million increase due to lower payments for acquisition of inventory;
- a U.S.\$1.0 million increase in income tax as a result of lower payments; and
- a U.S.\$19.2 million of higher LNG prepayments made during Q1 2019.

Gas Natural Atlántico's net cash provided by operating activities for the year ended December 31, 2019 was U.S.\$47.6 million, compared to U.S.\$51.0 million used in the year ended December 31, 2018. This difference was primarily attributable to an increase in net loss by U.S.\$13.7 million, offset by U.S.\$66.3 million in net positive adjustments (depreciation, amortizations, deferred financing costs and extinguishment of debt), resulting from:

- a U.S.\$32.4 million decrease in accounts receivable due to higher collections of energy sales due to the start of commercial operations of the Colón Plant and effectiveness of its PPAs;
- a U.S.\$55.6 million of lower LNG prepayment made at the end of 2018;
- a U.S.\$19.1 million increase in inventory due to higher payments for acquisition of inventory mainly caused by the commercial operation of the LNG storage tank; and
- a U.S.\$24.1 million of higher payments to Costa Norte related to terminal services.

Gas Natural Atlántico's net cash used in operating activities for the year ended December 31, 2018 was U.S.\$51.0 million, an increase of U.S.\$42.1 million, compared to U.S.\$8.9 million in the year ended December 31, 2017. This increase was primarily attributable to (i) a U.S.\$6.0 million increase in net income, (ii) U.S.\$9.3 million in positive adjustments and (iii) the combined effect of:

- a U.S.\$19.2 million increase in in accounts payable mainly due to higher operational costs (purchases of energy, gas, others) following the start of commercial operation of the Colón Plant;
- U.S.\$45.9 million increase in accounts receivable on December 31, 2018 mainly due to lower collection as a result of higher energy sales following the start of commercial operation of the Colón Plant; and

- U.S.\$31.2 million in prepaid expenses on December 31, 2018 related to the LNG and gas storage units following the start of commercial operations of the Colón Plant.

Gas Natural Atlántico Cash flows from Investing Activities

Gas Natural Atlántico recorded U.S.\$22.1 million in cash flows used in investing activities for the three months ended March 31, 2020, a decrease of U.S.\$18.5 million as compared to U.S.\$3.6 million used in investing activities in the three months ended March 31, 2019. This decrease was primarily due to:

- a U.S.\$17.3 million decrease related to the reduction Gas Natural Atlántico's restricted cash balance;
- a U.S.\$1.5 million disbursement under a loan granted by Gas Natural Atlántico to Gas Natural Atlántico II S. de R.L.; and
- a U.S.\$0.3 million lower payment for the acquisition of property plant and equipment.

Gas Natural Atlántico recorded U.S.\$4.9 million in cash used in investing activities for the year ended December 31, 2019, a decrease of U.S.\$50.5 million as compared to U.S.\$55.4 million used in investing activities in the year ended December 31, 2018. This decrease was primarily due to:

- U.S.\$60.5 million decrease in cash used for the acquisition of equipment for the construction of the Colón Plant;
- a U.S.\$8.3 million decrease related to the reduction in Gas Natural Atlántico's restricted cash balance; and
- a U.S.\$1.5 million disbursement under a loan granted by Gas Natural Atlántico to Gas Natural Atlántico II S. de R.L.

Gas Natural Atlántico recorded U.S.\$55.4 million in cash used in investing activities for the year ended December 31, 2018, a decrease of U.S.\$171.5 million as compared to the U.S.\$226.9 million in cash flow used in investing activities in the year ended December 31, 2017. This decrease was primarily due to the positive effect of:

- U.S.\$164.2 million decrease in cash used for the acquisition of equipment for the construction of the Colón Plant; and
- a U.S.\$7.4 million increase in Gas Natural Atlántico's restricted cash balance.

Gas Natural Atlántico Cash flows from Financing Activities

Gas Natural Atlántico recorded U.S.\$4.7 million in cash flows used in financing activities for the three months ended March 31, 2020, a decrease of U.S.\$8.4 million as compared to U.S.\$3.7 million provided by financing activities in the three months ended March 31, 2019. This decrease resulted from the combined effect of:

- a U.S.\$4.4 million of higher interest payments;
- a U.S.\$15.0 million payment of line of credit;
- U.S.\$8.0 million lower cash proceeds from an intercompany loan from Costa Norte to Gas Natural Atlántico; and
- a U.S.\$3.1 million reduction in cash payments for financing property plant and equipment.

Gas Natural Atlántico recorded U.S.\$24.8 million in cash used in financing activities for the year ended December 31, 2019, a decrease of U.S.\$131.1 million as compared to U.S.\$106.3 million provided by financing activities in the year ended December 31, 2018. This decrease resulted from the combined effect of:

- U.S.\$406.4 million increase in cash used for the prepayment of the Colón Project Finance Loan in 2019;
- a U.S.\$12.0 million decrease in cash disbursements under a loan made by Costa Norte to Gas Natural Atlántico;
- a U.S.\$10.0 million loan payment made by Gas Natural Atlántico to Costa Norte;
- a U.S.\$30.6 million increase in interest payments;
- a U.S.\$325.7 million increase in disbursements under the Colón Facility Financing, as a result of the refinancing of the original project financing for the Colón Facilities; and
- a U.S.\$2.2 million decrease in cash used for the acquisition of equipment for the construction of the Colón Plant.

Gas Natural Atlántico recorded U.S.\$106.3 million in cash provided by financing activities for the year ended December 31, 2018, a U.S.\$129.7 million decrease, as compared to the U.S.\$236.0 million provided by financing activities in the year ended December 31, 2017. The decrease was primarily due to:

- a U.S.\$124.7 million decrease in disbursements under the Colón Project Finance Loan;
- a U.S.\$7.3 million decrease in capital contributions from shareholders;
- a U.S.\$1.4 million increase in interest payments under the Colón Project Finance Loan;
- a U.S.\$8.1 million increase in cash used for the acquisition of equipment for the construction of the Colón Plant; and
- a U.S.\$12.0 million increase in cash disbursements under a loan made by Costa Norte to Gas Natural Atlántico.

Costa Norte Cash Flows from Operating Activities

Costa Norte's net cash used by operating activities for the three months ended March 31, 2020 was U.S.\$1.8 million, as compared to U.S.\$7.9 million used in operating activities in the three months ended March 31, 2019. This difference was primarily attributable to a U.S.\$1.6 million decrease in net income and a U.S.\$3.6 million non-cash operational adjustment to reconcile net income (depreciation, amortizations, deferred financing costs and the refinancing of the Colón Project Finance Loan), resulting primarily from:

- a U.S.\$2.1 million decrease in accounts receivable resulting from higher terminal fee collections from Gas Natural Atlántico in 2020;
- a U.S.\$2.6 million increase in account payable due to lower payments to the EPC contractor for the Colón Facilities as a result of the completion of the Colón Terminal and the LNG storage tank;
- a U.S.\$2.0 million increase due to higher prepayments for the acquisition of insurance; and
- a U.S.\$1.1 million increase from a positive effect from others non-material variances.

Costa Norte's net cash provided by operating activities for the year ended December 31, 2019 was U.S.\$23.0 million, as compared to U.S.\$1.4 million used in operating activities in the year ended December 31, 2018. This difference was primarily attributable to a U.S.\$19.0 million decrease in net income and a U.S.\$33.8 million non-

cash operational adjustment to reconcile net income (depreciation, amortizations, deferred financing costs and the refinancing of the Colón Project Finance Loan), resulting primarily from:

- a U.S.\$24.1 million increase in accounts receivable resulting from higher terminal fee collections from Gas Natural Atlántico in 2018;
- U.S.\$13.9 million in payments to the EPC contractor for the Colón Facilities related to the completion of the Colón Terminal and the LNG storage tank; and
- a U.S.\$0.6 million negative impact in cash from other operating activities.

Costa Norte's net cash used in operating activities for the year ended December 31, 2018 was U.S.\$1.4 million, as compared to U.S.\$0.5 million provided by operating activities in the year ended December 31, 2017. This change was primarily attributable to a U.S.\$18.7 million increase in net income, as well as:

- U.S.\$24.5 million in accounts receivable from the terminal fee services provided to Gas Natural Atlántico;
- a U.S.\$5.4 million decrease in payments to the EPC contractor for the Colón Facilities following the completion of the Colón Terminal and the LNG storage tank; and
- a U.S.\$1.5 million decrease in cash from other operating activities.

Costa Norte Cash Flows from Investing Activities

Costa Norte recorded U.S.\$3.1 million in cash flows used in investing activities for the three months ended March 31, 2020, a decrease of U.S.\$27.8 million as compared to U.S.\$30.9 million cash flows used in the three months ended March 31, 2019. This increase was primarily due to:

- a U.S.\$25.5 million decrease from the use of Costa Norte's restricted cash balance;
- a U.S.\$10.3 million increase due to lower payments related to acquisition of terminal and equipment; and
- a U.S.\$8.0 million due to lower collections of intercompany loans from Gas Natural Atlántico in 2019.

Costa Norte recorded U.S.\$38.8 million in cash used in investing activities for the year ended December 31, 2019, an increase of U.S.\$9.5 million as compared to U.S.\$29.3 million in cash used in the year ended December 31, 2018. This increase was primarily due to:

- a U.S.\$31.6 million decrease in Costa Norte's restricted cash balance;
- a U.S.\$12.0 million increase due to a lesser disbursement made by Costa Norte under its loan to Gas Natural Atlántico in 2018 and (ii) U.S.\$10 million in higher collection from Gas Natural Atlántico in 2019;
- Costa Norte recorded U.S.\$29.3 million in cash used in investing activities for the year ended December 31, 2018, a decrease of U.S.\$75.1 million as compared to the U.S.\$104.4 million in cash flows used in investing activities in the year ended December 31, 2017. This decrease was primarily due to:
 - a U.S.\$45.6 million decrease in cash used for the acquisition of equipment for the construction of the Colón Terminal, the LNG storage tank and the truck loading terminal;
 - a U.S.\$40.5 million reduction to Costa Norte's restricted cash balance; and

- a U.S.\$11 million negative net effect resulting from: (i) a U.S.\$12.0 million due to a higher disbursement made by Costa Norte under its loan to Gas Natural Atlántico in 2018; and (ii) U.S.\$1 million in collection received from Gas Natural Atlántico in 2018.

Costa Norte Cash Flows from Financing Activities

Costa Norte recorded U.S.\$2.1 million in cash flows used on financing activities for the three months ended March 31, 2020, a U.S.\$40.7 million decrease, as compared to the U.S.\$38.6 million provided by financing activities in the three months ended March 31, 2019. This decrease was primarily due to:

- a U.S.\$55.8 million decrease in cash disbursed from the Colón Project Finance Loan;
- a U.S.\$20.0 million decrease on capital contributions from shareholders;
- a U.S.\$2.0 million increase in interest payment during 2020; and
- a U.S.\$37.2 million decrease in payments of financing for property, plant and equipment for the construction of the Colón Terminal, LNG storage tank and truck loading terminal.

Costa Norte recorded U.S.\$25.6 million in cash provided by financing activities for the year ended December 31, 2019, a U.S.\$5.0 million decrease, as compared to the U.S.\$30.6 million provided by financing activities in the year ended December 31, 2018. This decrease was primarily due to:

- a U.S.\$188.8 million increase in cash used for the prepayment of the Colón Project Finance Loan in 2019;
- a U.S.\$49.1 million decrease in capital contributions from shareholders;
- a U.S.\$192.9 million increase in disbursements under the Colón Facility Financing, as a result of the refinancing of the original project financing for the Colón Facilities; and
- a U.S.\$40.0 million decrease in payments of financing for property, plant and equipment for the construction of the Colón Terminal, LNG storage tank and truck loading terminal.

Costa Norte recorded U.S.\$30.6 million in cash provided by financing activities for the year ended December 31, 2018, a U.S.\$73.8 million decrease, as compared to the U.S.\$104.4 million provided by financing activities in the year ended December 31, 2017. The decrease was primarily due to:

- a U.S.\$75.5 million decrease in payments of financing for property, plant and equipment for the construction of the Colón Terminal, LNG storage tank and truck loading terminal;
- a U.S.\$24.0 million decrease in capital contributions from shareholders; and
- a U.S.\$25.4 million increase in disbursements under the Colón Facility Financing, as a result of the refinancing of the original project financing for the Colón Facilities.

Indebtedness

Long- and short-term indebtedness

The table below sets out the Companies' outstanding indebtedness, net of deferred financing costs, as of March 31, 2020.

		As of March 31, 2020
		<i>U.S.\$ in thousands</i>
AES Panamá		
Bonds payable, net ⁽¹⁾		373,436
Loans payable, net		70,003
Total Long-Term Indebtedness		443,439
Total Short-Term Indebtedness		-
Total AES Panamá		443,439
AES Changuinola		
Bonds payable, net		309,438
Total Long-Term Indebtedness		309,438
Bonds payable		20,000
Loan payable		8,000
Total Short-Term Indebtedness		28,000
Total AES Changuinola		337,438
Gas Natural Atlántico		
Loan payable, net		410,281
Non-current Loan		410,281
Loan payable		15,000
Total Short-Term Indebtedness		15,000
Total Gas Natural Atlántico		425,281
Costa Norte		
Loan payable, net		191,818
Total Long-Term Indebtedness		191,818
Total Short-Term Indebtedness		-
Total Costa Norte		191,818

(1) Corresponds to AES Panamá Notes.

The Issuer will apply the proceeds of the Notes to fund the Operating Company Loans, which, in turn, will be used by the Companies to refinance the following existing indebtedness, including indebtedness of Gas Natural Atlántico II, S.R.L., an affiliate of the Companies, plus, the mark to market value of interest rate swaps and certain other fees and expenses related to that refinancing. In addition, a portion of the proceeds of AES Panamá's Operating Company Loan will be applied to finance capital expenditures in connection with the development of certain growth projects.

	Item	Type of Debt and amount outstanding as of March 31, 2020	Aggregate principal amount of Operating Company Loans	Amount to be funded with proceeds of	
				the Notes ⁽⁶⁾	the Loan Facility ⁽⁶⁾
AES Panamá.....	6.00% Notes due 2022	U.S.\$375 million in Bonds payable ⁽⁴⁾		U.S.\$412.6 million	-
	Acquisition financing for Penonomé	U.S.\$72 million in Loan payable ⁽⁴⁾	U.S.\$525.3 million	U.S.\$63.8 million	U.S.\$8.2 million
	Capital expenditures for the development of growth projects	U.S.\$34 million in capital expenditures		U.S.\$31.2 million	U.S.\$3.8 million
AES Changuinola...	6.75% Notes due 2023 ⁽¹⁾	U.S.\$220 million in Bonds payable ⁽⁵⁾	U.S.\$231.7 million	U.S.\$228.4 million	-

Gas Natural Atlántico & Costa Norte	Colón Facility Financing ⁽²⁾	U.S.\$610 million in Loan payable ⁽⁵⁾	U.S.\$728.0 million	U.S.\$ 626.1 million	U.S.\$28.9 million
	Transmission line construction financing ⁽³⁾	U.S.\$62 million Loan payable ⁽⁵⁾		n/a	U.S.\$62 million
Total		U.S.\$1,330 million	U.S.\$1,485 million	U.S.\$1,362.1 million	U.S.\$102.9 million

- (1) Excludes U.S.\$110 million outstanding of AES Changuinola Series A Bonds, which will not be refinanced and will continue to amortize as scheduled until maturity in 2023.
- (2) Lenders under the Colón Facility Financing include certain Initial Purchasers and certain of their affiliates. See "Management Discussion and Analysis of Financial Condition and Results of Operations of the Companies—Indebtedness."
- (3) Gas Natural Atlántico will lend U.S.\$62 million of the proceeds of Gas Natural Atlántico and Costa Norte's Operating Company Loan to Gas Natural Atlántico II, S.R.L., which Gas Natural Atlántico II, S.R.L. will apply to refinance certain existing indebtedness related to the construction of the transmission line required by the system to support the development of the Colón Plant.
- (4) Excluding interest, unamortized premium, discounts and deferred financing cost.
- (5) Excluding interest and deferred financing cost.
- (6) Excludes certain fees and expenses relating to the refinancing.

On March 28, 2018, AES Changuinola obtained a waiver under the AES Changuinola Series A Bonds and the AES Changuinola Series B Bonds (the "AES Changuinola Bonds") to permit Banistmo to be considered as an eligible issuer of letters of credit to support AES Changuinola's obligation to maintain a debt service reserve account.

As a result of the concrete re-lining of the Changuinola tunnel, on November 26, 2018, AES Changuinola obtained a waiver of the financial covenants (including the maintenance of a debt to EBITDA ratio and a debt service coverage ratio) under the AES Changuinola Bonds beginning with the fiscal quarters ending on March 31, 2019 and continuing until the fiscal quarter ending on September 30, 2020. It also obtained a waiver to permit AES Changuinola to enter into the Changuinola Line of Credit, ranked *pari passu* to the AES Changuinola Bonds to be used for general corporate purposes and to cover the cost of the concrete re-lining works on the Changuinola tunnel. Changuinola obtained an U.S.\$8 million disbursement under this line of credit in December 2019 and requested a second disbursement for U.S.\$7.3 million in April 2020.

Dividends and dividend practice

The dividend practice of the Companies is to maximize the payment of dividends subject to a number of factors and considerations. For more information on each Company's considerations, see "Selected Financial and Operating Data—The Companies' dividend practice." The Operating Company Loans will not contain any restricted payment covenants and, accordingly, no financial covenants that would contractually limit the Companies' ability to pay dividends are anticipated. Any decision as to whether to declare and pay dividends is ultimately made by the board or directors of the relevant entity, and there is no assurance as to how each board of directors will make any future determination regarding the payment of dividends. See "Description of the Financing Documents—Operating Company Loan Agreements."

AES Panamá

AES Panamá made U.S.\$13.1 million in dividend payments in 2019, U.S.\$98.5 million in 2018, and U.S.\$69.8 million in 2017. For information about dividends paid by AES Panamá after December 31, 2019, see "Summary Financial and Operating Data—The Companies' dividend practice."

AES Changuinola

AES Changuinola did not declare any dividends in 2018 and 2019. AES Changuinola made a U.S.\$8.9 million dividend payment during 2017. For information about dividends paid by AES Changuinola after December 31, 2019, see "Summary Financial and Operating Data—The Companies' dividend practice."

Gas Natural Atlántico

Gas Natural Atlántico has not made any dividend payments in 2017, 2018 or 2019. For information about dividends paid by Gas Natural Atlántico after December 31, 2019, see "Summary Financial and Operating Data—The Companies' dividend practice."

Costa Norte

Costa Norte has not made any dividend payments in 2017, 2018 or 2019. For information about dividends paid by Costa Norte after December 31, 2019, see "Summary Financial and Operating Data—The Companies' dividend practice."

Contractual Commitments and Capital Expenditures

Contractual Commitments

The following tables summarize each of the Companies' significant contractual obligations and commitments as of March 31, 2020:

AES Panamá

	Payments Due by Period			
	Less than three months	From three months to twelve months	One to Five Years	More than Five Years
<i>U.S.\$ in thousands</i>				
Loan payable, net,	-	-	70,003	-
Bonds payable, net.....	-	-	373,436	-
Interest payable.....	-	6,161	-	-
Accounts payable.....	30,554	-	741	-
Asset retirement obligations	-	-	1,500	-
Accrued expenses and other liabilities	7,434	9,306	-	-
Other liabilities	-	-	43,743	100,637
Total	37,988	15,467	489,423	100,637

AES Changuinola

	Payments Due by Period			
	Less than three months	From three months to twelve months	One to Five Years	More than Five Years
<i>U.S.\$ in thousands</i>				
Loan Payable	-	8,000	-	-
Bonds payable, net.....	-	20,000	90,000	219,438
Interest payable	-	5,808	-	-
Accounts payable-supplier	22,983	-	8	-
Accounts payable-affiliates	-	1,302	-	-
Accrued expenses and other liabilities	2,441	-	-	-
Contingencies and commitments	-	-	311	-
Total	25,424	35,110	90,319	219,438

Gas Natural Atlántico

	Payments Due by Period			
	Less than three months	From three months to twelve months	One to Five Years	More than Five Years
<i>U.S.\$ in thousands</i>				
Loan payable, net.....	15,000	-	410,281	-
Accounts payable-supplier	5,943	-	-	-
Accounts payable-affiliates	-	42,445	-	-
Interest payable	-	2,444	-	-
Accrued expenses and other liabilities	1,330	699	-	-
Other liabilities	-	-	-	40,990
Total	22,273	45,588	410,281	40,990

Costa Norte

	Payments Due by Period				
	Less than three months	From three months to twelve months	One to Five Years	More than Five Years	Total
U.S.\$ in thousands					
Loan payable, net.....	-	-	191,818	-	191,818
Accounts payable-supplier	11,261	-	-	-	11,261
Accounts payable-affiliates		6,904	-	-	6,904
Interest payable		1,204	-	-	1,204
Accrued expenses and other liabilities	4,233	-	-	-	4,233
Other liabilities		-	-	142,987	142,987
Total	15,494	8,108	191,818	142,987	358,407

Capital Expenditures

AES Panamá

AES Panamá invested U.S.\$1.3 million in the three months ended March 31, 2020, U.S.\$11.2 million in 2019, U.S.\$14.0 million in 2018 and U.S.\$19.6 million in 2017 in capital projects as part of property, plant and equipment and intangibles. These capital expenditures were related to the regular operation and maintenance of AES Panamá's facilities.

AES Changuinola

AES Changuinola invested U.S.\$0.8 million in the three months ended March 31, 2020, U.S.\$42.1 million in 2019, U.S.\$9.3 million in 2018 and U.S.\$0.7 million in 2017 in capital projects as part of property, plant and equipment and intangibles. In the three months ended March 31, 2020 and in 2019 these capital expenditures were related to the concrete re-lining of the Changuinola tunnel. In 2018 and in 2017 these capital expenditures were related to the regular operation and maintenance of the Changuinola Plant.

Gas Natural Atlántico

Gas Natural Atlántico invested U.S.\$0.9 million in the three months ended March 31, 2020, U.S.\$8.5 million in 2019, U.S.\$71.0 million in 2018 and U.S.\$227.0 million in 2017 in capital projects as part of property, plant and equipment and intangibles. These capital expenditures were related to regular operation and maintenance of the Colón Plant in the three months ended March 31, 2020, and to the construction of the Colón Plant and related works in 2019, 2018 and 2017.

Costa Norte

Costa Norte invested U.S.\$1.9 million in the three months ended March 31, 2020, U.S.\$102.0 million in 2019, U.S.\$142.2 million in 2018 and U.S.\$112.3 million in 2017 in capital projects as part of terminal and equipment. These capital expenditures were related to the construction of a truck-loading terminal in the three months ended March 31, 2020, and construction of the Colón Terminal and related works in 2019, 2018 and 2017.

Off-balance Sheet Arrangements

AES Panamá

AES Panamá has contracted certain obligations in connection with its concession contracts and purchases of energy. As of December 31, 2019, it maintained contract performance guarantees for U.S.\$64.0 million and a letter of credit for U.S.\$4.4 million to guarantee the obligations under its PPAs with the Distribution Companies. AES Panamá also maintained contract performance guarantees under its concession agreements for U.S.\$28.0 million, each in favor of two regulators (*Autoridad Nacional de los Servicios Públicos* or ASEP and the *Contraloría General de la República de Panamá*), which guarantee AES Panamá's compliance with the terms of the concession. These figures

have not changed as of March 31, 2020. AES Panamá typically secures these obligations by using yearly renewable performance guarantees, which qualify as off-balance arrangements because they are granted by a third-party under unsecured reimbursement agreements. Performance guarantees are less expensive than the alternative of posting all-cash guarantees.

As of March 31, 2020 AES Panamá also maintained stand-by letters of credit for U.S.\$7.8 million to guarantee spot market payments and for U.S.\$0.1 million for purchases in the MER regional market, U.S.\$0.5 million for fuel purchases for Estrella del Mar and U.S.\$11.3 million for interest payments under its U.S.\$375 million 6.000% Bonds payable due 2022. In addition, AES Panamá maintains guarantees for payment of transmission services in favor of ETESA for an aggregate U.S.\$0.8 million.

In June 2016, AES Panamá granted a U.S.\$30.1 million unconditional and irrevocable guarantee in favor of Gas Natural Atlántico II, S.R.L, an affiliate, for payments of principal and interest on a U.S.\$60.0 million loan obtained by Gas Natural Atlántico II, S.R.L for the construction of the transmission line required by the system to support natural gas generation growth projects in the province of Colón in return for a fee of 1.5% of the guaranteed amount (or U.S.\$0.5 million).

AES Changuinola

As of March 31, 2020, AES Changuinola also maintains contract performance guarantees under its concession agreement for U.S.\$0.3 million, and U.S.\$0.5 million each in favor of two regulators (ASEP and the *Contraloría General de la República de Panamá*), which guarantee AES Changuinola's compliance with the terms of the concession. AES Changuinola typically secures these obligations by using yearly renewable performance guarantees, which qualify as off-balance arrangements because they are granted by a third-party under unsecured reimbursement agreements. Performance guarantees are less expensive than the alternative of posting all-cash guarantees.

As of March 31, 2020 AES Changuinola also maintained stand-by letters of credit for U.S.\$21.6 million to guarantee interest payments under the AES Changuinola Bonds.

Gas Natural Atlántico

As of March 31, 2020, Gas Natural Atlántico had contracted certain obligations in connection with its concession contracts and purchases of energy. It maintains contract performance guarantees for U.S.\$36.8 million to guarantee the obligations under its PPAs with the Distribution Companies. Gas Natural Atlántico also maintains contract performance guarantees under its generation license for U.S.\$0.8 million, each in favor of ASEP, which guarantee Gas Natural Atlántico's compliance with the terms of generation license and is renewed annually until the expiration of the generation license. Gas Natural Atlántico typically secures these obligations by using yearly renewable performance guarantees, which qualify as off-balance arrangements because they are granted by a third-party under unsecured reimbursement agreements. Performance guarantees are less expensive than the alternative of posting all-cash guarantees.

As of March 31, 2020, Gas Natural Atlántico maintains a payment guarantee in favor of Empresa de Transmisión Eléctrica, S.A. (ETESA) for an amount of U.S.\$3.6 million to guarantee energy purchases in the spot market; U.S.\$20,000 for energy purchases in MER and U.S.\$0.5 million to guarantee transmission costs payments.

In August 2016, Gas Natural Atlántico contracted a U.S.\$25.0 million line of credit with Global Bank, Corporation In February 2018, a letter of credit was issued in favor of Total Gas and Power Limited London, to support the purchase of the liquefied gas associated with this line of credit. The maturity date of this line of credit is October 20, 2020.

On February 22, 2019, Gas Natural Atlántico entered into a line of credit with Banco Aliado, S.A. jointly with CONO for U.S.\$31.5 million under which Gas Natural Atlántico obtained a disbursement of U.S.\$15.0 million for working capital purposes. This credit facility was fully repaid on January 24, 2020.

Costa Norte

As of March 31, 2020, Costa Norte maintains performance bonds to guarantee the obligations of the operation and administration contract of a Fuel Free Zone for an amount of U.S.\$30.0 million which are effective until May 31, 2021.

On February 22, 2019, Costa Norte entered into a line of credit with Banco Aliado, S.A. which will provide of up to U.S.\$16.5 million to guarantee the payments of the land lease agreement signed between the Company and PPC through a letter of credit. This letter of credit is part of a credit facility totaling U.S.\$31.5 million with a cross-guarantee of Gas Natural Atlántico. The maturity date of this facility is on August 2, 2020.

Quantitative and Qualitative Disclosure about Market Risk

The Companies are exposed to specific risks in the conduct of their business and the business environment in which they operate. These risks include, or have historically included, exposure to derivative transactions, liquidity, interest rates, inflation, and customer credit risks arising in the normal course of their business. Generally, the Companies' overall objective is to ensure that it understands, measures and monitors these various risks and take appropriate actions to minimize their exposure to such risks. The Companies' policies for managing each of these risks are described below.

Liquidity Risk

The Companies have adopted liquidity risk management practices that are intended to maintain sufficient cash and liquid financial assets. The Companies maintain short-term financing lines with financial institutions in Panama that provide them with the required operational flexibility to comply with their electricity purchases and other obligations. For more information see "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies—Principal Factors Affecting Results of Operations of the Companies," —Liquidity and Capital Resources."

Credit Risk

The Generation Companies are parties to bilateral contracts relating to the sale of energy and associated capacity to Large Customers and, to other parties in the spot market, while Costa Norte is party to several terminal use agreements. The Companies risk non-performance of their counterparties' obligations under these contracts and agreements. However, the contracts with large consumers are backed by payment guarantees usually taking the form of letters of credit, while transactions in the spot market are operated by the CND through a payment and collection system managed by an administration and collection bank.

Interest Rate Risk

The Companies have short-term and long-term debt which subjects them to the risk of higher interest rates to the extent that rates are expressed in variable rates. The Companies do not enter into interest rate hedges or similar financial instruments for trading or speculative purposes. However, in advance of the proposed refinancing of certain of their existing debt, AES Panamá, Gas Natural Atlántico and Costa Norte have entered into interest rate hedges for a notional amount equal to the principal amount of the debt to be refinanced, to mitigate the potential impact of interest rate volatility on that refinancing debt.

Commodities Risk

AES Panamá and Gas Natural Atlántico are exposed to commodities risk in connection with the purchase of the fuel oil no. 6 and LNG required to operate Estrella del Mar and the Colón Plant. These Companies pass through any volatility in fuel prices to their offtakers under their PPAs, partially mitigating this risk.

Foreign Currency Risk

The Companies' financial statements are expressed in U.S. dollars, and their revenues and borrowings and other obligations are denominated in U.S. dollars. Accordingly, the Companies do not face any significant foreign currency risk and do not use foreign currency swaps to hedge against foreign currency risks.

Inflation Risk

Inflation in Panama is measured by the CPI variation, which is computed by the National Institute of Statistics and Census (*Instituto Nacional de Estadística y Censos*) a specialized unit within the Comptroller General office, using a standard basket of goods and services. The current basket uses the 2013 price level as the basis for determining the CPI and is affected, by the prices of food staples (fruits and vegetables, basic grains such as corn, rice and beans, and others), education, furniture and other home goods, utilities, clothes, health, recreation, communications and transport. The table below sets forth the rate of inflation in Panama as measured by the CPI for the periods presented.

The table below sets forth the rate of inflation in Panama as measured by the CPI for the periods presented.

	Years ended December 31,		
	2019	2018	2017
Inflation.....	0.4%	0.77%	0.87%

Source: National Institute of Statistics and Census.

The Companies believe that these levels of inflation do not significantly affect their results of operations or financial position.

Critical Accounting Policies

The accounting policies described below are significant to the Companies' business operations and the understanding of their results of operations, financial condition and liquidity. A critical accounting policy is one that is both important to the presentation of a Company's financial condition and results of operations and requires management to make difficult, subjective or complex accounting estimates and assumptions. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on each Company's historical experience, its observance of trends in the industry, information with respect to its consumers, terms of existing contracts, and information available from other independent sources, as appropriate. The Companies cannot assure you that its judgments will prove correct or that actual results reported in future periods will not differ from its expectations reflected in its accounting treatment of certain items.

The Companies believe that the following accounting policies involve the application of critical accounting estimates. In order to provide an understanding about how it forms its judgments and estimates about certain future events, including the variables and assumptions underlying the estimates of those judgments to different variables and conditions, each Company has included comments related to the following critical accounting policies under IFRS. For a more complete summary of each Companies significant accounting policies, see note 3 to AES Panamá's audited financial statements, note 3 to AES Changuinola's audited financial statements, note 3 to Costa Norte's audited financial statements and note 3 to Gas Natural Atlántico's audited financial statements included elsewhere in this offering memorandum.

Accounts receivable

Accounts receivable are shown at their nominal value less an allowance for uncollectible accounts. The allowance is estimated considering the customer's and related parties' billing records, the age of the balances due, as well as specific evaluations of individual balances. As of March 31, 2020, December 31, 2019 and December 31, 2018, AES Panamá, AES Changuinola and Gas Natural Atlántico determined that there was no indication of doubtful accounts and as a result, no allowances were considered.

Property, Plant and Equipment

The Companies state their property, plant and equipment at acquisition cost, less accumulated depreciation and loss accumulated due to deterioration, when applicable. Cost includes major expenditures for improvements and replacement, including critical replacement parts for the turbine generator units, which extend useful life or increase capacity. When assets are sold or retired, the corresponding cost and accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is reflected in the statement of comprehensive income. The Companies charge their maintenance and repair costs to expenses as incurred. The Companies include emergency and movable

spare parts inventories in electricity generation facilities and depreciate them over the useful lives of the related components. The assets are depreciated using the straight-line method over their estimated useful life. The rates of depreciation used are based on the following estimated useful lives:

Buildings	30 to 60 years
Generation equipment	10 to 80 years
Electrical equipment	15 to 40 years
Transmission equipment	15 to 35 years
Office furniture and equipment	5 to 8 years
Vehicles	3 to 8 years

Impairment of Long-lived Assets

Each Company is required to periodically evaluate its long-lived assets, such as the generation facilities, property, plant and equipment, for impairment in accordance with IFRS 36, "Impairment of Assets," to determine whether any events or circumstances may cause an asset to be impaired. Examples of such events include a significant decrease in the market price of an asset, a significant adverse change in the manner an asset is being used or its physical condition and an accumulation of cost significantly in excess of the amount originally expected for the construction or acquisition of an asset, among others. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generation unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash generation unit's exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Revenue Recognition and Concentration

Revenues produced from the sale of electricity are recognized based on output delivered to clients according to the monthly liquidations prepared by the CND, considering rates and kilowatts specified under contract terms. For the three months ended March 31, 2020 and for the years ended December 31, 2019 and 2018:

- 96%, 97% and 86%, respectively, of AES Panamá's contracted revenues was derived from the Distribution Companies, Large Customers and reserve contracts with AES Changuinola;
- 99%, 100% and 99%, respectively, of AES Changuinola's contracted revenues was derived from contracts with AES Panamá and 1% from the spot market; and
- 100% of Costa Norte's contracted revenues was derived from the Gas Natural Atlántico TUA and the Total TUA.

Revenues produced by Gas Natural Atlántico in respect of electricity sales are recognized when the contractor energy is delivered to customers. For the three months ended March 31, 2020, 75.5% of Gas Natural Atlántico's contracted revenues were derived from the Distribution Companies and 24.5% from sales in the spot market. During 2017, Gas Natural Atlántico was in the development stage.

Interest income corresponds to interest earned on time deposits calculated using the effective interest method.

Operating Leases

In 2019, the Companies adopted IFRS 16 and began applying the standard only to contracts that were previously identified as leases applying ISA 17 and IFRIC 4 at the date of initial application. As a result of the adoption

of IFRS 16, the Companies began to recognize right-of-use assets and lease liabilities in their financial statements for leases previously classified as operating leases, except for short-term leases and leases of low value assets.

The right-of-use assets for most leases are now recognized based on the carrying amount of the asset as if the standard had always been applied, apart from the use of the incremental borrowing rate applicable on the date of initial application. In some leases, the right-of-use assets are recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities are recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Income Taxes

In Panamá, annual income tax for entities whose taxable income exceeds U.S.\$1,500,000 is calculated by applying the tax rate to the greater of:

- the net taxable income calculated by the established method (traditional); and
- the net taxable income resulting from calculating 4.67% of the total taxable revenues of the company (alternate method of calculating income tax).

The income tax for the year comprises current tax and deferred tax. The income tax is recognized on the statement of comprehensive income for the current year, except for taxes relating to items directly related to equity, in which case they are recognized in stockholders' equity. The current income tax relates to the expected tax payable on taxable income, using the rate at the date of the statement of income tax and any adjustment to tax payable for previous years.

The deferred income tax is calculated based on the liability method, considering the temporary differences between the carrying amounts of assets and liabilities reported for financial purposes and the amounts used for taxation purposes. The resulting value of these differences is recognized as an asset or deferred tax liability on the balance sheets and valued at the tax rate that management considers these differences will be reversed. The amount of deferred income tax recognized on the statement of comprehensive income is based on the embodiment of timing differences in the respective fiscal year, using the rate of income tax rate at the date of the relevant tax year. Each Company establishes a valuation allowance when it is more likely than not that all or a portion of a deferred tax asset will not be used.

Use of Estimates

The presentation of the financial statements in accordance with IFRS requires that a number of estimations and assumptions are made, affecting the reported amounts of assets, liabilities, gains and losses, as well as the disclosure of contingent assets and liabilities. Actual results might differ from these estimates. Estimates and assumptions are reviewed periodically. The most important estimates are the useful lives of the assets, the determination of contingent liabilities, fair value of financial instruments, the valuation of the deferred income tax and the provision for inventory obsolescence.

OVERVIEW OF THE PANAMANIAN ELECTRICITY INDUSTRY

Panama has a mixed hydro-thermal electricity system with a current installed generating capacity (including auto-generators) of approximately 3,994.44 MW (47% hydroelectric, 41% thermal, 7% wind and 5% solar), with a peak demand of 1,969 MW, as of March 31, 2020. As of April 30, 2020, the national electricity system supplied energy to 1,153,266 customers, an increase of 4.56% from March 31, 2019. In 2019, Panama's driest year on record, approximately 47% of gross generation output came from hydroelectric facilities. Over 38.9% of the generating capacity is located in the western region of the country, close to the Costa Rican border, where the majority of Panama's hydroelectric resources are located. A 429-kilometer transmission line links these hydroelectric facilities to the load center in the Panama City-Colón corridor.

The electricity system in Panama is interconnected with those of Costa Rica, Honduras, Nicaragua, El Salvador and Guatemala. The governments of Central America have developed a regional electricity market, including an interconnected system known as the Central American Interconnection System or SIEPAC (*Sistema de Interconexión de los Países de América Central*). The project consists of an approximately 1,800 km transmission line across the six countries of the isthmus, from Guatemala to Panama. This 230 kV single-circuit transmission line has increased the interconnection capacity between each country to 300 MW. The regional transmission line began partial operations in 2010 and became fully operational in the middle of 2014.

Since 2017, electricity sales by distribution companies have been growing at an average of approximately 2.7% per year and in 2019 totaled 8.4 GWh, of which 36.2% was residential, 45.2% was commercial, 3.0% was industrial and 15.5% was used by the public sector including street lighting. This is equivalent to a monthly consumption rate of approximately 7,305 kWh per customer (2,645 kWh for residential customers only). As of 2018, 93.4% of the population was served by electricity, according to the *Comisión Económica para América Latina y el Caribe* or CEPAL. The rest of the population resides in remote areas not served by electricity distribution networks.

Regulatory Entities

The organizations that participate in the regulation of the electricity sector in Panama are:

The National Secretariat of Energy (*Secretaría Nacional de Energía* or SNE). The energy sector, including electricity, is under the jurisdiction of the SNE. The SNE is responsible for proposing a national energy policy that ensures rational, efficient and sustainable use of resources and energy. More specifically, the SNE has, as part of its duties, the primary responsibility of designing and proposing national electricity policy, with the collaboration of other government agencies such as ASEP and ETESA Planning Unit.

The National Authority of Public Services (*Autoridad Nacional de los Servicios Públicos* or ASEP). ASEP regulates power generation, transmission, interconnection and distribution activities in the electric power sector; approves generation and transmission programs for the National Interconnected System; and promotes competition within the different areas of the energy sector so that economically efficient and high quality energy services are provided. Its responsibilities include: (i) regulating the electricity sector, (ii) establishing the criteria, methodology and formulas to be followed to determine the tariffs applicable to certain public electricity services such as transmission and distribution, (iii) establishing the tariff structure for access to and use of the grids, (iv) classifying which consumers of electricity are subject to tariff regulation and (v) approving the rules for the planning and coordination of the National Interconnected System.

The ETESA Planning Unit (*Unidad de Planificación de ETESA*). The ETESA Planning Unit is a special administrative unit of ETESA and is responsible for the indicative generation and the transmission expansion plans for the National Interconnected System. The ETESA Planning Unit is also responsible for forecasting overall energy requirements for Panama and administering the competitive bidding process for new PPAs pursuant to the guidelines established by the Secretary of Energy for each bid and the purchasing guidelines approved by ASEP. Utility companies are required to prepare and submit business plans to the ETESA Planning Unit.

The National Dispatch Center (*Centro Nacional de Despacho* or CND). The CND is operated by ETESA. The CND is responsible for planning, supervising and controlling the integrated operation of the National Interconnected System and for ensuring its safe and reliable operation. The CND is also responsible for (i) coordinating the operation of the National Interconnected System with regional dispatch centers, (ii) compiling

information and defining generation programs for each generator, (iii) receiving offers from generators that participate in the regional market, (iv) developing daily demand forecasts and managing dispatch, (v) determining the hourly energy spot prices, (vi) managing the transmission network and the ancillary services required for the proper operation of the National Interconnected System, (vii) providing settlement values on a monthly basis with respect to the division of energy between suppliers and producers and (viii) managing regional market transactions in MER.

On March 28, 2015, pursuant to Law No. 8 of March 25, 2015, the Environment Ministry (*Ministerio de Ambiente*) was created to replace the National Environmental Authority, which had previously been responsible for implementing environmental policy, as the Panama's governing body for matters of protection, conservation, preservation and restoration of the environment and the sustainable use of natural resources. The Environment Ministry is also responsible for the design, approval and implementation of the national environmental policy and for ensuring compliance with and application of the laws and regulations that fall within its purview. The Environment Ministry is also in charge of approving the environmental impact assessments required for projects, including those related to the electricity sector.

History

Prior to the 1998 privatization of the Panamanian generation and distribution sectors, the electricity sector in Panama was under the management of the state-owned integrated electric utility, Instituto de Recursos Hidráulicos y Electrificación, or IRHE. IRHE was created in 1961, initially to provide service in areas not served by the existing private sector utilities and, in general, to promote the development of electricity services in Panama.

Thereafter, IRHE gradually took over the assets and operations of the existing private sector utilities. Beginning in the mid-1970s, it significantly expanded the capacity of the system through the commissioning of new hydroelectric plants, particularly in the west of Panama, and introduced a national dispatch center to optimize system operation and allow electricity interchange with the Panama Canal Commission and other Central American countries.

In 1998, as part of the privatization process, the Panamanian government divided IRHE's assets and operations into four generation companies, three distribution companies and one transmission company. Following a public auction in September 1998, fifty-one percent (51%) of shares in each distribution company were sold by the Panamanian government. This was followed in November 1998 by the sale of forty-nine percent (49%) of shares in each of the three state-owned hydroelectric generation companies and fifty-one percent (51%) of shares in the main thermoelectric generation company. These sales were completed in 1999. The Panamanian government retained control of ETESA, the state-owned transmission company, which operates and controls the Transmission System of 230kV and certain 115kV lines. Under the parameters established by the Panamanian government, a percentage of each bidding consortium had to be held, either directly or through an affiliate, by a company with a minimum required level of generation or distribution experience.

Private capital was reintroduced into the sector following the enactment in 1995 of legislation permitting private electricity generation. This was followed by the Regulatory Entity for Public Services Law in January 1996 and the Electricity Law No. 6 in February 1997, or the Electricity Law. Modifications to the Electricity Law were made in February 1998 under Decree Law No. 10 of February 26, 1998, and ancillary regulations were introduced by presidential decree in the form of Executive Decree No. 22 of June 19, 1998.

Under the Electricity Law, the Panamanian government can sell its remaining shares by public auction or through the stock exchange, subject in each case, to each purchaser being limited to acquiring no more than five percent (5%) of the company concerned.

The National Authority of Public Services (ASEP)

The 1996 Regulatory Entity for Public Services Law established the *Ente Regulador de los Servicios Públicos*, an autonomous government agency with responsibility for regulating water, telecommunications, radio and TV, electricity and natural gas. Pursuant to Decree Law No. 10 of February 22, 2006, the *Ente Regulador de los Servicios Públicos* was restructured and changed its name to *Autoridad Nacional de los Servicios Públicos* (the National Authority of Public Services or ASEP). ASEP is headed by a general administrator, whose appointment is subject to ratification by the National Assembly.

ASEP's responsibilities include:

- ensuring compliance with sector laws and regulations and applying sanctions;
- issuing concessions and licenses;
- monitoring quality of service standards;
- verifying fulfillment of expansion and system improvement targets as required by law, regulation or under the terms of specific concessions or licenses;
- promoting competition and investigating monopolistic or anti-competitive practices;
- determining efficiency criteria for evaluating the performance of regulated companies;
- establishing the principles and methodologies for tariff regulation;
- determining information to be provided by public service providers;
- arbitrating conflicts between operators, government agencies, municipalities and consumers; and
- authorizing rights of way for the provision of public electricity services.

ASEP is financed from various sources, including fees payable by all providers of electricity services. These fees, which are payable monthly and are not recoverable from consumers, may not exceed one percent (1%) of gross sector revenues in the preceding year on an annual basis. For each individual company, the applicable percentage is applied to revenues from regulated and non-regulated customers less amounts paid by that company to other service providers to cover energy or transmission costs. The fees for the years 2012 to 2019 were set at 0.7268% (Resolution AN No.388-ADM December 15, 2011), 0.7899% (Resolution AN No.497-ADM of December 26, 2012) and 0.8213% (Resolution AN No.598-ADM of December 30, 2013), respectively. In 2015 and 2016, the fee was set at 0.7475% (Resolution AN No.695-ADM of December 22, 2014) and 0.7475% (Resolution AN No.784-ADM of December 22, 2015), 0.8809% (Resolution AN No. 887-ADM of December 16, 2016), 0.8701% (Resolution AN No. 969-ADM of December 11, 2017), 0.8699% (Resolution AN No. 1019-ADM of December 14, 2018) and 0.8591% (Resolution AN No. 1059-ADM of December 13, 2019), respectively.

ASEP may impose sanctions of up to U.S.\$20 million, depending on the nature and severity of the violations, as detailed in the Electricity Law. Other considerations for determining the amount of the sanctions include any corrective measures taken, the degree of interruption to the electricity industry, and the complexity and time required to correct any damages. Additionally, any delays in following ASEP orders for corrective measures, or failure to take action pursuant to such order, may result in fines of up to U.S.\$10,000 per day until measures are implemented. Fines are applied as discounts to consumers. Additional sanctions may include terminating a concession agreement or cancellation of licenses.

The Electricity Law

The Electricity Law was introduced to improve operation efficiencies, achieve reliable and good quality service, guarantee good quality of supply through the promotion of competition and private sector participation, and keep the cost of the service at reasonable prices. Key provisions include:

- defining the duties and obligations of electricity service providers including continuity of supply and provision of open access in transmission and distribution;
- dividing the generation, transmission and distribution operations of IRHE into separate companies and establishing requirements for management and accounting separation of generation, transmission and distribution activities;

- restricting participation by distribution companies in generation and in transmission and by generation companies in the control of distribution companies;
- establishing procedures for privatization of the sector other than ETESA, the company formed to hold IRHE's transmission assets, which was to remain wholly state-owned;
- establishing procedures for granting concessions and licenses subject to limitations on the market shares of individual generators and distributors;
- defining the role of ETESA and procedures for management of central dispatch;
- allowing Large Customers with maximum demand of over 500 kW to purchase directly from generators and other suppliers. For 2005, the regulating entity reduced this limit to 100 kW; and
- establishing principles of tariff-setting for price-regulated services.

The SNE has no authority to amend the Electricity Law or to adopt additional laws or regulations relating to the electricity industry. However, the SNE can propose and recommend changes and amendments to existing regulation, or propose new regulation to the Executive Branch, but ultimately the latter dictates Panama's energy sector laws and regulations, which could entail changes in existing legislation or the adoption of new legislation relating to the energy sector, including the electricity industry.

Concessions and Licenses

Under the Electricity Law, concessions are required for the construction and operation of hydroelectric or geothermal plants and for the provision of transmission or distribution services. Concessions are awarded, through contracts, by ASEP and have the following time limits:

- Hydroelectric (and any geothermal) generation: up to 50 years;
- Transmission: 25 years; and
- Distribution: 15 years.

Thermal, wind and solar power plants, as well as all other power plants, are licensed by ASEP but, unlike hydroelectric or geothermal power plants, do not require a concession. These licenses are granted by ASEP for a term of up to 40 years.

System Operation

The Electricity Law provides that the operation and administration of the wholesale electricity market be managed by the CND, a unit within ETESA with separate accounting records. The electricity wholesale market comprises all transactions among market participants (which includes generators, self-generators, co-generators, distributors and large clients) for the sale of capacity, energy and/or auxiliary services resulting from contracts with competitive prices, bid processes or spot market sales with hourly prices (*mercado ocasional*).

The regulations under the Electricity Law allow electricity generating companies to compete in sales to distribution companies, which are permitted to generate only fifteen percent (15%) of their annual electricity requirements. Distributors are required to obtain long-term contracts to cover the maximum generation demand, or DMG, capacity requirements of their regulated customer base and large clients and associated energy of their regulated customer base. The amount of contract cover required is based on a month-by-month analysis submitted to ASEP by the CND each year using forecasts supplied by the distributors (*Informe Indicativo de Demanda*). The amount of contract cover provided by an individual generator may not exceed its own firm capacity and any such capacity acquired from other generators under reserve contracts. For hydroelectric plants, the CND calculates firm capacity based on the amount of energy a generating unit can generate for eight (8) peak hours of the day, calculated on the basis of hydrological flows with a ninety-five percent (95%) probability of excess and reviewed annually based on

availability statistics from the last three years. As such, firm capacity is a more conservative number than installed capacity. For thermal plants, firm capacity is established by the CND based on net capacity and historical availability.

The CND dispatches electricity from plants using a model that applies stochastic dynamic programming to incorporate the opportunity cost of water in the dispatch process. This electricity is dispatched from the plants in order of merit according to their variable costs and taking into account parameters for system security, operating constraints and the operational regulations (*Reglamento de Operación*) approved by ASEP. The spot market price is based on the marginal cost of short-term generation, calculated giving priority to short term reserve requirements. Transmission losses are valued at the spot price and charged separately to distributors based on loss factors applicable to their connection points on the ETESA grid. See "Overview of the Panamanian Electricity Industry—Dispatch" below.

Variances between a generator's actual dispatch and contracted energy volumes are settled through the spot market. Out of merit plants dispatched by the CND to maintain real time system stability (*generación obligada*) receive an additional payment to cover the difference between their variable costs and the hourly spot price. The CND is also responsible for the coordination of auxiliary services (*servicios auxiliares*) and their remuneration through additional charges to the system. Details of the average monthly spot price in the wholesale market since January 1999, excluding capacity costs, are set out below under "The Spot Market."

Dispatch

According to the Electricity Law, the order in which generators are dispatched must be based on maximizing efficient consumption of energy by minimizing the total cost of energy in the Panamanian power system. The system dispatch order is planned by the CND.

Economic Dispatch

The CND generally dispatches generating units in accordance with a merit order based on each generator's variable costs:

- In the case of thermal units, variable costs (in U.S.\$/MWh) are calculated based on incremental fuel costs and non-fuel costs, such as a thermal unit's administration, operation and maintenance costs, and its facility heat rate.
- In the case of renewable variable generation, such as wind, solar or run-of-river hydroelectric facilities (and in the Companies' case, the Chiriquí facility, which consists of the Estrella and Los Valles facilities and Penonomé), variable costs are considered to be zero.
- In the case of reservoir hydroelectric facilities (e.g., Bayano), variable costs correspond to the opportunity value of water, which is computed using a dispatch model incorporating stochastic dynamic programming, or the SDDP model. The CND uses the SDDP model to calculate the expected thermal generation cost saved in the future by the conservation of marginal amounts of water by a hydroelectric generator, taking into account projected operations of the national interconnected power system over the medium and long term. In determining the marginal amounts of water that must be conserved by a hydroelectric generator, the SDDP model takes into account estimated rainfall in the region and the risks of dam spillage and depletion of reserves by that hydroelectric generator. When calculating the risks of dam spillage and reserve depletion, the SDDP model also considers the size of the reservoir and efficiency of the generator's turbines. Thus, although the value of water is strongly linked to the variable costs of marginal thermal generation, other factors are taken into account when determining the marginal amounts of water required to save thermal generation costs.

The planned dispatch is revised continuously by the CND in response to any changes affecting the system (e.g., demand, actual generator availability and system restrictions) that may take place throughout the day. Additionally, each week, representatives from the CND and each Panamanian thermal, wind, solar, and hydroelectric company meet to discuss the results of the Dispatch Model and determine the following week's dispatch order. At such weekly meetings, hydroelectric projects with reservoirs are assigned a shadow price for energy to represent their value within the Panamanian electrical system and their opportunity cost of maintaining water in storage to meet future

system needs. The hourly spot price is based on the variable cost of the marginal plant dispatched. Transmission losses are valued at the monthly weighted average price of energy in the PPAs with the Distribution Companies backed by hydroelectric plants and by thermal plants. The rest of the plants in the system without PPAs and wind plants are valued at their variable cost and charged separately to distributors based on loss factors applicable to their connection points on the ETESA grid.

In certain cases, when a plant that has been scheduled to be dispatched fails to enter on schedule, the CND may call on a different plant to take its place. In those cases, the replacement plant receives "must-run compensation," which is calculated based on the price differential between its variable cost and the price in the spot market.

Since the fourth quarter of 2013, the Companies have imposed most restrictive constraints, known as a set point, on the use of reservoirs, including those at Fortuna and Bayano, through a Risk Aversion Curve, or CAR, changing the dispatch policy of hydro-generation and impacting hydroelectric businesses with high contract levels.

Non-economic Dispatch

The commercial rules governing the electricity wholesale market, or the Commercial Rules, allow the CND to dispatch energy based on guidelines other than the SDDP model's projections when following the economic dispatch order would jeopardize the technical and commercial security of the system. The resulting altered dispatch order may cause generators that would have normally been dispatched not to be dispatched, forcing them to buy energy on the spot market to satisfy their contractual commitments. The Commercial Rules provide for certain payments to those generators for the non-dispatched, or restricted energy, based on the difference between the spot price of the energy purchased by the restricted generators to satisfy their contractual commitments and the variable cost assigned to such generators by the CND for the non-economic dispatch period. Under the Commercial Rules, the party causing the condition that triggers non-economic dispatch is liable for the above payments.

The Spot Market

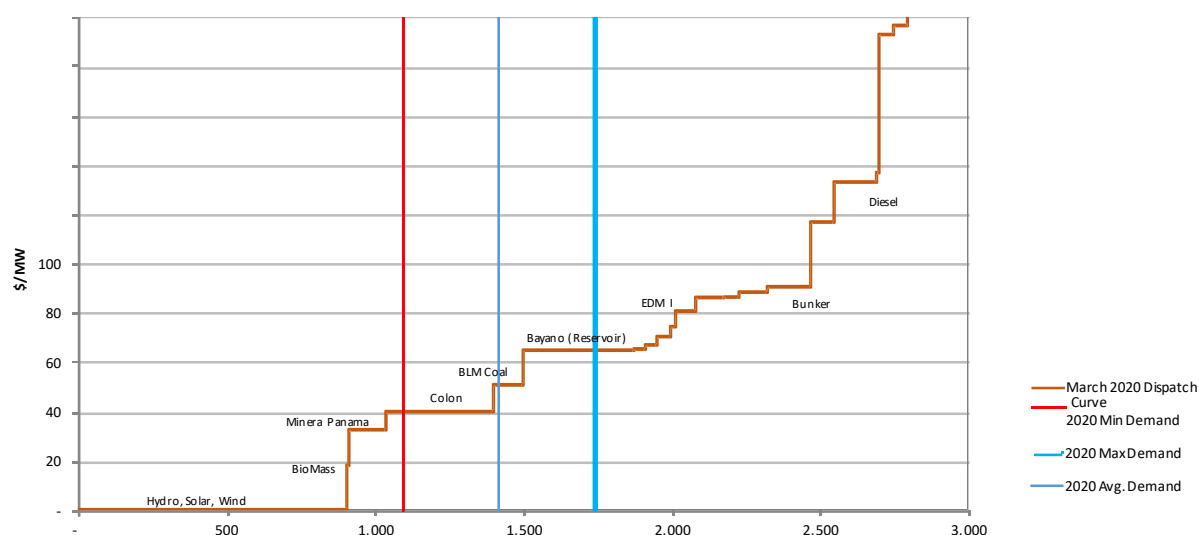
Panamanian power sector regulations require that the distribution companies, large customers, and generation companies, enter into bilateral contracts. In addition, the spot market is designed to balance the supply and demand of capacity and associated energy in the wholesale electricity market. The spot market commenced operation on July 1, 1998 under the administration of ETESA and the CND. The principal function of the spot market is to allow market forces to determine the amount, mix and cost characteristics of Generation Facilities, and the level and shape of demand. The spot market involves transactions of energy and capacity that are not subject to contracts, and consists of the energy spot market and the capacity spot market.

Spot Market for Energy

In the case of generators, energy spot transactions correspond to the hourly differences between the actual dispatch of energy by each generator and its contractual commitments to supply energy. A generator whose dispatched energy is greater than its contractual commitments to supply energy at any given time is a seller in the energy spot market; the reverse is true for a generator whose dispatched energy is less than its contractual commitments to supply energy. Generators, distributors and active unregulated consumers can purchase and sell energy in the energy spot market.

The energy spot price is set by the marginal cost of short term generation, calculated with an economic dispatch that prioritizes short term reserve requirements. The CND calculates the price of energy using the variable cost applicable at dispatch of the last offer required by the price dispatch to cover demand, measured as the demand plus the short term reserves in the system's load center. See "Overview of the Panamanian Electricity Industry—Dispatch—Economic Dispatch." The value of wind, solar and run-of-river facilities is set at zero because the wind, sun and water used to operate these facilities do not generate a variable cost. The value of reservoir facilities is set at the opportunity cost of the water maintained in the reservoir which is limited and is essentially lost once it is used. The value of thermal facilities is set by the variable cost of the fuel used to operate these facilities, making them the costliest. The price in the energy spot market for all generators, which becomes the clearing price for energy, is set at the variable cost of the costliest generator dispatched in each hourly period.

Below is a representation of the price ranking system that determines the spot price, referred to as the supply stack curve, as of March 31, 2020.



Details of the average monthly spot price in the wholesale market since January 2010, excluding capacity costs, are set out below.

Average annual spot prices (U.S.\$/MWh)

Year or Month	Marginal Cost U.S.\$/MWh
2015	91.13
2016	60.39
2017	58.51
2018	76.70
2019	91.40
Three months ended March 31, 2020.....	65.95

Source: CND historical data market.

Spot Market for Capacity

Transactions take place daily in the capacity spot market in order to match the actual available capacity of generators with the actual peak capacity requirements under their outstanding supply contracts. The price for spot capacity transactions is calculated each day on the basis of offers submitted to the CND by the generators during the prior day. Daily prices are expressed as one-thirtieth ($1/30$) of a monthly price (U.S.\$/kW - month). The capacity offered must meet a generator's expected supply deficit, resulting from a shortfall between its available capacity and peak demand under its supply contracts. The spot capacity price is equal to the last offer accepted. Generators that sell actual available capacity are paid at the last accepted offer. Generators with a supply deficit must pay the difference between their actual available capacity and the actual peak demand under their supply contracts. The capacity spot price is capped at a regulated price of U.S.\$8.96 per kW a month.

Power Purchase Agreements

The dominance of hydroelectric generation and the marked seasonal variations in Panama's hydrology result in a high degree of price volatility in the energy spot market. In order to mitigate this volatility, generators can enter into long-term power purchase agreements with distributors or unregulated consumers (large clients) for the sale of capacity and/or energy. In addition, generators can enter into alternative supply contracts with one another, which are called reserve contracts. The terms and contents of PPAs are determined through a competitive bidding process and

are governed by the Commercial Rules. PPAs must include, among others, the following information: (i) identity of the contracting parties; (ii) clear rules or procedures to determine, on an hourly basis, the quantity of energy which may be requested; and (iii) the corresponding prices.

Capacity Charge

The capacity charge is a fee paid to thermal and hydroelectric generators intended to remunerate them for the firm capacity made available to the National Interconnected System. The capacity charge provides generators with a source of fixed revenue which depends primarily on the generator's own availability. The CND can verify a generator's declared availability and ASEP can impose sanctions if the actual availability is lower than the declared value. If a generator's availability is less than the declared availability, that generator is required to buy replacement capacity from other generators or be subject to substantial penalties under the PPAs up to seven times the price of the capacity under the contract.

Industry Segments

Generation

As of March 31, 2020, installed generating capacity in Panama including auto-generators was 3,994 MW, of which 47% was attributable to hydroelectric generators, 41% was attributable to thermal generators and the remaining 12% was attributable to wind and solar generators. Initially, the system was mostly thermal but became gradually more mixed with the commissioning of the hydroelectric plants at Bayano, La Estrella, Los Valles, Changuinola and Fortuna, a reservoir-based hydroelectric facility operated by Empresa de Generation Eléctrica Fortuna, S.A. between 1976 and 1984. In 2019, hydroelectric generation accounted for 44% of total electricity generation compared to 47% generated by thermoelectric production and 9% attributable to wind and solar generation. The composition of its current generating capacity is set out below.

Generating Installed Capacity on the Interconnected System in Panama as of March 31, 2020

Plant	Installed Capacity (MW)	Owner (Principal Investors)⁽³⁾
Fortuna.....	300.0	Enel Fortuna
Bayano.....	260.0	AES Panamá
Changuinola	223.0	AES Changuinola
Estí.....	120.0	AES Panamá
Baitun	85.9	Ideal Panamá
El Alto	69.5	Panama Power
Baio Mina	59.1	Ideal Panamá
Los Valles.....	54.8	AES Panamá
Monte Lirio	51.7	Electron Investment
La Estrella.....	47.2	AES Panamá
Others ⁽¹⁾	602.2	
Total Hydro.....	1,873.3	
BLM-Coal	120	Celsia
BLM-Combined Cycle.....	160	Celsia
Cativa.....	87	Alternergy
Pan Am	156.0	Pan Am Generating
Estrella del Mar	72.0	AES Panamá
Others ⁽²⁾	673.8	
Total Thermal	1,268.8	
Gas Natural Atlántico (LNG).....	381	Gas Natural Atlántico
Wind	270.0	Union Eolica Española
Solar.....	201.3	Republic of Panama
Total Wind & Solar.....	471.3	
Total.....	3,994.4	

(1) Includes Lorena, Gualaca, Pedregalito 1 & 2, Mendre 1 & 2, Cochea, Hidropiedra, Concepción, La Perlas Norte & Sur, etc.

(2) Includes Aggreko, SoEnergy, Pedregal, El Giral, TG. Panama, Cerro Azul, Charco Azul, Capira and Chitre.

(3) Current owners (principal investors) as of December 31, 2019.

Under the Electricity Law, generation companies will not be granted additional concessions if such concessions would cause them to account, directly or indirectly, for more than 25% of national electricity consumption. This percentage may be increased by the Panamanian government, where justified by competitive conditions, subject to the approval of ASEP and the Cabinet Council, and it was temporarily increased to forty percent (40%) by Cabinet Resolution No. 76 of 2005 until December 31, 2012. Because the Electricity Law sets forth this restriction regarding "concessions," which include hydroelectric and geothermoelectric generation, this restriction should not apply to generation "licenses" that refer to other types of generation power plants.

The following table sets out the gross generation in Panama by type of generation for each year from 2017 to 2019.

Generation by type (GWh)

	2019	2018	2017
Hydro			
Gross generation	5,000.06	5,695.99	7,155.10
% of total	46%	67%	68%
Thermal			
Gross generation	4,834.68	2,040.96	3,246.63
% of total	45%	24%	27%
Wind & Solar			
Gross generation	972.62	818.97	626.67
% of total	9%	10%	6%
Total Gross generation	10,807.36	8,555.92	11,028.41

Source: Internal statistics from AES Panamá, S. de R.L., CND Annual Report 2017, 2018 and 2019.

In order to reduce Panama's reliance on hydroelectric generation and to increase the security of supply, the Panamanian government has decided to promote alternative sources of energy, particularly thermal power. On August 2012, law No. 41-2012 was approved, introducing new incentives for natural gas power plants, including an import tax exception, a 20-year income tax holiday, accelerated depreciation and a 5% tax credit for total direct investment. Similarly, law No. 43-2012 amended the Electricity Law to permit capacity auctions based on the energy technology used (i.e. hydroelectric, wind, coal, natural gas and bunker, among others) and incorporating natural gas as a renewable energy in order to receive the benefit of a 5% preference granted in the bid price for the auction (relative to other types of generators). Law 37-2013 establishes incentives for solar power generators. Law 44-2011 establishes incentives for wind energy generators. Currently the generation expansion plan is considering the addition of renewable variable generation and two natural gas combined cycle power plant projects for the next five years.

Transmission

As of March 31, 2020, the transmission system in Panama, owned and operated by ETESA, comprised approximately 3,185.2 kilometers of single and double circuit 230kV lines linking the main generation facilities to the system load center at Panama City, 307 kilometers of single and double circuit 115kV lines and a total of 24 substations, which are comprised of 2 substations at a 115kV level and the other 22 substations are reducing substations with a total capacity of 2,788.1 MVA at 230/115/13.8kV.

Pursuant to Section 9.6, Mandatory Generation (*Generación Obligada*), of the Commercial Rules for the Wholesale Electricity Market approved by ASEP, ETESA is required to pay electricity generators for associated cost overrun to the Mandatory Generation, which is caused by a bottleneck in the ETESA grid.

ETESA is responsible for expanding and upgrading the network to meet the requirements of demand growth and system stability. It is currently engaged in an investment program, the main components of which are:

- Panama Second Underground Line – Caceres 115 KV, to be completed in May 2022.
- New Substation Sabanitas 230 kV, to be completed in September 2022.

- Sabanitas – Panama III 230 kV Line and new Substation Panama III 230 kV, to be completed in April 2023.
- Telfers-Sabanitas 230 kV Line, to be completed in January 2023.

Under the Electricity Law, ETESA is responsible for producing an annual expansion plan for the interconnected system in line with quality and reliability standards and development objectives set by the SNE. This plan is based on projections of expected growth in demand and energy consumption over the next fifteen (15) years which market participants are required to submit by September 30 of each year. ETESA is obliged to carry out all projects included in the Transmission Expansion Plan, as approved by ASEP, and all related construction work must be contracted on the basis of competitive bidding. The network expansion must be financed by ETESA; however, ETESA can choose whether or not to finance the connection of generators or distributors to the transmission network in return for a reimbursable contribution. Average losses of energy in transmission over three months ended March 31, 2020 and for the period from 2015 to 2019 have been as follows:

	Three months ended March 31,	Years ended December 31,				
	2020	2019	2018	2017	2016	2015
Annual.....	1.98%	2.49%	3.80%	3.80%	3.54%	3.64%

Source: CND Historical Market Data.

As of the date of this offering memorandum, all of the transmission losses are charged to the Distribution Companies and Large Customers.

The Electricity Law provides for open access to transmission subject to a regulated tariff for connection and use of system charges. The current tariff, which was approved by Resolution AN No. 12306-Elec of April 20, 2018 issued by ASEP, is due to remain in force until June 30, 2021.

The transmission tariff (*ingreso máximo permitido*) is designed to cover the capital, administrative, operational and maintenance costs of the system on an economically efficient basis so as to provide an expected rate of return before tax on net fixed assets that is within a 2% range above or below the average yield on the 30-year U.S. Treasury Bond in the year preceding the setting of the tariff, plus a risk premium of 7%. Every year within the tariff period, the transmission charges are inflation-adjusted and revised for compliance with authorized investment programs. Delays in such investment programs lead to a reduction in the transmission charges to ETESA until the asset comes online. ASEP has recently issued resolutions which provide that the current tariff structure will remain in place until 2021 while assuming a rate of return of 7.76%.

There are three elements of transmission charges:

- Connection Charges, which are paid by generators, distributors and large unregulated consumers individually for the use of specific local facilities directly connected to the National Interconnected System;
- Integrated Operation Service Charges, which include costs associated with the CND and hydrometeorology which are currently set at U.S.\$0.1844/kW for generators and U.S.\$0.3265/kW for distributors and Large Customers; and
- Use of System Charges (wheeling fees), which are calculated pursuant to a formula based, among other factors, on (i) the increment of one MW at a simulated injection node; (ii) the increment of power flow in each evaluated segment considering the long run marginal cost; (iii) the sum of the development costs in each segment; (iv) the marginal costs associated with each extra MW withdrawn at each node; (v) the hypothetical revenues from the transmission system produced by the generator's and distributor's payments; and (vi) the adjustment of marginal costs for injecting and withdrawing capacity at each node, so that generators and distributors pay seventy percent (70%) and thirty percent (30%), respectively, of the total revenues calculated.

Charges for transmission use reflect the costs assigned to each user for the use of the main transmission system. These charges are broken down into

- a postage stamp (*estampilla postal*) charge to be paid in equal installments, which is calculated (a) for generators, by reference to installed capacity available for use in the system and (b) for distributors and Large Customers, by reference to their peak demand; and
- an electric tracking charge, which will be paid monthly according to the actual values of corresponding generation and demand energy.

International Interconnections

Commercial operations of the MER were formally announced in June 2013. The Companies expects that the MER together with the SIEPAC regional market could have a positive impact on the Companies' results of operations in the short term. For example, AES Panamá and Gas Natural Atlántico could benefit from taking short positions in the MER and SIEPAC during the wet and dry seasons, respectively.

Another separate bilateral effort to build an interconnection between Panama and Colombia is also being analyzed. Interconexión Eléctrica Colombia – Panamá (ICP) is a binational company created to make design, build, and operate the electrical interconnection line between Colombia and Panama. The ICP Project will have a 400 MW transmission capacity and consists of an Electric Transmission Line High Voltage Direct Current –HVDC. The cost of the project has not been published as of the date of this offering memorandum. In 2012, ICP released the first auction of rights of way, but due to various operational, environmental, financial and regulatory risks, ICP canceled the auction. As of the date of this offering memorandum, technical, environmental, economic, financing and regulatory studies are still being conducted. The development and construction of the project are expected to be delayed such that operations are not expected to begin before 2026.

Tariff Structure

Under the Electricity Law, ASEP is required to establish tariff methodologies to regulate the connection, use of system charges for distribution services and approval of tariff structures for the sale of energy to regulated customers. In general, the Electricity Law permits ASEP to set maximum and minimum tariff limits and issue methodologies for the determination of tariffs. The tariff formulas are valid for four years and can be modified in exceptional circumstances, either ex officio or at the request of a generation company within a certain timeframe if (i) there are serious and evident errors in their calculation that cause unfair injury to clients or a generation company or (ii) a fortuitous or force majeure event seriously compromises the financial capacity of a generation company to continue providing its services under the established tariff conditions.

Grid access charges are designed to be set at a level that allows distributors to achieve sufficient revenues to cover the costs of their efficient investments, operating, maintenance (including metering, billing and customer service), administrative and commercial expenses, standard level of losses and a reasonable return on investment. Each of these costs and return on capital is determined by ASEP based on the expenses and returns of comparable companies. Under the current tariff structure, all distribution system users and all regulated customers pay a separate consumption-based charge within the tariff to cover the capital, energy and operational costs of public lighting. Panamanians or foreigners residing in the territory of the Republic of Panama that are aged, in the case of women, fifty-five years and older or, in the case of men, sixty years and older, and all retirees (men aged sixty-two years and older and women aged fifty-seven years and older) and pensioners (*pensionados*) receive a 25% discount on charges applied for the first 600 KWh of consumption. For any consumption above the 600 KWh threshold, retirees pay full charges.

The permitted pre-tax rate of return, as determined by ASEP, must be within a two percent (2%) range above or below the average yield on the 30-year U.S. Treasury Bond in the year preceding the setting of the tariff plus an eight percent (8%) risk premium. For the current tariff structure, which will remain in force until June 30, 2018 due to the recent resolutions by ASEP, the pre-tax rate of return was set at 8.94%. This rate is applied to the distributor's net fixed assets in operation during the tariff period based on historic accounting values at the start of the tariff period plus the distributor's efficient investment requirements during the tariff period. Once this rate is applied to the assets and efficient investments, the distributor determines its maximum allowable rate to charge customers.

Tariff options for customers include: (i) a simple kilowatt hour based tariff, restricted to residential and other customers with an electricity demand of 15 kW or less, which demand level was previously set at 12 kW or less; (ii) a demand-based tariff; and (iii) a time-of-day based tariff. This last type is supplied to customers at any consumption-supplied tension. Customers are allowed to change their tariff option twice in a twelve month period without incurring a penalty. After the second change, the customer will pay a penalty in the amount of fifty percent (50%) of the connection fee.

The VAD tariff structure remains in full force and effect for a four year period. Historically, every six months during the tariff period, the capacity and energy cost-components of the tariff are adjusted to account for variances in actual and expected energy costs, and only forty-five percent (45%) of the distribution and commercial charges are adjusted for inflation based on the Panamanian CPI for the prior two six-month periods. These energy-related component adjustments are applied starting the following six-month period. Since July 1, 2006, adjustments for variances in actual fuel prices occur on a monthly basis, rather than a semi-annual basis and are applied to the next month's bill. The generation and transmission components of the tariff are adjusted based on the actual energy purchased and the actual cost of transmission.

Distribution

Following the privatization of the distribution operations of IRHE and subsequent corporate modifications, the Panamanian distribution network was split between Elektra Noreste, S.A. ("ENSA") and two other companies under Naturgy Energy Group management, Empresa de Distribución Eléctrica Metro-Oeste, S.A. ("EDEMET") and Empresa de Distribución Eléctrica Chiriquí, S.A. ("EDECHI"). EDEMET serves the western side of Panama City and the central region of the country and EDECHI serves the area close to the Costa Rican border. The following table sets out the market share and unit sales of each Distribution Company and the Large Customers as of March 31, 2020.

Entity	Market Share (%)	Unit Sales (GWh)
EDEMET	42.7	1104.9
EDECHI	9.3	240.9
ENSA	33.4	864.8
Large consumers	14.5	376.3
Total	100	2,587.0

Source: The Companies'commercial team internal data.

Demand

Maximum peak demand in the Panamanian system as of March 31, 2020 was 1,969 MW, which represents 9.6% of growth with respect to the three months ended March 31, 2019. In the three months ended March 31, 2020 the average load factor for the system, inclusive of transmission losses, is estimated to have been approximately 63.9%. Set forth below is a table showing the development of annual maximum demand in the system from 2015 to 2019.

	Demand						
	Three months ended March 31,		Year ended December 31,				
	2020	2019	2019	2018	2017	2016	2015
Maximum Demand (MW)	1,969	1,797	1,961	1,665	1,657	1,618	1,612
Annual Growth	9.6%	9.0%	17.8%	0.5%	2.4%	0.4%	7.2%

Source: CND Panama Power Demand Table.

The table below shows electricity demand growth compared to GDP growth during 2017, 2018 and 2019.

Electricity demand growth vs. GDP growth

2019	2018	2017	Average Annual
------	------	------	-------------------

				Growth (2017-2019)
Consumption Growth.....	2.56	1.73	2.85	2.38
GDP Growth	3.0%	3.7%	5.3%	4.0%

Source: Contraloría General de la República de Panamá and CND Historical Market Data.

The Companies expect demand for energy in Panama to grow as it consistently has in the past. According to data issued by ASEP and the ETESA, the demand for energy in Panama increased by an average of 4.9% per year from 2000 to 2014 and by an average of 3.9% per year from 2015 to 2019. According to the CND, maximum capacity demand in 2019 was 1,961MW. In addition, according to the "*Plan de Expansión de Transmisión 2020-2034*" issued by ETESA, the Panamanian maximum demand for 2020 is expected to be 1,750.33 MW in the pessimistic scenario. Maximum demand is expected to be 1,834.52 MW in 2021, 1,903.35 MW in 2022, 1,971.84 MW in 2023, and 2,041.08 MW in 2024 in the moderate scenario. In the same report, ETESA predicted that domestic annual energy consumption would decrease approximately 6.42% in 2020 and increase approximately 12.48% in 2021, 4.43% in 2022, 4.27% in 2023 and 4.18% in 2024.

To the Issuer's knowledge, the government is expected to add to the system a total of 1,596 MW (278 MW of hydroelectric, 436 MW of wind and solar and 882MW of thermal) within the next five years through public tenders from Distribution Companies.

Contracts for Sales to Unregulated Consumers

Pursuant to the Electricity Law, generators may sell capacity and energy to unregulated consumers under power purchase agreements at freely agreed prices. The term "unregulated consumer" is defined to mean any individual or legal entity with a minimum demand equal to or above a regulated threshold that opts to be unregulated. Unregulated consumers are free to purchase energy from any generator, and are not required to comply with any specific procedure when entering into power purchase agreements or to enter into such agreements at all.

Regulated Consumer Retail Market

While the wholesale electricity spot prices are based upon market forces, transmission and distribution tariffs in the regulated market are set by ASEP. Rates to regulated end-users were initially set by ASEP. These rates are adjusted every six months based on a formula which combines the Panamanian producer price index and applicable fuel prices. Regulated end-users may be charged rates according to a tariff formula established by ASEP. This formula allows the distributor to pass through generation and certain other costs not within its control, and has the effect of rewarding distribution companies for achieving improvements in operating efficiencies greater than those assumed as part of the tariff formula.

Consumption

Electricity sales to end consumers in Panama were 2,786.5 GWh for the three months ended March 31, 2020, an increase of 4.58% from 2,664.4 GWh in the three months ended March 31, 2019. The most recent demand report issued by ETESA contains a forecast of 10,426.18 GWh produced for 2020 in the pessimistic scenario. This represents a decrease of 6.42% compared to 2019 and is consistent with current expectations as a result of the COVID-19 pandemic.

The table below summarizes the energy balance for the Panamanian electricity industry for the three month ended March 31, 2020 and for the period from 2017 to 2019.

Period	Net Generation (1)	Net International Exchange⁽²⁾	Other Generation	Energy Supplied To Grid	Sales to End Consumers
2018 (GWh)	10,736.6	-312.5	246	10,783.1	10,059.5
2019 (GWh)	11,434.0	-385.4	678	11,141.4	10,458.1
Three months ended March 31, 2020 (GWh)	2,815.3	-81.7	54.3	2,842.6	2,634.5

Source: ASEP statistics for the Electricity Industry (Demand 2017 and 2019).

(1) Net generation includes Other Generation.

(2) Net International Exchange = Import – Export.

Electricity exchanges with Central American countries (GWh)

	Three months ended March 31, 2020	Year ended December 31,	
	March 31,	2019	2018
Imports	70.3	41.9	13.25
% net generation	2.5%	0.4%	0.1%
Exports	152.0	427.3	325.8
% net generation	5.4%	3.7%	3%

Source: CND Annual Reports for 2018, 2019 and the three months ended March 31, 2020.

Generators may enter into import and export contracts with counterparts in other countries subject to appropriate disclosure of contract information to the CND and its equivalent in the country concerned.

Electric Energy Rationing

The Commercial Rules provide that energy rationing should be simulated on a daily basis during the planning sessions with the SDDP and the resources scheduling models. Programmed rationing is simulated as a demand of five percent (5%) of the total national demand with a price one point fifteen (1.15) times the highest thermal plant; the second step of energy rationing is simulated as a demand of ten percent (10%) of the total national demand with a price one point forty-five (1.45) times the highest thermal plant; and the third step of energy rationing is simulated as a demand of thirty percent (30%) of the total national demand with a price two point thirty-five (2.35) times the highest thermal plant and a maximum of U.S.\$600 per MWh for the balance.

If emergency rationing occurs, the CND will determine the amount of energy to be rationed according to the characteristics and implications of the emergency. The Commercial Rules provide the methodology for calculating the amount of energy to be withheld in the case of programmed and emergency rationing, and set forth the parameters for the distribution of the rationed energy to consumers. While energy rationing is in effect, the spot market ceases to function and generators are only required to satisfy their contractual obligations, unless the Commercial Rules then in effect provide otherwise. Once emergency rationing ends, the spot market is reactivated and to the extent that certain contract provisions were temporarily suspended pursuant to the Commercial Rules they will be reinstated.

Environmental Regulation

In July 1998, the Panamanian government enacted Law 41, which created the ANAM, which through Law No. 8 of March 25, 2015 was replaced by the Environment Ministry. Law No. 8 together with Law 41 and other supplemental rules also sets out the legal framework for the protection of the environment through the sustainable use of natural resources. The Environment Ministry is responsible for implementing Panama's environmental policy with the collaboration of other government entities it creates and supervises, such as the Environmental National Council (*Consejo Nacional del Ambiente*) and the Environmental Consultative National Commission (*Comisión Consultiva Nacional del Ambiente*). The Environment Ministry has the ability to impose all applicable environmental sanctions and fines. Under Law 41, as amended by Law No. 8, the Environment Ministry may impose fines for any violation of Law 41, including the improper use of water concessions or water resources without having the applicable concession.

In addition to administrative liability, Law 41, as amended by Law No. 8 also establishes civil and criminal liability for violations thereof, and Law 5 of 2005 has introduced environmental crimes into the Penal Code, including crimes against wildlife, natural resources and crimes related to approval of and compliance with environmental documentation.

On March 3, 2006, the ANAM (now the Environment Ministry) issued Resolution AG No. 0127-2006, which established a ten percent ecological flow requirement for all existing and future water concessions. Subsequently, however, the ANAM specified that existing concessionaires, such as us, are not subject to these restrictions.

Investments Stability Act

The Panamanian government enacted Law No. 54 of July 22, 1998, which is further regulated by Executive Decree No. 9 of February 22, 1999, or the Investments Stability Act. The Investments Stability Act provides for certain stability measures in favor of companies engaged in electricity generation, distribution and transmission activities, among others, that meet certain qualifications and register with the Ministry of Commerce and Industry.

AES IN PANAMA

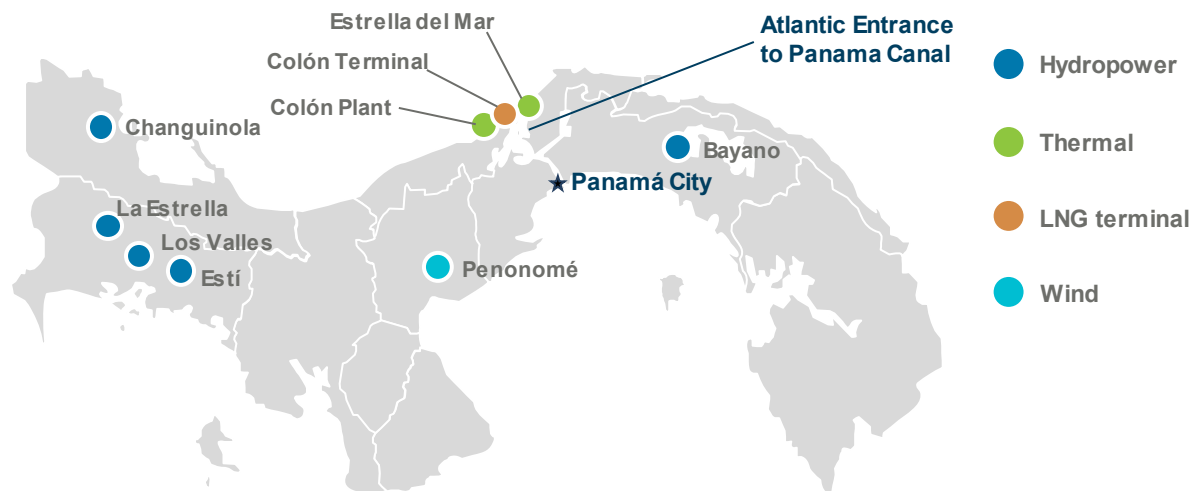
General

The AES Corporation indirectly owns 49.1% of AES Panamá, 89.8% of AES Changuinola and 50.1% of each of Gas Natural Atlántico and Costa Norte. The remaining interest in AES Panamá is owned by the Panamanian government and certain other minority shareholders, and the remaining interest in Gas Natural Atlántico and Costa Norte is indirectly owned by Inversiones Bahía, a private conglomerate owned by the Motta family. The remaining interest in AES Changuinola is indirectly owned by the Panamanian government and certain other minority shareholders through AES Panamá.

The Companies believe they operate the largest electricity generation enterprise in Panama, measured by installed capacity and energy generation, and the first LNG power plant and terminal in Central America.

As of March 31, 2020, the Companies owned and operated a total of eight electricity generation facilities throughout Panama with a combined installed capacity of 1,158 MW, which represented 29% of the total installed capacity in Panama and 42% of the Panamanian energy market measured by GWh of energy generated in the three months ended March 31, 2020. On April 28, 2020, AES Panamá acquired Penonomé, increasing the total number of the Companies' electricity generation facilities to nine and their aggregate installed capacity to 1,213 MW. As of the date of this offering memorandum, AES Panamá directly owns four hydroelectric plants, one fuel oil no. 6-fired barge and one wind farm, AES Changuinola owns one hydroelectric plant and Gas Natural Atlántico owns one combined cycle natural gas-fired power plant. In addition, Costa Norte owns and operates a 180,000m³ LNG terminal, the only LNG terminal in Central America. The Generation Facilities and the Colón Facilities are further described below under "—Key Assets."

The map below sets out the location of the Generation Facilities and their technology types.



Due to the expiration of its PPAs in June 2020, AES Panamá has determined that Estrella del Mar will no longer generate significant cashflows and is considering options for selling the asset. "Risk Factors—Risks Related to the Companies' Businesses—The PPAs for Estrella del Mar have expired, and AES Panamá is considering the sale of Estrella del Mar."

The majority of Panama's hydroelectric resources are located in the western region of Panama, where rainfall tends to be highest, although the main demand for energy is in the eastern region of the country at the main population center of Panama City. Located in both eastern and western Panama, the eight Generation Facilities are geographically diverse, and, as a result, experience different weather and hydrology patterns as further described below. They also use diversified technologies. The five Hydroelectric Facilities, which represent 58.1% of the aggregate installed capacity of the Generation Facilities, include both run-of-river and dam-based (reservoirs with small and large regulation) facilities, Penonomé, which represents 4.5% of the aggregate installed capacity of the Generation Facilities, uses wind to generate electricity and the two thermal plants, which represent 37.3% of the aggregate

installed capacity of the Generation Facilities, include one natural gas fired combined cycle power plant and one fuel oil no. 6 engine plant. As of March 31, 2020, 42% of the electricity generated in Panama was generated using hydroelectric power, 26% using LNG, 6% using bunker fuel, 8% using coal, 14% using wind and 3% using solar power.

The Companies believe the location of the Hydroelectric Facilities in different hydrology regions contributes to the diversity of their generation portfolio and helps mitigate the impact on the Companies' business of weather-related volatility as well as of potential transmission constraints. The Companies also benefit from the technological diversification of their portfolio, which reduces reliance on hydrology and weather patterns. In addition to the Generation Facilities, the Colón Terminal, located in the Atlantic entrance of the Panama Canal, provides revenue from storage fees, which is not related to energy sales and not exposed to commodity risk.

The Hydroelectric Facilities are operated and maintained pursuant to long-term concessions expiring between 2048 and 2056, the thermal plants pursuant to long-term licenses expiring between 2046 and 2054 and Penonomé pursuant to a long-term license expiring in 2050. The Colón Facilities were built on property owned by Panama that forms part of the port concession granted by Panama to PPC and leased by PPC to Costa Norte. Costa Norte sub-leases the land on which the Colón Plant is built to Gas Natural Atlántico. PPC's concession terminates in 2022, and it is subject to automatic renewal through 2046. Each of Costa Norte and Gas Natural Atlántico has entered into an agreement with Panama, acting through the Ministry of Economy and Finance, pursuant to which Panama agrees to lease the land on which the Colón Facilities are located directly to Costa Norte and Gas Natural Atlántico if PPC's concession is terminated or not extended. For additional information regarding these concessions and licenses, see "AES in Panama—Licenses and Concession Agreements—Colón Facilities" and "Risk Factors—Risk Factors relating to the Companies' Businesses—Costa Norte operates on land subject to a concession agreement between a third party and the Panamanian government."

The Electricity Generation Business

AES and the Companies have adopted a sustained investment strategy in Panama that has permitted them to become, individually, key players in the Panamanian electricity generation market and, collectively, the largest electricity generation conglomerate in Panama. This strategy led to the establishment of each of the Companies and it includes the acquisition of new facilities and the improvement of existing facilities owned by the Companies. As the oldest of the Companies, AES Panamá has applied this strategy to improve its existing facilities, enhance the Company's hydroelectric potential and construct and acquire new facilities. As a result, the combined installed capacity of AES Panamá's generation portfolio has increased by 96% since 1999. As of March 31, 2020, AES Panamá owned U.S.\$986.4 million in gross property, plant and equipment in Panama, AES Changuinola owned U.S.\$665.2 million, Gas Natural Atlántico owned U.S.\$472.8 million and Costa Norte owned U.S.\$488.6 million.

According to information provided by the CND, as March 31, 2020, the Companies had a combined installed capacity of 1,158 MW, not including the 55 MW installed capacity of Penonomé which was acquired after March 31, 2020, which represented 29% of the total installed electricity generating capacity in Panama, and estimated firm capacity of 901.1 MW. For the year ended March 31, 2020, the Companies supplied 1,188.3 GWh of electricity to the market, including electricity purchased under contracts with third parties.

Generation by AES Panamá

AES Panamá's PPAs represented approximately 85% of its firm capacity for the three months ended March 31, 2020, 80% for 2019. The increase in firm capacity between 2019 and March 31, 2020 was mainly due to the entering into a PPA with CEMEX. Even though AES Panamá's hydroelectric plants generate sufficient energy to cover its firm capacity, market regulations require that AES Panamá maintain backup reserve contracts for certain amounts to ensure that it can cover that deficit. In June 2015, AES Panamá entered into two 5-year reserve contracts with AES Changuinola, pursuant to which AES Panamá sells 13 MW to AES Changuinola and AES Changuinola sells back those 13 MW to AES Panamá at the same price and conditions. These Contracts were amended in August 2017 and increased the contracted capacity to 25 MW. These Contracts expired in June 2020 and will not be renewed. These contracts have no net effect on AES Panamá or AES Changuinola's results.

As of the date of this offering memorandum, AES Panamá directly owns four hydroelectric facilities (Bayano, Estí, Los Valles and La Estrella), one wind power plant (Penonomé) and one fuel oil no. 6 fired thermal generation barge (Estrella del Mar). The inclusion of Estrella del Mar and Penonomé in AES Panamá's portfolio in late 2014 and in April 2020 and the construction of approximately 52 MW of solar power plants in the first quarter of 2021, respectively, contributed to the diversification of AES Panamá's portfolio and reduced its dependence on its hydroelectric plants and the impact of hydrology on its generation. Further, after several years of operation and due to the expiration of its PPAs in June 2020, and AES Panamá's investment in renewable projects, AES Panamá has decided to retire and sell Estrella del Mar in the near future. For further information on Estrella del Mar and a description of certain risks related to Estrella del Mar, see "Risk Factors—Risks Related to the Companies' Businesses—The PPAs for Estrella del Mar have expired, and AES Panamá is considering the sale of Estrella del Mar." and "AES in Panama—Power Purchase Agreements—AES Panamá and AES Changuinola."

In addition, AES Panamá intends to further diversify its portfolio by acquiring and developing additional clean energy assets, such as solar and wind power plants, that incorporate technologies complementary to its existing portfolio. Because the generation profile of solar and wind power plants in Panama is inversely correlated to the generation profile of hydroelectric power plants due to increased sunshine and winds during Panama's dry season, it is expected that introducing solar and wind power into AES Panamá's portfolio will not only serve the purpose of transitioning to a carbon-neutral business model, but also further diversify the portfolio and reduce AES Panamá's vulnerability to hydrology conditions.

Generation by AES Changuinola

The only Generation Facility that AES Changuinola owns is Changuinola. On March 9, 2007, AES Panamá and AES Changuinola entered into a financial PPA pursuant to which AES Changuinola sells all of the electricity it generates to AES Panamá and AES Panamá purchases all of the electricity that AES Changuinola generates. On June 25, 2012, the two Companies extended the term of the PPA until December 31, 2030. Because AES Changuinola sells all of the electricity it generates to AES Panamá at a fixed price set out in the PPA, it has no exposure to market volatility or spot market prices.

In September 2017, the need to re-line approximately 1,600 meters of the Changuinola tunnel with cast-in-place concrete to address signs of leakage was identified, and the plant was taken offline from January 28, 2019 to January 2, 2020 for the re-lining work. Experts expect that the concrete re-lining should prevent similar leakage going forward. Although Changuinola came back into operation in January 2020, and is currently fully operational, AES Changuinola has initiated an arbitration proceeding against the EPC contractor for flaws in the design of the Changuinola tunnel. In 2019, AES Changuinola received a U.S.\$39.9 million insurance payment, and it is under no obligation to pay the insurance company any amount recovered under any arbitral award.

During this period, because Changuinola was not generating electricity, AES Panamá and AES Changuinola amended the PPA to temporarily reduce the amount of electricity Changuinola was required to deliver during that period from January 2019 to November 2019. AES Changuinola also obtained a waiver from the holders of the AES Changuinola Bonds to waive certain financial ratios. From January 2, 2020, Changuinola is back online and operational, but this waiver remains in effect until September 30, 2020. See "AES in Panama—The Electricity Generation Business—The Generation Facilities—Changuinola" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies—Indebtedness."

Generation by Gas Natural Atlántico

The only Generation Facility that Gas Natural Atlántico owns is the Colón Plant, which began commercial operations in September 2018. Gas Natural Atlántico sells 91.86% of the electricity generated by the Colón Plant to the Distribution Companies through three PPAs for an aggregate capacity of 350 MW, and it sells any excess in the spot market. Gas Natural Atlántico PPAs expire in 2028, and it expects to participate in energy auctions and obtain replacement PPAs.

Gas Natural Atlántico uses natural gas stored in the Colón Terminal to power the Colón Plant, and it pays Costa Norte U.S.\$34.3 million per year in storage fees for 26% of the storage capacity in the Colón Terminal. Pursuant to gas supply agreements that expire in 2028, Gas Natural Atlántico purchases 100% of the natural gas it stores at the

Colón Terminal from Total Global at a purchase price indexed to the NYMEX HH. Under the gas supply agreement with Total Global, Gas Natural Atlántico purchases an aggregate 15-21 TBTUs of LNG per year from Total Global.

The Generation Facilities

The Companies believe that their combined generation portfolio has considerable geographic and technological diversity and is very competitive. The hydroelectric portfolio is made up of run-of-river facilities, which are typically the first plants to be dispatched, and reservoir-based plants. The Companies also own and operate one natural gas fired combined cycle power plant and one fuel oil no. 6 engine plant. The diversity of the Generation Facilities mitigates the impact of weather-related volatility and hydrology. The table below sets forth the installed capacity of each of the Generation Facilities (unless stated otherwise, the source for all the information shown in the tables and graphs in this "AES in Panama" section is the Companies)

Facility and Unit	Three months ended March 31,	Years ended December 31,		
	2020	2019	2018	2017
			<i>MW</i>	
Bayano				
Unit 1	87.0	87.0	87.0	87.0
Unit 2	87.0	87.0	87.0	87.0
Unit 3	86.2	86.2	86.2	86.2
Total	260.2	260.2	260.2	260.2
Estí				
Unit 1	60.0	60.0	60.0	60.0
Unit 2	60.0	60.0	60.0	60.0
Total	120.0	120.0	120.0	120.0
Los Valles				
Unit 1	27.4	27.4	27.4	27.4
Unit 2	27.4	27.4	27.4	27.4
Total	54.8	54.8	54.8	54.8
La Estrella				
Unit 1	23.6	23.6	23.6	23.6
Unit 2	23.6	23.6	23.6	23.6
Total	47.2	47.2	47.2	47.2
Estrella del Mar				
Total	72.0	72.0	72.0	72.0
Total AES Panamá	599.2	599.2	599.2	599.2
Changuinola				
Unit 1	106.7	106.7	106.7	106.7
Unit 2	106.7	106.7	106.7	106.7
Mini Chan	9.6	9.6	9.6	9.6
Total AES Changuinola	223.0	223.0	223.0	223.0
Colón Plant				
Unit 1	77	77	77	n/a
Unit 2	149.1	149.1	149.1	n/a
Unit 3	77	77	77	n/a
Unit 4	77	77	77	n/a
Total Gas Natural Atlántico	381	381	381	n/a
Total All Companies	1,157.0	1,157.0	1,157.0	776.9

Source: CND Annual Reports for 2019, 2018 and 2017.

The following table details the Generation Facilities' net generation for the three months ended March 31, 2020 and for 2017 through 2019.

Facility	Three months ended March 31,	Years ended December 31,		
	2020	2019	2018	2017
			<i>GWh generated</i>	
Bayano	111	274	782	610
Estí	83	429	531	583
Los Valles.....	38	198	234	246
La Estrella	34	157	202	182
Estrella del Mar	18	215	315	491
Penonomé ⁽¹⁾	72	128	97	96
Total AES Panamá	356	1401	2,161	2,208
Changuinola	162	91	1,083	856
Total AES Changuinola	162	91	1,083	856
Colón Plant.....	718	2,708	487	n/a
Total Gas Natural Atlántico	718	2,708	487	n/a
Total All Companies.....	1,164	4,072	3,634	2,970

(1) AES Panamá acquired Penonomé in April 2020. See "Summary—Recent Developments—Acquisition of Penonomé."

Bayano

The Bayano hydroelectric plant, located in the province of Panama, approximately 80 km east of Panama City, was constructed from 1972 to 1976 with a capacity for up to four units. Bayano 1 (75 MW) and Bayano 2 (75 MW) were commissioned in July and October of 1976, respectively. Bayano 3 (86 MW) was commissioned in November 2002 as part of the expansion and upgrade of the Bayano facility. The Bayano hydroelectric plant utilizes the flow of the Bayano River, which feeds a 350 km² reservoir. Under this same initiative, Bayano 1 and Bayano 2 each were upgraded to 87 MW in September 2003 and February 2004, respectively. In addition, in 2017, Bayano 2 turbines underwent a major overhaul and that unit was offline from May to October 2017. The Bayano hydroelectric plant has a total installed capacity of 260.0 MW and an average total firm capacity of 160.2 MW.

The following table summarizes the historical availability factor, capacity factor, generation and equivalent forced outage factor for the Bayano hydroelectric plant for the three months ended March 31, 2020 and for 2017 through 2019:

	Three months ended March 31,	Years ended December 31,		
	2020	2019	2018	2017
Net Generation (GWh)	111	274	782	610
Equivalent Availability factor (%)	97	98	94.3	86.1
Net Capacity factor (%)	19.5	12.0	34.3	26.8
Equivalent Forced Outage factor (%).....	0.4	0.06	0.10	0.38

The Chiriquí Complex (La Estrella, Los Valles and Estí)

La Estrella, Los Valles and Estí are all located on the Caldera River and, together, are known as the Chiriquí complex. La Estrella hydroelectric plant is located between the towns of Boquete and Caldera, approximately 40 km north of the city of David, in the western province of Chiriquí. The La Estrella plant has two units with a total installed capacity of 47.2 MW, La Estrella 1 (23.6 MW) and La Estrella 2 (23.6 MW), and an average total firm capacity of 16.1 MW. Commissioned in 1979, La Estrella uses the flows of the Caldera River, diverted approximately two km south of Boquete. La Estrella has a small reservoir with storage capacity of three hours of generation at maximum load.

Los Valles hydroelectric plant is located approximately three km northwest of the town of Caldera. The Los Valles plant has two units with a total installed capacity of 54.8 MW, Los Valles 1 (27.4 MW) and Los Valles 2 (27.4 MW), and an average total firm capacity of 17.6 MW. Commissioned in 1979, Los Valles utilizes the discharges from La Estrella, augmented by flows diverted from the Los Valles River. La Estrella and Los Valles are both run-of-river facilities, with the addition of small reservoirs.

The Estí hydroelectric plant, located in the province of Chiriquí, approximately 25 km northeast of the city of David and 400 km west of Panama City, was constructed in November 2003. The Estí plant has two units with a total installed capacity of 120 MW, Estí 1 (60 MW) and Estí 2 (60 MW), and an average total firm capacity of 112.7 MW. The Estí plant uses the outflow from the existing Los Valles, La Estrella and Fortuna hydroelectric power plants, intervening inflows of the Caldera and Chiriquí Rivers and the natural flows of the Barrigón River. For an overview of the hydroelectric facilities in Panama, see "Overview of the Panamanian Electricity Industry—Industry Segments—Generation." The Estí plant has a storage capacity of 11 hours of generation at maximum load.

Major maintenance was performed in the years 2000 and 2001 in La Estrella and Los Valles. This maintenance included the installation of a new transformer and new excitation systems, which are used to start generators. In addition, AES Panamá acquired a dredging machine to maintain clean reservoirs in La Estrella and Los Valles. This maintenance, together with the installation of a state-of-the-art supervisory control and data acquisition, or SCADA, system for both La Estrella and Los Valles, allow AES Panamá to maximize plant safety and reliability while maintaining the ability to optimize the operation of the hydroelectric facilities.

The following table summarizes the historical availability factor, capacity factor, generation and equivalent forced outage factor for the Estí, La Estrella and Los Valles plants for the three months ended March 31, 2020 and for 2017 through 2019.

	Three months ended March 31,	Year ended December 31,		
	2020	2019	2018	2017
Net Generation (GWh)				
Estí	83	429	531	583
La Estrella.....	34	157	202	182
Los Valles.....	38	198	234	246
Equivalent Availability factor (%)				
Estí	91.6	96.5	97.5	97.4
La Estrella.....	99.9	95.5	97.3	82.9
Los Valles.....	100.0	98.0	84.6	97.4
Net Capacity factor (%)				
Estí	52.3	40.6	50.5	55.5
La Estrella.....	49.1	38.3	49.7	44.9
Los Valles.....	63.3	41.0	49.2	51.8
Equivalent Forced Outage factor (%)				
Estí	0.2	0.2	0.1	0.2
La Estrella.....	0.1	0.5	0.2	0.3
Los Valles.....	-	0.1	0.5	-

Estrella del Mar

Estrella del Mar is a 72 MW thermal generation plant on a barge, divided between seven groups of Wartsila engine/generators, currently located in Bahía Las Minas near a Chevron fuel supply facility, in the Colón province. The plant is able to run on both No. 6 and No. 2 fuel oil, with a thermal rate of approximately 8,200 BTU/MWh. Estrella del Mar was purchased from Barrick Gold in the Dominican Republic, through a Purchase Agreement finalized on July 4, 2014, and began operations on March 25, 2015.

The following table summarizes the historical availability factor, capacity factor, generation and equivalent forced outage factor for Estrella del Mar for 2017 through 2019.

	Three months ended March 31,	Year ended December 31,		
	2020	2019	2018	2017
Net Generation (GWh)	18	215	315	491
Equivalent Availability factor (%)	98.6	93.1	85.8	90.8
Net Capacity factor (%)	11.6	77.9	49.9	33.9
Equivalent Forced Outage Factor (%)	0.2	1.4	3.3	3.1

As a result of the expiration of Estrella del Mar's PPAs in June 2020 and a change in market dynamics, including the entrance of new competitors that may affect Estrella del Mar's dispatch, AES Panamá no longer expects Estrella del Mar to be a key cash generating asset. Accordingly, AES Panamá is considering options for selling Estrella del Mar in the international market and certain civil works relating to Estrella del Mar in the local market, and in the second quarter of 2020, AES Panamá began identifying potential buyers. On July 14, 2020, ASEP authorized Estrella del Mar's removal from commercial operation after having consulted with the CND. Estrella del Mar's operating license will become ineffective on August 2020 which will allow AES Panamá to sell the asset in the international market. The sale price for Estrella del Mar has not been determined, and due to current market conditions, AES Panamá may sell Estrella del Mar for a price that is lower than its residual book value which could, negatively impact AES Panamá's results of operation. See "Risk Factors—Risks Related to the Companies' Businesses—The PPAs for Estrella del Mar have expired, and AES Panamá is considering the sale of Estrella del Mar."

Changuinola

Changuinola is a hydroelectric power station located inside the Palo Seco Protected Forest in Bocas del Toro, Panama that uses the waters of the Changuinola and Culubre rivers. It has two 107 MW vertical axis Francis-type generation units and a 600 meter dam with a 60 meter uncontrolled spillway. Changuinola initiated commercial operations in 2011, it has an installed capacity of 223MW and a firm capacity of 175.3 MW.

The following table summarizes the historical availability, capacity, generation and equivalent forced outage factor for Changuinola for the three months ended March 31, 2020 and for 2017 through 2019.

	Three months ended March 31,	Years ended December 31,		
	2020	2019 ⁽¹⁾	2018	2017
Net Generation (GWh)	162	91	1,083	856
Equivalent Availability factor (%)	93.9	11.3	97.5	97.3
Net Capacity factor (%)	33.8	4.7	56.2	44.5
Equivalent Forced Outage factor (%)	0.1	-	0.1	0.3

(1) Performance affected by concrete re-lining works performed on tunnel during most of 2019. See "AES in Panama—The Electricity Generation Business—Generation by AES Changuinola" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies—Indebtedness."

Penonomé

Penonomé is a 55 MW wind power plant, comprised of 22 Goldwind wind turbines which began operations in 2013 and is located in the province of Coclé. On April 28, 2020, AES Panamá acquired 100% of the participation quotas of UEP Penonomé I, S. de R.L., a Panamanian *sociedad de responsabilidad limitada* that owned and operated Penonomé, a wind power plant having 22 wind turbines and an installed capacity of 55MW, located in the southern region of Panama in the province of Coclé. On June 19, 2020, AES Panamá and UEP Penonomé I, S. de R.L. entered into a merger agreement where AES Panamá absorbed UEP Penonomé I, S. de R.L. This merger agreement was registered in the mercantile registry of Panama City on June 23, 2020.

The following table summarizes the historical availability factor, capacity factor and generation for Penonomé for the three months ended March 31, 2020 and for 2017 through 2019.

	Three months ended March 31,	Years ended December 31,		
	2020	2019 ⁽¹⁾	2018	2017
Net Generation (GWh)	72.3	128.1	97.6	96.3
Equivalent Availability factor (%)	98.3%	93.9%	87.3%	96.9%
Net Capacity factor (%)	60.3%	26.8%	20.3%	20.1%

The Colón Plant

The Colón Plant is a combined-cycle power generation unit that has been in commercial operation since September 2018. As of the date of this offering memorandum, the Colón Plant has an installed capacity of 381 MW and a firm capacity of 360 MW, which represent approximately 10% of the current total installed capacity and 17% of the current total effective capacity, respectively, in Panama. The Colón Plant has a 3x3x1 configuration, three gas turbines, three heat recovery steam generators and one steam turbine.

The Colón Plant is connected to the Panamanian transmission system through a 230 kV transmission line that runs from the Cristobal substation to tower 4A, and connected to a 230 kV Panama II substation Colón Plant's dispatch heat rate is approximately 7,300 Btu/kWh HHV, which may vary, depending upon the load and other technical and atmospheric conditions. The following table summarizes the historical availability factor, capacity factor, generation and equivalent forced outage factor for the Colón Plant for the three months ended March 31, 2020 and for 2017 through 2019.

	Three months ended March 31,	Year ended December 31,		
	2020	2019	2018	2017
Net Generation (GWh)	718	2,708	487.0	n/a
Equivalent Availability factor (%)	96.5	92.8	89.2	n/a
Net Capacity factor (%)	86.5	80.9	n/a	n/a
Equivalent Forced Outage Factor (%)	1.9	3.9	6.6	-

Power Purchase Agreements

AES Panamá and AES Changuinola

AES Panamá entered into firm capacity and associated energy contracts with the Distribution Companies in 2012, which cover the period between 2015 and 2030. The average all-in price for the remainder of the life of these contracts is U.S.\$0.109 per kilowatt/hour. Throughout the years, AES Panamá has been renewing expiring PPAs with Large Customers and incorporating new Large Customers into its portfolio, which, as of March 31, 2020, represented 33 MW worth of contracted capacity, with an average term of 8 years and a higher average all-in electricity price of U.S.\$0.192 per kilowatt/hour. With these contracts, AES's Generation Facilities are contracted, on average, at approximately 83% for the years 2019 to 2030. AES Panamá performs reasonable due diligence on the financial condition of the Large Customers it enters into PPAs with.

The price terms contained in most of AES Panamá's hydro-based PPAs with the Distribution Companies and many Large Customers are fixed, with no indexation. The average all-in price under AES Panamá's hydro-based PPAs during the three months ended March 31, 2020 was approximately U.S.\$109.7 per MWh, which was higher than the average spot market price of U.S.\$65.95 during the same period, positively impacted AES Panamá's operating margins and profitability to the extent they were required to purchase electricity on the spot market during that period to cover its obligations under its PPAs.

AES Panamá's thermal-based PPAs, all of which are entered into with the Distribution Companies, incorporated fuel indexations in their contracted energy price calculation. Under these PPAs, operating margins resulted primarily from capacity payments, and AES Panamá earned an additional, smaller margin from its contracted

energy, which consisted of (i) the difference between the energy price used to calculate energy costs under the PPAs and the actual cost of fuel used to run Estrella del Mar when the plant is dispatched or (ii) the cost of spot market purchases for replacement energy when the plant is not dispatched. While Estrella del Mar's financial PPAs were in place, AES Panamá received more than U.S.\$40 million per year for its capacity in addition to a variable energy margin based on the dispatch of the plant and the difference between the cost of diesel, which was used as the reference point for setting the price at which the energy was sold, and the actual cost of the bunker fuel purchased to run Estrella del Mar. See "Risk Factors—Risks Relating to the Companies' Businesses—It may be difficult for the Companies to fulfil their contractual obligations and they may need to purchase energy from other generation companies at the prevailing spot market price which may be higher than the price at which they sell energy under their PPAs."

The PPAs for Estrella del Mar expired in June, 2020 and will not be renewed. AES Panamá submitted a bid on February 17, 2020 to obtain replacement PPAs for Estrella del Mar but was unsuccessful, and it continues to sell Estrella del Mar's capacity and associated energy in the spot market. However, due to a change in market dynamics, AES Panamá is considering the sale of Estrella del Mar. See "Risk Factors—Risks Related to the Companies' Businesses— The PPAs for Estrella del Mar have expired, and AES Panamá is considering the sale of Estrella del Mar."

On February 17, 2020 AES Panamá participated in a short term energy auction under which it submitted a proposal for the sale of capacity and associated energy to the Distribution Companies. On March 31, 2020 AES Panamá was awarded PPAs with the Distribution Companies for delivery 396,398 MWh at a price of U.S.\$5.50 KWh over 14 months. This PPAs allow AES Panamá to lock in competitive energy prices while mitigating fluctuations in the spot price.

On March 9, 2007, AES Panamá and AES Changuinola entered into a ten-year PPA, beginning in 2011 and expiring in 2020, under which AES Panamá, as sole offtaker, purchases all of the generated electricity and firm capacity of the Changuinola plant. On June 25, 2012, AES Changuinola executed an amendment agreement to extend the term of the PPA until December 31, 2030. As a result of extreme hydrological conditions, on May 30, 2013, AES Changuinola exercised its rights under the PPA and requested to be relieved of its electricity supply commitments under the PPA. Following extended negotiations, on August 29, 2013, the two Companies executed an amendment to transform the Changuinola PPA from a financial contract to a physical contract, pursuant to which AES Panamá is required to purchase all of the energy generated by AES Changuinola. In December, 2015, the two Companies entered into a fourth amendment through which they set a fixed price for all of the energy AES Panamá purchases from the Changuinola plant until the contract expires in 2030.

Penonomé

On March 1, 2012, UEP Penonomé I, and Alternegy entered into a ten-year reserve energy contract with a commencement date of March 31, 2013. Under this contract, Alternegy as sole offtaker, purchases all generated energy by Penonomé from December to April, up to 28MW/h at a fixed price of 0.125 US\$/kWh. This agreement does not provide for a minimum amount of energy to be delivered to Alternegy and does not represent a financial obligation of delivery provided that the plant maintains an availability of at least 90% during the contracted period. If the average annual availability of Penonomé falls below 90%, it is obligated to compensate Alternegy for any shortfall in energy due to the projects unavailability at the contract price.

Alternegy is a generation company subsidiary of Celsia, which is the Grupo Argos energy company. They operate in Colombia, Panama, Honduras and Costa Rica and have an installed generation capacity of 1,810 MW through 28 hydroelectric, thermal, solar and wind power plants, and generation around 5,625 GWh/yr.

Gas Natural Atlántico

Gas Natural Atlántico entered into firm capacity and associated energy contracts with the Distribution Companies on October 29, 2015, which cover the period between 2018 and 2028. The average all-in price for the remainder of the life of these contracts is U.S.\$0.089 per kilowatt/hour, subject to indexation.

The price terms contained in Gas Natural Atlántico's PPAs with the Distribution Companies are indexed to the Henry Hub Natural Gas benchmark as determined based on the New York Mercantile Exchange (NYMEX HH). The average all-in price under Gas Natural Atlántico's PPAs during 2019 was approximately U.S.\$103.9 per MWh,

which was higher than the average spot market price of U.S.\$91.40 per MWh during the same period, which positively impacted Gas Natural Atlántico's operating margins and profitability to the extent it was required to purchase electricity on the spot market during that period to cover its obligations under its PPAs.

The table below set out the firm capacity and contracted capacity of each of the Generation Companies for the three months ended March 31, 2020 and for 2017 through 2029.

	December 31,										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	<i>MW</i>										
Firm Capacity(MW)⁽²⁾											
AES Panamá.....	307	307	307	307	307	307	307	307	307	307	307
AES Changuinola	175.3	175.3	175.3	175.3	175.3	175.3	175.3	175.3	175.3	175.3	175.3
Gas Natural Atlántico	354.7	354.7	354.7	354.7	354.7	354.7	354.7	354.7	354.7	354.7	354.7
Total Firm Capacity	837	837	837	837	837	837	837	837	837	837	837
Contracted Capacity (MW)											
AES Panamá.....	275	227	241	240	240	240	240	240	240	240	175
AES Changuinola	175	175	175	175	175	175	175	175	175	175	175
Gas Natural Atlántico	350	350	350	350	350	350	350	350	350		-
Total Contracted Capacity	800	752	766	765	765	765	765	765	765	415	350
MW Available											
AES Panamá ⁽¹⁾	32	80	65	66	66	67	67	67	67	67	132
AES Changuinola	0	0	0	0	0	0	0	0	0	0	0
Gas Natural Atlántico	5	5	5	5	5	5	5	5	5	355	355
Total MW Available	37	85	70	71	72	72	72	72	72	422	487
Contracted Capacity (%)											
AES Panamá ⁽¹⁾	90%	74%	79%	78%	78%	78%	78%	78%	78%	78%	57%
AES Changuinola	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Gas Natural Atlántico	99%	99%	99%	99%	99%	99%	99%	99%	99%	0	0%
Total Contracted Capacity	96%	90%	92%	91%	91%	91%	91%	91%	91%	50%	42%
Contracted Generation(MW)⁽¹⁾											
AES Panamá.....	1,986	2,037	1,941	1,946	1,868	1,767	1,768	1,841	1,847	1,930	1,939
AES Changuinola	951	1,043	1,038	1,031	1,033	1,042	1,047	1,034	1,040	1,060	1,060
Gas Natural Atlántico	1,879	2,164	2,164	2,164	2,164	2,164	2,164	2,164	1,449	-	-
Total Contracted Generation ..	4,817	5,244	5,143	5,063	4,964	4,974	4,969	4,951	4,200	2,748	2,516
Contracted Generation %											
AES Panamá.....	114%	98%	94%	90%	87%	88%	87%	89%	86%	82%	71%
AES Changuinola	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Gas Natural Atlántico	108%	86%	85%	81%	96%	96%	92%	89%	55%	0%	0%
Total	109%	93%	91%	87%	93%	94%	92%	91%	74%	48%	41%

(1) Does not reflect reserve agreement AES Panamá entered into with Gas Natural Atlántico in March 2016, pursuant to which Gas Natural Atlántico has the option to buy as backup capacity 35 MW of AES Panamá's firm capacity between May 1, 2018 and December 31, 2018 (required to be exercised before January 2018) and 100 MW between January 1, 2019 and December 31, 2019 (required to be exercised before January 2018). The agreement renews automatically and thereafter annually unless otherwise agreed to by the parties.

(2) Does not include Estrella del Mar.

General terms of PPAs with Distribution Companies

Under each of the Companies' power purchase agreements:

- With the exception of some of the Companies' recently-negotiated contracts with Large Customers, the three Estrella del Mar PPAs and three of Atlántico's PPAS, pricing terms under the Companies' PPAs for both capacity and energy are fixed, with no indexation.
- Distributors are required to pay for contracted energy on a monthly basis upon receipt of the Companies' invoices. The payments to be made by distributors under the PPAs are calculated by multiplying the price contemplated in the relevant PPA by the applicable consumption indicator set out in each contract and confirmed by market administrator at settlement.

- Distributors are generally required to pay for contracted firm capacity without regard to the CND's dispatch decisions.
- AES Panamá and Gas Natural Atlántico have each issued U.S.\$36.8 million in performance bonds in order to secure their respective commitments to supply their contracted energy under those agreements. Both Companies have a 30-day cure period to remedy any defaults.
- In the event that a Company materially breaches its obligations under a PPA and does not remedy the breach within the cure periods provided therein (ranging from 24 hours to 30 days), the purchaser has the right to terminate its contract, in which case it may forfeit the performance bond to the purchaser.
- Distributors are required to provide a security deposit guaranteeing one month's payment.
- Any conflict or disagreement which arises among the parties and is not resolved by direct negotiation among the parties must be resolved through arbitration by ASEP.
- If a Company fails to deliver promised capacity and the failure is not caused by a force majeure event, that Company may be liable for penalties up to seven times the price of the contracted capacity. In the case of energy, a penalty will be applied only for failures occurring during energy rationing and could total up to seven times the price of the contracted energy that it fails to deliver. In any case, the Company can buy replacement energy through bilateral contracts with other generating companies and on the spot market.

Water Resources

The following table shows water inflows, energy generation, and reservoir levels (Bayano and Estí) at the end of each year for the period indicated. The inflows show the variability of the region's rainfall.

	Three months ended March 31,	Years Ended December 31,		
	2020	2019	2018	2017
Bayano				
Inflows (m ³ /s).....	59.9	125.9	211.2	183.8
Reservoir level (meters above sea level).....	57.8	59.9	56.7	60.3
Energy production (GWh).....	111	274	782	610
Estí*				
Inflows (m ³ /s).....	37.2	48.5	61.2	66.5
Energy production (GWh).....	83	429	531	583
La Estrella				
Inflows (m ³ /s).....	5.2	6.0	7.7	8.0
Energy production (GWh).....	34	157	202	182
Los Valles				
Inflows (m ³ /s).....	7.5	9.6	12.0	13.1
Energy production (GWh).....	38	198	234	246

*Estí inflows affected by the tunnel collapse from 2010 to 2012.

Wind Conditions

The following table shows wind speeds, capacity factor, availability and generation of Penonomé.

	Three months ended March 31,	Years Ended December 31,		
	2020	2019	2018	2017
Penonomé				
Average wind speed (m/s)	8.29	5.15	4.98	4.39
Capacity factor	60.3	26.8	20.3	20.1
Availability	98.3%	93.9%	87.3%	96.0%
Energy production (GWh)	72.3	128.1	96.6	96.3

The LNG Business

Costa Norte is currently the only entry point for LNG in Panamá and Central America, and it operates an LNG shipment-receiving terminal, a storage facility and a regasification facility located in the province of Colón on the Atlantic entrance to the Panama Canal. Costa Norte is also in the process of constructing a truck loading station and installing equipment to provide transshipment services in the future. Costa Norte earns revenue from the sale of storage, regasification, truck loading, transshipment, cooling and other services and from TUA fees paid by customers who use its regasification and storage capacity and it expects to begin to receive revenue from bunkering services in the future.

The LNG received by Costa Norte is regasified, 26% of its capacity for natural gas is sold to Gas Natural Atlántico to fuel the Colón Plant, 7.6% of its capacity is sold to Colón LNG Marketing under the Total TUA. As of the date of this offering memorandum, 33.6% of the Colón Terminal's storage capacity was under contract. As of December 2018, the remaining available capacity could be used to fuel additional base load plants for up to 997.5 MW, or 5.5% of the installed capacity in Central America.

Gas Natural Atlántico purchases between 15 and 21 TBTUs of LNG from Total which is regasified into natural gas from Costa Norte pursuant to the Gas Natural Atlántico TUA. Gas Natural Atlántico pays U.S.\$2,625,000 monthly terminal fees, adjusted for inflation, to Costa Norte to cover storage and regasification services provided by Costa Norte. Under the Total TUA, Colón LNG Marketing pays the charge associated with 6 TBTUs of LNG capacity per year from Costa Norte. Colón LNG Marketing is required to pay Costa Norte for this amount of LNG even if it is unable to sell the full amount in the market, providing a consistent source of revenue for Costa Norte.

Colón LNG Marketing has entered into a 10-year supply contract with Island Power S.A. to supply its off-grid power generation plant in eastern Panama, for an annual volume of 0.5 TBTUs. Delivery under the contract is expected to begin in the fourth quarter of 2020. On June 2020, Colón LNG Marketing also signed a 5-year distribution master agreement with Tropigas Natural for the distribution of LNG to small customers through trucks in Panama and Costa Rica. As Tropigas acquires customers, it will sign confirmations under this master agreement with volume commitments.

In addition to selling storage capacity and providing regasification and other terminal services, Costa Norte also expects to take advantage of its location near the Atlantic entrance of the Panamá Canal to provide bunkering services to ship traffic passing through or near the Panama Canal. This source of revenue is expected to become increasingly important as ships are converted to natural gas in order to comply with increasingly stringent environmental regulations.

The Companies' affiliates in the Dominican Republic own and operate the Dominican Republic's only LNG facilities, including an on-load pier, a 160,000 cubic meter storage LNG tank, an LNG re-gasification plant with a 375,000 mcf/day capacity, and a 34 km gas pipeline. In addition to the LNG storage facility, they also own and operate in the Dominican Republic, a 319 MW natural gas-fired combined cycle plant and a 358 MW natural gas-fired plant. The construction of these facilities established AES's LNG business in the Dominican Republic.

Licenses and Concession Agreements

Hydroelectric Facilities

AES Panamá operates Bayano, La Estrella, Los Valles and Estí and AES Changuinola operates Changuinola pursuant to 50-year concessions granted by the Panamanian government. At the end of the initial 50-year term, each concession may be renewed for a term of up to 50 additional years subject to the approval of ASEP. Pursuant to the

concessions, the Companies are authorized to provide public electricity generation services, including the operation and maintenance of electricity generation plants interconnected with the transmission networks, for the purpose of producing and selling electrical energy nationally and internationally. See "Related Party Transactions—Concession Agreements."

These concessions require the Companies to post a performance bond in Balboas, equal to U.S.\$10 million for each of Bayano and Estí, U.S.\$4 million for each of La Estrella and Los Valles and U.S.\$0.5 million for Changuinola. These performance bonds must be renewed yearly for the duration of the concession.

The concessions for the continued operation of the Hydroelectric Facilities include the following terms:

- the Company that has the concession may not acquire direct or indirect control of existing hydroelectric facilities if the acquisition would cause its generation capacity to exceed 25% of the electricity demand in the Panamanian market;
- the Company that has the concession is required to maintain mandated safety standards;
- the Company that has the concession is required to preserve the nature, purpose and use of the hydroelectric facilities;
- the Company that has the concession is responsible for the maintenance, repair and security of the hydroelectric complex, including the dam;
- the Company that has the concession is required to take necessary measures to prevent damage to persons or entities and personal and real property related to its Hydroelectric Facilities;
- the Company that has the concession is required to act diligently in conserving the physical integrity, utility and safety of its hydroelectric facilities and to provide ASEP with all requested documentation with respect to the safety of such facilities;
- the Company that has the concession is required to carry out any necessary emergency repairs to its Hydroelectric Facilities to comply with safety guidelines;
- the Company that has the concession is required to comply with all relevant environmental and health and safety laws;
- the Company that has the concession is required to obtain and maintain insurance in accordance with prudent industry practices;
- the Company that has the concession is required to maintain its corporate purpose;
- the Company that has the concession is required to collaborate with ASEP with respect to inspections of its hydroelectric facilities and to comply with any laws and regulations issued by ASEP, including labor and social security laws and regulations; and
- the Company that has the concession is required to obtain the prior approval of ASEP to increase the capacity of its facilities by 15% or more (or, in the case of the Bayano concession, by 100% or more).

AES Panamá and AES Changuinola are subject to administrative rules and regulations and certain fines and sanctions if they violate those rules and regulations, including (i) continuous breaches of the rules and regulations governing public service providers; and (ii) any material breach of the concession agreements.

In the event of an administrative proceeding with respect to any of the concession agreements, the Company that has the concession would be notified in writing of such breach and given 150 to 210 days to cure the breach. If the breach is not cured during this period, the Company that has the concession could be subject to arbitration. During the administrative and arbitration proceedings, the Panamanian government could (i) take possession of the

hydroelectric facility in question and control all the assets, networks and equipment, but would not have title to those assets, networks and equipment; (ii) pay the fair market value of the assets of the complex that are subject to the concession, less 10%; and (iii) enforce the related performance bond. The fair market value of the assets is equal to the fair market value of the equity plus all indebtedness of the Company, less (i) all indebtedness assumed by the prospective buyer and (ii) the fair market value of all assets that are not necessary to render electricity services. The fair market value will be determined under the assumption that the concession is in effect and the hydroelectric facility is in full operation.

The concession agreements may be terminated as a result of (i) continuous noncompliance by the applicable Company with the rules and regulations governing public service providers; (ii) a material breach by the applicable Company of the concession agreements; (iii) the mutual agreement of the parties; (iv) bankruptcy or dissolution of, or suspension of payments by, us, if such circumstances prevent the applicable Company from complying with its obligations under the concession agreement; or (v) the unilateral decision by the Panamanian government in case of war, serious disturbance of the public order or urgent social interest. If the Panamanian government seeks to terminate any concession pursuant to (i) or (ii) above, the related claim or controversy will result in an administrative proceeding whereby the applicable Company would be notified in writing of its breach and given 150 to 210 days to cure the breach. If the breach is not cured during this time frame, the related claim or controversy is required to be settled exclusively by binding arbitration conducted in accordance with the arbitration rules of the United Nations Commission on International Law and be governed by Panamanian law. Any decision or award of the arbitrator will be final and binding upon the parties.

In connection with the granting of the electricity generation concessions, the Panamanian government, through the *Instituto Nacional de Recursos Naturales Renovables* (the National Natural Resources Institute), which was replaced by the Environment Ministry (formerly the ANAM) in 1998, granted four water concessions AES Panamá and one water concession to AES Changuinola to use the water resources of (i) the Bayano river for Bayano; (ii) the Los Valles river for La Estrella; (iii) the Caldera river for Los Valles; (iv) the Chiriquí and Estí Rivers and the Barrigón ravine for Estí and (v) Changuinola River for Changuinola in order to generate electricity, until the termination of the applicable concession agreements.

The concessions for use of water resources entered into with the National Natural Resources Entity (now the Environment Ministry) allow AES Panamá and AES Changuinola to use limited volumes of water in terms of millions of cubic meters for each of their plants.

In addition, under the terms of the water concessions, AES Panamá and AES Changuinola must:

- use the relevant water resources exclusively for the purposes authorized in the concession agreement;
- comply with existing environmental regulations, in particular those addressing water use, water use permits and forest use, which require AES Panamá and AES Changuinola to (i) maintain an effective and rational water system that does not affect the use of water for other purposes; (ii) not dispose of any type of industrial waste or substance that may pollute or cause a health hazard in the relevant rivers and ravines; (iii) not cut down trees within a prescribed radius from the river's source or from the area surrounding the river; (iv) not cut down any trees within the forest reserve; and (v) not construct dams or alter the riverbed without the Panamanian government's express authorization;
- permit the Environment Ministry technicians access to the property and installations for verification purposes; and
- make payments to the Environment Ministry based on each Hydroelectric Facility's turbine flow measured in m³. In 2019, AES Changuinola paid U.S.\$136,978.18 for Changuinola and AES Panamá paid:
 - U.S.\$84,434.98 for Bayano;
 - U.S.\$7,298.79 for La Estrella;

- U.S.\$22,118.80 for Los Valles; and
- U.S.\$63,154.20 for Estí.

Each of the water concession agreements will terminate if the applicable Company (i) contaminates the water resources subject to the applicable water concession agreement, (ii) breaches a related concession agreement, (iii) is declared bankrupt or insolvent or (iv) is liquidated.

AES Panamá and AES Changuinola must comply with all applicable environmental regulations and with the results of all environmental audits approved by the competent Panamanian authority.

Estrella del Mar

AES Panamá operates Estrella del Mar pursuant to a license terminating in 2054. Pursuant to this license, AES Panamá is permitted to operate Estrella del Mar off the northern coast of Panama. AES Panamá is authorized to provide the public service of electricity generation, which consists of the operation, maintenance and installation of Estrella del Mar, with its corresponding connection lines to the transmission and/or distribution grid, transformation equipment and other components, in order to produce and sell power on the national and international electric system. Failure to comply with this license could result in the imposition of fines and other penalties by the Public Services Regulatory Agency in addition to other liability that may arise under Panamanian civil and criminal law. For more information on Estrella del Mar see "Risk Factors—Risks Related to the Companies' Businesses— The PPAs for Estrella del Mar have expired, and AES Panamá is considering the sale of Estrella del Mar." and "AES in Panama— The Electricity Generation Business—the Generation Facilities—Estrella del Mar."

Penonomé

AES Panamá operates Penonomé under a license terminating in 2050. Pursuant to this license, AES Panamá is permitted to operate the Penonomé wind power plant located in the province of Coclé. AES Panamá is authorized to provide the public service of electricity generation, which consists of the operation, maintenance and installation of a 55 MW wind power plant MW, with its corresponding connection lines to the transmission and/or distribution grid, transformation equipment and other components, in order to produce and sell power on the national and international electric system. Failure to comply with this license could result in the imposition of fines and other penalties by the Public Services Regulatory Agency in addition to other liability that may arise under Panamanian civil and criminal law.

Colón Facilities

The Colón Terminal was constructed on property owned by Panama that forms part of the port concession granted by Panama to PPC and leased by PPC to Costa Norte. PPC's concession terminates in 2022, and it is subject to automatic renewal through 2042. Each of Costa Norte and Gas Natural Atlántico has entered into an agreement with Panama pursuant to which Panama agrees to lease the land on which the Colón Terminal and the Colón Plant are located directly to Costa Norte and Gas Natural Atlántico if PPC's concession is terminated or not extended.

Gas Natural Atlántico operates the Colón Plant pursuant to a license terminating in 2056. Pursuant to this license, Gas Natural Atlántico is permitted to operate the Colón Plant and use it to provide electricity to the system, and it is required to post a U.S.\$762,000.00 performance bond. Some of the key terms of the Colón Plant license include:

- Gas Natural Atlántico is authorized to own, possesses and operate the Colón Plant according to applicable law, including Law No.6 of 1997 and its regulation;
- Gas Natural Atlántico is required to maintain mandated safety standards;
- Gas Natural Atlántico is required to file annual reports with ASEP that include, among other things, its audited financial statements;

- Gas Natural Atlántico may mortgage, encumber or assign the license with prior consent of ASEP; and
- Gas Natural Atlántico is required to comply with all relevant environmental and health and safety laws.

For additional information regarding these concessions and licenses, see "Risk Factors—Risks Relating to the Companies' Businesses—Early termination of the Companies' concession agreement with the Panamanian government could adversely affect the Companies' results."

Fuel Supply

AES Panamá purchases fuel (fuel oil no. 2 and no. 6) to operate Estrella del Mar through a five-year fuel supply contract with Refinería Panamá S. de R.L., a subsidiary of Chevron, at a price equal to Platt's Index price plus a premium that varies depending on a prompt payment schedule. The more quickly Estrella del Mar makes payment, the lower the premium it pays. Under this contract, AES Panamá may purchase as much or as little fuel as it chooses to, and it is not required to any minimums. Fuel is transported to Estrella del Mar from the refinery through a one-km pipeline. This supply contract expires on September 28, 2020 and it is not expected to be renewed due to Estrella del Mar being expected to be dispatched less frequently and its potential sale. After the expiration of these agreements, Estrella del Mar will procure fuel needed to operate the plant through short term supply agreements. See "Risk Factors—Risks Related to the Companies' Businesses— The PPAs for Estrella del Mar have expired, and AES Panamá is considering the sale of Estrella del Mar."

On December 22, 2017 Gas Natural Atlántico entered into a 10-year LNG Purchase Agreement, for the purchase of between 15 and 21 TBTUs of LNG, for its own consumption and resale. The purchase price under the LNG Purchase Agreement is indexed to NYMEX Henry Hub Natural Gas Index.

Competition

Generation companies in Panama compete on the basis of availability, cost and price. In the energy spot market, generators compete on the basis of availability and variable cost, and in the PPA market on the basis of bid prices for capacity and energy. These two markets currently provide most of the Companies' revenues. The Generation Companies believe they have a strong position in each of these markets.

The Generation Companies' principal competitors in these markets are (i) Enel Green Power Panamá (EGPPA) with installed capacity of 364 MW, which manages Enel Fortuna, S.A. which has a single hydroelectric plant with an installed capacity of 300 MW (Enel Fortuna, S.A.) and three photovoltaic (PV) complex (Chiriquí, Sol Real and Llano Sánchez Solar Plants) with installed capacity of 64.7 MW, (ii) Celsia Panama which is the Grupo Argos energy company with installed capacity of 492 MW, which manages the hydroelectric plants (Lorena, Prudencia and Gualaca) with an installed capacity of 115 MW, the thermal plants (Bahia Las Minas and Cativá Plants) with an installed capacity of 367 MW and one photovoltaic plant with installed capacity of 10 MW, (iii) the Panama Canal Authority (ACP) with installed capacity of 213 MW, with three plants, including the hydroelectric Gatún/Madden (60 MW) and Miraflores thermal plant (153 MW), and (iv) UEP Penonomé II S.A. a wind farm with installed capacity of 215 MW, Pedregal thermal plant with installed capacity of 54 MW, and Tecnisol solar complex consists of four separate 10MW single axis tracker PV power plants, which are controlled by InterEnergy's predecessor is Basic Energy.

The table below sets out the market share by installed capacity of AES and its key competitors as of March 31, 2020:

	Market Share by Installed Capacity	Market Share by Energy Generation
AES in Panama	29%	42%
Celsia.....	12%	9%
Other hydroelectric generators	12%	8%
Enel	9%	15%
Interenergy	8%	9%
ACP	5%	4%
Other.....	25%	13%
Total.....	100%	100%

As of the date of this offering memorandum, the Colón Plant is the only natural gas-fired plant in Panama; however, Project Telfers is under construction and expected to be completed in 2024. As of the date of this offering memorandum, Costa Norte owns and operates the only LNG terminal in Panama; however, there can be no assurance that additional LNG terminals will not be built. Competition in the LNG business will come primarily from the economics and logistics involved in the replacement of existing alternative fuels in the region (i.e. heavy fuel oil, propane and diesel). In previous Panamanian bid rounds, gas to power projects have been awarded funding, although none have been developed as of yet. In the future, Gas Natural Atlántico may face competition from these projects or other similar gas to power projects. In addition, the Companies expect that Project Telfers, the Colón Plant and the higher-dispatch-priority facilities existing in the system will produce enough electricity to satisfy demand, displacing other thermal plants in the system, including Estrella del Mar. This increase in competition along with the expiration of its PPAs were some of the deciding factors when determining to retire and sell Estrella del Mar. See "Risk Factors—Risks Related to the Industries in Which the Companies Operate—The Companies could lose business to competitors, which could adversely affect their operations and financial condition." — and "Risk Factors—Risks Related to the Companies' Businesses—The PPAs for Estrella del Mar have expired, and AES Panamá is considering the sale of Estrella del Mar."

Employees

As of March 31, 2020 AES Panamá, AES Changuinola, Costa Norte and Gas Natural Atlántico had 179, 30, 17 and 44 full-time employees, respectively. The following table provides a breakdown of their employees by category.

	AES Panamá	AES Changuinola	Costa Norte	Gas Natural Atlántico
Executive Officers	5	2	-	1
Supervisors.....	24	4	5	11
Professionals (including engineers and accountants).....	62	8	4	8
Technicians	79	15	8	22
Clerical and others	9	1	0	2
Total	179	30	17	44

The Companies also employ independent contractors for the performance of many of their activities not related to their core business, such as maintenance of equipment, security and their internal communications network.

The Companies do not have an external labor union. The Companies' employees, in coordination with the Companies, formed a labor union to prevent external labor unions from engaging their workforce to enter into collective bargaining agreement with them. The Companies' labor relations are governed by a collective bargaining agreement that was negotiated between management and employees. This collective bargaining agreement expired in 2020 and its renewal is in the process of being registered with the Ministry of Labor. The Companies believe that their relations with their employees are generally good.

Panamanian labor law recognizes the right of employees to form and join unions. Although workers have the right to strike to try to improve working conditions, none of the Companies has ever suffered a strike. Collective conflicts in public services companies, including the service of electricity, may be submitted to arbitration by the ministry of Labor. Each employee has the right to an unpaid mandatory rest day per week, and every employee who has worked for 11 months without interruption has the right to 30 days of paid vacation, at a rate of one day for every

11 days of services rendered to the employer. All employers must withhold from the salary of its employees the social security contributions, educational insurance quotas and applicable income taxes.

The Panamanian Labor Code establishes the payment of a seniority premium at the termination if the employment, whatever the cause of the termination. For this purpose a provision has been established based on a compensation of one week for each year of work, which amounts to 1.92% of the salaries paid during the year.

Law No. 44 of August 12, 1995 establishes that employers are compelled to establish a severance fund to pay employees the seniority bonus and severance pay resulting from unjustified dismissal as established in the Labor Code. This fund is constituted based on the installment required for the seniority bonus and 5% of the monthly installment for severance pay.

Properties

The principal properties the Companies operate pursuant to their concessions and licenses consist of the Generation Facilities and the Colón Terminal. See "AES in Panama—The Electricity Generation Business—The Generation Facilities." The Companies' administrative headquarters are located in Panama City.

Insurance

The Companies maintain insurance to cover losses caused by fire, flood, earthquake, windstorm, business interruption, machinery breakdown, third party liability and transportation. All maintain their separate "all risk" real and personal property insurance policy with a reputable issuer. All policies are renewed for a 12 month period and once this period expires, the Companies expect for them to be renewed, under similar terms, as has been done in past years. The maximum amount of benefits that the Companies are entitled to receive under this "all risk" insurance policy per covered event (depending on the replacement value of each facility) is: up to U.S.\$1,000 million in Property Damage and Business Interruption for AES Panamá. Gas Natural Atlántico and Costa Norte maintain joint coverage of up to U.S.\$980.4 million in Property Damage and Business Interruption. AES Changuinola maintains coverage of up to U.S.\$1,000 million in Property Damage and Business Interruption.

Environmental Matters

The Companies are subject to a broad range of environmental and health and safety laws and regulations in Panama, relating to, among other things, the limits of emissions that all generators may produce, water and air quality, noise, the forest habitat, minimizing risks to the environment while maintaining the quality, safety and efficiency of the electricity sector, and the use and handling of hazardous materials and waste disposal practices. Additionally, Changuinola is located in an environmental preserve called Bosque Protector Palo Seco and is subject to strict permitting requirements. The Companies believe they are in compliance in all material respects with these laws and regulations. In July 1998, the Panamanian government enacted environmental legislation creating an environmental agency, the ANAM, which was replaced by the Environmental Ministry through Law No. 8 of March 25, 2015, and imposing new environmental standards, many of which apply to us. Out of all the Hydroelectric Facilities, only Changuinola is subject to the 10% ecological flow requirement for water concessions. In September 2006, the Environment Ministry's Resolution AG-0522-2006, which specifies such requirement, does not apply to existing concessionaires, such as us.

Legal Proceedings

The Companies are involved in several legal proceedings in the ordinary course of business. Management is required to assess the magnitude in each individual case and provide an estimate of potential damages in the cases where there is a reasonable likelihood that the applicable Company will be adversely affected. Pending legal matters are reviewed on a quarterly basis and any provision each Company makes is adjusted, depending on specific developments in each case. The Companies' management, in conjunction with their external legal counsel, submits a status report which serves as the basis for calculating the provision. Based on consultations with legal counsel, the Companies have determined that no potential adverse outcome under their ordinary course proceedings would have a material adverse effect on their overall financial condition, results of operations or cash flows. Accordingly, as of December 31, 2019, none of the Companies provided for any contingencies. The Companies' only proceedings outside of the ordinary course of business are outlined below.

AES Panamá

Challenge to Reimbursement Agreement

On April 20, 2015, the Comptroller General of Panama filed a motion before the Supreme Court of Panama to determine whether the resolution of the Panamanian government that authorized its reimbursement agreement with AES Panamá (Cabinet Resolution No. 42 dated March 31, 2014, or the Cabinet Resolution) contravened certain articles of the Panamanian Constitution. The Supreme Court requested that the Attorney General of Panama opine on the motion. On May 7, 2015, the Attorney General opined that the Cabinet Resolution should be declared unconstitutional. The case has completed all procedural steps and is pending a ruling from the Supreme Court. The Supreme Court will issue a final and non-appealable ruling. AES Panamá has also been advised by Panamanian counsel that, in the event it does not prevail, any judgment would affect pending and future payments and should not have a retroactive effect. Although, there can be no assurance that AES Panamá will be successful in arguing to the Supreme Court that the Cabinet Resolution is constitutional, AES Panamá believes that it will likely prevail, and it has recorded no reserves in its financial statements in connection with this matter.

La Estrella Land Dispute

A portion of the La Estrella facility is built on land that is in dispute with the original owners. The dispute involves approximately two hectares and 858.4 m² of land registered to be owned by Constructora Tyma, S.A. The disputed land had been originally used by the former Instituto de Recursos Hidraulicos y Electrificación (IRHE) and Empresa de Generación Eléctrica de Chiriquí, S.A., that built and had operated La Estrella since 1979. In 1998, AES Panamá acquired IRHE's equity stake in Empresa de Generación Eléctrica de Chiriquí, S.A., which included their possession rights over the land, which at that time was not yet disputed. The 15-year period required for ownership by adverse possession without clear title in Panama has lapsed since AES Panamá acquired the land.

On August 8, 2002, AES Panamá filed a lawsuit together with a seizure request against Ganadera Guerra, S.A., before the Seventh Circuit Civil Court (Chiriquí), seeking to prevent Ganadera Guerra, S.A. from taking actions with respect to the land that could be detrimental to AES Panamá's interests. The land was seized but the Seventh Circuit Civil Court (Chiriquí) and the High Court of the Third Judicial Circuit ruled in favor of Ganadera Guerra, S.A. AES Panamá filed and supported an Appeal for Dismissal before the First Civil Chamber of the Supreme Court. The final written arguments were filed in November 2006. In a judgment rendered on May 28, 2010, the First Chamber of the Supreme Court decided not to annul the judgment of the Superior Court, so the ruling remained in favor of Ganadera Guerra, S.A. On June 14, 2010, AES Panamá timely filed a request before the First Chamber of the Supreme Court for clarification of the judgment, with respect to which, by resolution of June 6, 2014, the First Chamber of the Supreme Court ruled on only a clarification of the area covered by the injunction and did not grant any appeal in AES Panamá's favor. However, AES Panamá continues to analyze any legal, administrative and/or commercial options to secure ownership over the land, although there can be no assurance that it will be successful.

Subsequently in July 2015, Ganadera Guerra, S.A. sold the totality of the land to Constructora Tyma, S.A. for a total price of U.S.\$10,000.

In September 2015, AES Panamá filed a request for ASEP to grant AES Panamá ownership of the area in dispute. After AES Panamá filed this request, the Supreme Court declared the laws that had provided ASEP with the power to grant ownership of land in these situations unconstitutional. As a result, AES Panamá amended its request and requested a right of way over the land.

In October 2015, Ganadera Guerra, S.A. and Constructora Tyma, S.A. filed two lawsuits against AES Panamá for a combined amount of approximately U.S.\$800 million. In November 2018, AES Panamá presented its defense. AES Panamá believes it has a meritorious defense and claims, and will assert them vigorously, however, there can be no assurances that it will be successful in its efforts.

Since the date of the Preliminary Offering Memorandum, the parties signed a settlement agreement and filed it with the court for acceptance. If the settlement agreement is accepted by the court, among other things, the relevant land will be transferred to AES Panama and the lawsuits will be dismissed.

Bayano Cases

In December 2016, Muelles Bayano S.A. brought a lawsuit claiming U.S.\$7,000,000 against AES Panamá in connection with alleged damages to their property caused when the gates of the Bayano dam were opened following the accumulation of high water levels at the Bayano river during heavy rains and flooding at the beginning of December 2010. On September 2, 2019, the Third Court of the Civil Circuit dismissed the case stating that it lacked jurisdiction to hear the case. The plaintiff has appealed the dismissal.

In addition, in December 2019, certain individuals brought a lawsuit claiming U.S.\$7,000,000 against AES Panamá for alleged damages to their property also in connection with the Bayano flooding in December 2010. The case was assigned to the Third Court of the Civil Circuit, AES Panamá has responded to the plaintiffs' complaint and has submitted evidence.

AES Panamá has not provisioned for any risk of loss in connection with either of these cases.

CND fine for February 2013 Blackout

In February 2013, the CND filed a claim against AES Panamá in the *Comisión Sancionadora* of ASEP for an alleged non-compliance with market rules during a blackout that occurred on February 25, 2013. The blackout was caused by the spread of a fire started by a third party that reached and caused the opening of the transmission lines associated with the Llano Sanchez substation. CND alleges that during the black start process, there was a system-wide startup delay, and many of the facilities in the system, including certain of AES Panamá's facilities, failed to enter in a timely manner, prolonging the blackout period.

AES Panamá was sanctioned on March 2017 with a U.S.\$250,000 fine. AES Panamá initiated an administrative appeals process which was denied in April 2017. AES Panamá filed before the Supreme Court a Constitutional Action and an Administrative Action to Nullify against Resolution AN No.11009 promoted by the Regulator. AES Panamá has recorded a U.S.\$250,000 loss contingency in its financial statements.

AES Changuinola

CND fine for February 2013 Blackout

In connection with the February 2013 blackout described under "—AES Panamá—CND fine for February 2013 Blackout," AES Changuinola was sanctioned on March 2017 with a U.S.\$250,000 fine. AES Changuinola initiated an administrative appeals process which was denied in April 2017. AES filed before the Supreme Court a Constitutional Action and an Administrative Action to Nullify against Resolution promoted by the Regulator. AES Changuinola has made a U.S.\$250,000 loss contingency in its financial statements.

Arbitration Proceeding

In September 20, 2017, AES Changuinola filed a request for arbitration in the International Court of Arbitration of the International Chamber of Commerce (the "ICC") against the Changuinola Civil Works Consortium, composed of MT Højgaard, A/S GE Energias Renováveis Ltda. frequently known as Alstom Energias Renováveis Ltda and Alstom Holdings S.A. (collectively the "EPC Contractor"). The claim was in relation to water leakage identified in the 4.1 km underground tunnel that conveys water under pressure from the facility's reservoir to its power house. AES Changuinola claims that the leakage is caused by a design defect attributable to the EPC Contractor's negligence. AES Changuinola is claiming U.S.\$100,000,000 in damages plus interest and arbitration costs. The Arbitration process under the ICC rules has finalized and a decision from the arbitration tribunal is expected in the second half of 2020.

Case in the Inter-American Court of Human Rights

In 2008, while Changuinola was under construction, certain indigenous communities located near Changuinola brought a claim against the Panamanian government before the Inter-American Court of Human Rights (the "ICHR"), seeking damages, recognition of land ownership in the area where Changuinola is constructed and other remedies arising from their status as indigenous peoples. In June 2009, the ICHR requested that the Panamanian Government be enjoined from performing construction on Changuinola until a decision was made on the underlying

claim. In July 2009, Panama chose not to suspend construction on Changuinola. In November 2009, a hearing took place before the ICHR, and in June 2010, the ICHR rejected the request for injunction. The parties have agreed to seek to pursue an amicable resolution.

In 2017, Panama submitted to the IACHR a proposal to settle the case and is currently awaiting response from the indigenous community.

MANAGEMENT

AES Panamá

AES Panamá's managing body is a board of administrators that currently consists of five members: two elected by the Panamanian government and three elected by Global Power Holdings. There is no specific term for its administrators. If a vacancy occurs, a replacement administrator will hold office until a new administrator is elected, thereby preserving representation of each of the constituent equity holders. If the Panamanian government's equity interest in AES Panamá is less than the majority of AES Panamá's total equity at any time, then its board of administrators will consist of five to nine board members, and the majority of which will be elected by Global Power Holdings. As of 2014, the administrators, officers and executives listed below held the positions indicated opposite their names. The most recent election of administrators by the Panamanian government was held in 2014. AES Panamá's executive officers are appointed by the board of administrators and hold office at the discretion of the board of quota holders. The most recent election of administrators elected by Global Power Holdings was held in 2018.

AES Panamá's board's present membership is listed below:

Name	Elected or Appointed By	Position	Member of the Board Since
Juan Ignacio Rubiolo	Global Power Holdings	Administrator	December 10, 2018
Abraham Bichara	Global Power Holdings	Administrator	July 22, 2020
Marilyn Ramirez Ferrari	Republic of Panamá	Administrator	August 29, 2019
Carlos Manuel Jurado Lau	Republic of Panamá	Administrator	August 29, 2019
Arminio Borjas	Global Power Holdings	Administrator	October 16, 2014
Angelica Bertoli Lawson		Secretary of the Board	Not a Member

AES Panamá's executive management team members are listed below:

Name	Position
Miguel Eduardo Bolinaga	Panama General Manager
Gustavo Giraldo	Panama Commercial Director
Jeff MacKay	Chief Finance Officer MCA&C
Arturo Gris	Operations VP MCA&C
Edgar Ivankovich	Corporate Matters Director & Panamá Stakeholders Management Director
Mayka McCalla	Human Resources VP MCA&C
Angelica Bertoli	Panama Legal Counsel

The following are summarized biographies of AES Panamá's administrators, managers and secretary:

Juan Ignacio Rubiolo (Administrator). Mr. Rubiolo has over 18 years of experience in energy and electricity markets in America and Asia. He has served in numerous leadership roles in strategic, financial and commercial planning, project management, business development, commodities risk management, structuring of products and commercial contracts for electricity markets. Mr. Rubiolo joined AES Corporation in Argentina in 2001 and has worked in different countries while holding several leadership roles in The Philippines, Panama, Dominican Republic, and Mexico. Mr. Rubiolo leads AES's efforts in Mexico, Central America and the Caribbean, as President & CEO. Some of Mr. Rubiolo's major achievements consists of the structuring of a joint venture in Mexico (with Grupo BAL) and the Dominican Republic (with Enargas) that led to growth for AES in the renewables and natural gas industries. He also closed the first export of energy from AES San Nicolas to Brazil. Mr. Rubiolo is responsible for developing the business and risk management strategies and has put a place AES's team in the Dominican Republic, Panama, Mexico. Mr. Rubiolo has leveraged his experience in the Philippines to replicate that country's model in the Dominican Republic and effectively expanded the natural gas market in Dominican Republic. Mr. Rubiolo has also advised AES in the structuring to several other business models in competitive and emerging markets. Mr. Rubiolo holds a Master's degree in project management from Quebec University and a BSc degree in Business Administration awarded by Universidad Austral of Argentina. He has also completed executive business and leadership programs at Darden School of Business.

Abraham Bichara (Administrator). Mr. Bichara has over 30 years' experience in the electricity sector and over 20 years with the AES Corporation, where he has held different positions as Chief Operations Officer in El Salvador, Vice President of Distribution in La Electricidad de Caracas, Venezuela (former AES Company) and Director of Operations for AES Latin America based in Panamá. Mr. Bichara serves as Market Business Leader for AES's

Salvadoran entities in AES's Mexico, Caribbean and Central America business unit. He is a member of the Board of Directors of Unidad de Transacciones in El Salvador (National Electricity Market Administrator and System Operator), and Vice President of the Board of Directors of the American Chamber of Commerce (AMCHAM). He is also President of the board of directors of AES Union de Negocio, Vice President of the Board of Directors of the AES El Salvador companies (CAESS, EEO and DEUSEM), member of the Management Boards of AES CLESA, AES Nejapa and AES Soluciones and President of the Management Board of Bósforo. Mr. Bichara holds an Electrical Engineering Degree at the José Simeón Cañas University (UCA) and complementary studies in Business Administration and Executive Management Education at UCA University, INCAE Business School in Costa Rica, Darden University Business School in Virginia and Georgetown University in Washington, DC.

Marilyn Ramirez Ferrari (Administrator). Mrs. Ramirez Ferrari currently presides and coordinates the execution and inspection of several residential and commercial construction projects within Panama and has performed several functions within government, such as acting as the National Director in the Rural Engineering and Irrigation within the Ministry for Agricultural Development from 2013 to 2015. Mrs. Ramirez also holds positions in the Board of Directors of Bahía Las Minas Corp, the Public Registry of Panamá and ENA, as well as named Commissioner for the Administrative Unit of Reverted Properties. She has an Civil Engineering degree from the Santa María la Antigua University, Postgraduate studies in Business Strategy and a Master in Business Administration, with emphasis in marketing.

Carlos Manuel Jurado Lau (Administrator). Mr. Jurado is the General Director of Grupo Corporativo CCC, a holding that administrates several different companies that belong to a family group. The group has supermarkets, construction, house developing, farming and energy development companies. Before April 2015 Mr. Jurado was the General Manager of Compañía Chiricana de Construcción, for a period of 10 years. He has an Architecture degree from Escuela de Arquitectura de America Latina y el Caribe Isthmus.

Arminio Borjas (Administrator). Mr. Borjas joined our board in 2010. Mr. Borjas works as Regional Legal Counsel for AES. Mr. Borjas specializes in Telecommunications, Mergers & Acquisitions, Project Finance, Capital Markets and Arbitration. Mr. Borjas obtained his legal degree from the Universidad Católica Andres Bello in Caracas, Venezuela. Mr. Borjas also obtained a postgraduate degree in Latin-American Politics and International Economic Development from the School of International Service of the American University in Washington DC. Mr. Borjas has taught law for many years in prestigious universities in Venezuela and is the Venezuelan representative to the International Bar Association. Mr. Borjas is also a board member of AES Gener in Chile.

Miguel Eduardo Bolinaga (General Manager). Mr. Bolinaga was appointed General Manager of AES Panamá in July 8, 2013. Prior to joining AES Panamá Mr. Bolinaga worked as External Relations and Electronic Market vice-president of AES El Salvador and as Marketing and Distribution Manager of EDC. Mr. Bolinaga serves as Market Business Leader for AES's Panamanian entities in AES's Mexico, Caribbean and Central America business unit. Mr. Bolinaga obtained his Bachelor's Degree from *la Universidad Nacional Experimental de las Fuerzas Armadas de la Escuela Naval de Venezuela*.

Gustavo Giraldo (Panama Commercial Director). Mr. Giraldo is the Regional Commercial and Regulatory Director for Central America and Puerto Rico business units of The AES Corporation. Prior to her current role, Mr. Giraldo was the Commercial Director of AES' Mexico business unit, and Commercial Director for Mexico, Central America and Caribbean business unit. He also served as Commercial Director for AES Colombia business unit. Mr. Giraldo joined AES in 2002 and held positions in several groups in the Company's commercial organization. Mr. Giraldo obtained his Bachelor's Degree as Industrial Engineer from la Universidad Católica de Colombia and counts with Postgraduate in Corporate Finance and Risk Management from Colegio de Estudios Superiores en Administración-CESA in Colombia and an Executive MBA from IE Business School in Spain

Jeff MacKay (Chief Financial Officer MCA&C). Mr. MacKay has been the Chief Financial Officer of the Mexico, Central America and Caribbean business unit of The AES Corporation since May 1, 2020. Prior to his current roles, Mr. MacKay served as the Treasurer and Director of Mergers & Acquisitions for MCA&C, and prior to this from 2013-2018 he acted as Treasurer and Director of Business Development Analytics for AES's United States business unit, which included 2 integrated utility companies and 18 generation facilities. Mr. MacKay joined AES in 2004 and during his time with the company has held various leadership positions in the finance area in the US and Latin America. Before joining AES, Mr. MacKay worked at a boutique investment bank focused on the energy technology sector. Mr. MacKay holds a bachelor's degree in Political Science from Dartmouth College and has

executive education certificates from University of Virginia's Darden School of Business and the Instituto Centroamericano de Administración de Empresas (INCAE) Business School.

Arturo Gris (Operations VP AES MCA&C). Mr. Gris joined AES Panamá on July 15, 2000. Mr. Gris later served as the Operations Manager responsible for managing AES Panamá's hydroelectric plants and as Generation vice-president of AES Brazil, where he managed the generation assets of AES Tiete and AES Uruguiana. Mr. Gris currently holds the position of Operations vice-president for the Strategic Unit of AES MCA&C, where he oversees the operation and management of our plants in the region. Mr. Gris obtained a Master's Degree in Business Administration specializing in Finance and International Business from the University of Chicago and a Master's Degree in Engineering specializing in Controls from the University of California at Berkeley. Mr. Gris also obtained a Bachelor's Degree in Mechanical Engineering from Texas A&M University.

Edgar Ivankovich (Corporate Matters Director & Panamá Stakeholders Management Director). Mr. Ivankovich is currently the Corporate Matters Director & Panama Stakeholders Management Director of AES in Panamá. During the last ten years in AES Panamá he has acted as the Director of Social Development for the LNG Facilities and Director of Operations of the Hydroelectric Facilities. Mr. Ivankovich also participated in the construction of Changuinola. Mr. Ivankovich obtained a degree in Electronic Engineering with a focus on Communications and also holds a Master in Business Administration and Company Strategy from the Universidad Latina and a Certificate in Finance and Administration from INCAE Business School. Mr. Ivankovich has more than twenty-eight years of experience in the industrial sector with nineteen of those years focused in the Energy sector. During his career he has held different managerial positions, both locally and regionally, in the areas of operations, logistics, administrations and sales. He has held the office of President of the Energy Commission (*Comisión de Energía*) of APEDE for the 2016-2017 period and the Energy Commission of the American Chamber of Commerce (AMCHAM) for the 2019 period.

Mayka McCalla (Human Resources Vice President for MCA&C). Mrs. McCalla has served as Human Resources Vice President for MCA&C, a region with more than 1,800 AES employees. With experience on a variety of roles, including regional functions in the area of Human Resources, Mayka is in charge of managing all of the talent management efforts for the region as well as other people initiatives across the SBU. She has wide expertise in human resources strategic planning, redesigning human resources administrative processes, elaborating proposals on organizational development; developing relations with labor unions, budgeting, administrative management information systems on human resources, and designing programs for labor unions. Prior to her current role, Mayka served as the Learning and Development Regional Manager for AES Latin America and AES Panamá HR Manager. Mayka holds a Bachelor's degree in Psychology from the *Universidad de Panamá* and Master's degrees in Human Resources and Business Administration from the *Universidad Latino Americana de Ciencia y Tecnología*. She also holds an Entrepreneurial Executive Program degree from the San Francisco University in USA, an Executive Aden Business School Program degree and a Strategy and Business Management program at the *Instituto Tecnológico de Estudios Superiores de Monterrey* in Mexico.

Angélica Bertoli (Secretary), Non Member of the Board and Panama Legal Counsel). Mrs. Bertoli joined the company as Panama Legal Counsel on October 2019. She holds a law degree from the Universidad de Panama and also holds a Masters in Law from the University of Southampton, as well as post-graduate studies in the Lee Kuan Yew Schools of Public Policy, Harvard Business School and the Universidad Latino Americana de Comercio Exterior. She is an attorney with more than twenty-one years of experience in commerce, investment promotion, transport and logistics law, administrative law and business development. Her focus during the last fifteen years has been in advising private, public and private-public companies, as well as promoting and establishing direct investment. She has also worked on administrative and regulatory reforms. Before joining AES Panamá, Mrs. Bertoli acted as Legal Director for ETESA. She has participated in some of the most innovative and representative projects in Panama, including several special zones and some of the most important private public partnerships in the country, for example, the Special Economic Zone of Panama Pacific (*Área Económica Especial Panamá Pacífico*), the National Company of Highways (*la Empresa Nacional de Autopistas*), the acquisition of toll roads by the Panamanian government, the law for the Panama Metro, the plan for the development of the freight area in Panama and multinational investment projects, including the fourth electric transmission line.

Compensation

AES Panamá's administrators that are appointed by the Panamanian government each receive a fixed fee of U.S.\$2,500 for each board meeting attended. AES Panamá's administrators and certain members of its senior management are employed by AES Latin America and AES. The administrators and members of senior management of AES Panamá that are employed by AES Latin America and AES also perform services for certain affiliates of AES Panamá. Accordingly, their respective salaries and other compensation are paid for through the administration and management agreements between AES Panamá or these affiliates and AES Latin America or AES. For additional information regarding these administration and management agreements, see "Related Party Transactions—AES Panamá—Administration and Management Fee Agreements." In the three months ended March 31, 2020, the members of AES Panamá's senior management received an aggregate U.S.\$3.4 million in compensation, including salaries and bonuses.

Certain Provisions of AES Panamá's Articles of Association Relating to Managerial Control of AES Panamá

Under Panamanian law, the holders of the participation quotas of a limited liability company (*sociedad de responsabilidad limitada*) are the highest governing body of that corporation unless the articles of association provide otherwise. Typically, rights of the holders of the participation quotas are set forth in a limited liability company's articles of association. Panamanian mercantile law allows certain issues to be governed by the articles of association and provides generally applicable rules, in the event that the articles of association are silent on such issues.

AES Panamá's articles of association provide that as long as the Panamanian government owns at least a majority of AES Panamá's equity, the Company's board of administrators will consist of five members: two elected by the Panamanian government and three elected by Global Power Holdings, as owner of 49.1% of our outstanding participation quotas. AES Panamá's articles of association require that at least 51% of the holders of participation quotas be present to have a quorum necessary for a valid meeting of the holders of participation quotas. Pursuant to AES Panamá's articles of association and the Administration and Management Fees Agreements, Global Power Holdings has complete managerial and operational control of AES Panamá. However, the following resolutions require the favorable vote of the Panamanian government at a meeting of the holders of AES Panamá's participation quotas: (i) the amendment of the articles of association, except in certain limited circumstances; (ii) the approval or amendment of the by-laws; (iii) the approval of mergers (except for mergers with wholly owned subsidiaries) or spin-offs; (iv) the dissolution of the company; (v) encumbering the concession agreements; (vi) authorizing the company to engage in new lines of business; and (vii) transferring the corporate domicile of the company to another country. Additionally, the affirmative vote of both administrators elected by the Panamanian government is required in order to issue new equity interests of AES Panamá, except in the case where the funds obtained from such issuance of equity interests are used to expand or improve AES Panamá's generation capacity in Panama.

In the event that the Panamanian government no longer owns at least a majority of AES Panamá's participation quotas, our articles of association provide that the board of administrators must consist of at least five and up to nine members, and Global Power Holdings, as owner of 49.1% of the participation quotas, will have the right to elect the majority of the administrators on the board. Additionally, the favorable vote of Global Power Holdings would be required to (i) amend AES Panamá's articles of association; (ii) approve or amend the by-laws; and (iii) sell, lease or transfer all or part of the assets of AES Panamá.

AES Changuinola

AES Changuinola's managing body is a board of administrators that currently consists of six members, five appointed by AES and one appointed by the Panamanian government.

AES Changuinola's board's present membership is listed below:

Name	Elected or Appointed By	Position	Member of the Board Since
Juan Ignacio Rubiolo	Global Power Holdings	Administrator	June 15, 2018
Miguel Bolinaga Serfaty	Global Power Holdings	Administrator	September 26, 2014
Arminio Borjas	Global Power Holdings	Administrator	September 26, 2014
Kristina Lund	Global Power Holdings	Administrator	June 15, 2018
Daniel Abraham Bichara	Global Power Holdings	Administrator	September 22, 2020
Marilyn Ramirez Ferrari	AES Panamá	Administrator	June 8, 2020
Angelica Bertoli		Secretary of the Board	Not a Member

AES Changuinola's executive management team members are listed below:

Miguel Eduardo Bolinaga.....	Panama General Manager
Gustavo Giraldo.....	Panama Commercial Director
Jeff MacKay.....	Chief Finance Officer MCA&C
Arturo Gris.....	Operations VP MCA&C
Edgar Ivankovich.....	Corporate Matters Director & Panamá Stakeholders Management Director
Mayka McCalla	Human Resources VP MCA&C
Angelica Bertoli.....	Panama Legal Counsel

Compensation

AES Changuinola's administrators and certain members of its senior management are employed by AES Latin America and AES. The administrators and members of senior management of AES Changuinola that are employed by AES Latin America and AES also perform services for certain affiliates of AES Changuinola. Accordingly, their respective salaries and other compensation are paid for through the administration and management agreements between AES Changuinola or these affiliates and AES Latin America or AES. For additional information regarding these administration and management agreements, see "Related Party Transactions—AES Changuinola—Administration and Management Fee Agreements." In the three months ended March 31, 2020, the members of AES Changuinola's senior management received an aggregate U.S.\$ 3.4 million in compensation, including salaries and bonuses.

Certain Provisions of AES Changuinola Articles of Association Relating to Managerial Control of AES Changuinola

Under Panamanian law, the holders of participation quotas of a limited liability company (*sociedad de responsabilidad limitada*) are the highest governing body of that company unless the articles of association provide otherwise. Typically, rights of participation quota holders are set forth in a limited liability company's articles of association. Panamanian mercantile law allows certain issues to be governed by the articles of association and provides generally applicable rules, in the event that the articles of association are silent on such issues,

AES Changuinola's articles of association provide that the Company's board of administrators will consist of six members: five elected by Global Power Holdings, as owner of 80% of AES Changuinola's outstanding participation quotas and one elected by AES Panamá. AES Changuinola's articles of association require that at least 51% of the holders of the participation quotas be present to have a quorum necessary for a valid meeting of the holders of the participation quotas. Pursuant to AES Changuinola's articles of association the Board of Administrators holds the complete control of the businesses of the company, except for those matters that are reserved for the holders of the participation quotas, according to Law 4 of 2009 that governs limited liability companies in Panama.

Gas Natural Atlántico

Gas Natural Atlántico's managing body is a board of administrators that currently consists of five members and five alternate members, three of which are appointed by Global Power Holdings and two by Deeplight Holdings ("Deeplight Holdings")

Gas Natural Atlántico's board's present membership is listed below:

Name	Elected or Appointed By	Position	Member of the Board Since
Juan Ignacio Rubiolo	Global Power Holdings	Administrator	April 19, 2018
Miguel Bolinaga Serfaty	Global Power Holdings	Administrator	April 8, 2015
Arminio Borjas	Global Power Holdings	Administrator	April 19, 2018
Miguel Heras	Deeplight Holdings	Administrator	April 8, 2015
Alberto Motta Page	Deeplight Holdings	Administrator	January 21, 2016
Angelica Bertoli ⁽¹⁾		Secretary of the Board	Not a member

(1) Angelica Bertoli is in the process of being registered as secretary of Gas Natural Atlántico.

Gas Natural Atlántico's Alternate Administrators are listed below:

Name	Elected or Appointed By	Position	Member of the Board Since
Arturo Gris	Global Power Holdings	Alternate Administrator	October 7, 2016
Kristina Lund	Global Power Holdings	Alternate Administrator	April 19, 2018
Adviel Centeno Mayta	Global Power Holdings	Alternate Administrator	April 19, 2018
Enrique Saez Andraca	Deeplight Holdings	Alternate Administrator	January 21, 2016
Carlos Alberto Motta Fidanque	Deeplight Holdings	Alternate Administrator	January 21, 2016

Gas Natural Atlántico's executive management team members are listed below:

Miguel Eduardo Bolinaga	Panama General Manager
Gustavo Giraldo	Panama Commercial Director
Kristina Lund	Chief Finance Officer MCA&C & Treasurer
Arturo Gris	Operations VP MCA&C
Edgar Ivankovich	Corporate Matters Director & Panamá Stakeholders Management Director
Mayka McCalla	Human Resources VP MCA&C
Angelica Bertoli	Panama Legal Counsel

To the extent not included above, the following are summarized biographies of Gas Natural Atlántico's administrators, managers and secretary:

Adviel Centeno Mayta (Secretary, Non Member of the Board and Legal Counsel). Mr. Centeno \worked for AES Panamá since 2011 until 2019 as General Counsel and Secretary Non Member of the Board of Administrators. Before joining AES Panamá, Mr. Centeno worked as Senior Associate at the Panamanian law firm of Mossack Fonseca and as legal manager of Cerveceria Nacional, S.A. He currently acts as legal counsel for Cable & Wireless Panama. He obtained a Bachelor's Degree in Law and Political Science from the Universidad de Panamá and a specialization in Procedure Law from the Universidad Externado in Colombia and a Master's Degree in Corporate Law from the Universidad Católica Santa Maria Antigua.

Alberto Motta Page (Administrator). Mr. Motta is the President and Legal Representative of Inversiones Vismar S.A., located in Panama City. He is also a Director of several companies, including Bahia Motors S.A., Ideal Living Corp., Guanacaste Costa Rica, Grupo ASSA, S.A., Banco General, S.A., Televisora Nacional, S.A., Belle Blue Inc., Tabouilla Holding and Vertical Group. Mr. Motta is Panama Red Cross' Treasurer and is member of the YPO (Young Presidents Organization). Mr. Motta studied Business Administration, Banking and Finance at the University of Florida.

Miguel Heras (Administrator). Mr. Heras has been Executive Director and member of the Board of Directors of Inversiones Bahia, Ltd. in Panama, the largest real estate group in Central America which focuses on the financial services, infrastructure, energy, real-estate and communications industries. Mr. Heras leads the private and risk capital team of Inversiones Bahia Ltd. Presently, Mr. Heras is a member of the Board of Directors of de Cable Onda, Gas Natural Atlántico, Sistemas de Generación S.A. (SIGSA), Televisora Nacional and Bahía Motors. He is also a member of the Executive Board for Latin America of the Wharton School, Vice-president of the Board of Directors of Panama's Food Bank and previously served as a member of the Board of Directors of the Museum of Biodiversity. Mr. Heras has acquired a wealth of experience in banking while serving as a member of the Board of Directors and of the Assets and Liabilities Committee of Banco Continental of Panama for more than five years. Mr. Heras has structured the

acquisition of several companies and financial institutions and in 2007 led the integration of Banco Continental de Panama and Banco General, which turned Banco General into one of the largest banks in Central America. He also served as a member of the Board of Directors of Ament Telecommunications Holdings, Cable and Wireless (Panama), Inc. and the Panama Stock Exchange. Mr. Heras acted as Minister of Finance and the Treasury of Panama and the President of the Council for Foreign Commerce from 1996 to 1998. He was deputy Minister of Finance and the Treasury of Panama between 1994 and 1996. Mr. Heras holds a bachelors in economics degree from the Wharton School of Commerce and Finance. His professional experience in the fields of economics, finance and private capital, as well as his experience as a member of several Board of Directors qualify him to serve as an administrator in Gas Natural Atlántico.

Compensation

Gas Natural Atlántico's administrators and certain members of its senior management are employed by AES Latin America and AES. The administrators and members of senior management of Gas Natural Atlántico that are employed by AES Latin America and AES also perform services for certain affiliates of Gas Natural Atlántico. Accordingly, their respective salaries and other compensation are paid for through the administration and management agreements between Gas Natural Atlántico or these affiliates and AES Latin America or AES. For additional information regarding these administration and management agreements, see "Related Party Transactions—Gas Natural Atlántico—Administration and Management Fee Agreements." In the three months ended March 31, 2020, the members of Gas Natural Atlántico's senior management received an aggregate U.S.\$ 3.9 million in compensation, including salaries and bonuses.

Gas Natural Atlántico's Partnership Agreement

Gas Natural Atlántico's governance structure is subject to a Partnership Agreement entered into between Global Power Holdings and Deeplight Holdings dated November 30, 2015. This Partnership Agreement serves to establish some rules and considerations regarding the management of the company. This agreement, among other things, sets forth the decisions that need to be taken by the holders of the participation quotas, such as approval of the annual budget, removal and appointment of administrator or officers, changes to the company's articles of association or capital calls. This Partnership Agreement also sets forth what decisions can be taken by the board of administrators, such as entering into new agreements, granting special power of attorneys and entering into intercompany agreements.

Costa Norte

Costa Norte's managing body is a board of administrators that currently consists of five members and five alternate members, three of which are appointed by Global Power Holdings and two by Deeplight Holdings.

Costa Norte's board's present membership is listed below:

Name	Elected or Appointed By	Position	Member of the Board Since
Juan Ignacio Rubiolo	Global Power Holdings	Administrator	April 19, 2018
Miguel Bolinaga Serfaty	Global Power Holdings	Administrator	September 18, 2015
Arminio Borjas	Global Power Holdings	Administrator	September 18, 2015
Miguel Heras	Deeplight Holdings	Administrator	September 18, 2015
Alberto Motta Page	Deeplight Holdings	Administrator	January 21, 2016
Angelica Bertoli ⁽¹⁾		Secretary of the Board	Not a member

(1) Angelica Bertoli is in the process of being registered as secretary of Costa Norte.

Costa Norte's Alternate Administrators are listed below:

Name	Elected or Appointed By	Position	Member of the Board Since
Arturo Gris	Global Power Holdings	Alternate Administrator	January 21, 2016
Kristina Lund	Global Power Holdings	Alternate Administrator	April 19, 2020
Adviel Centeno Mayta	Global Power Holdings	Alternate Administrator	January 21, 2016
Enrique Saez Andraca	Deeplight Holdings	Alternate Administrator	January 21, 2016
Carlos Alberto Motta Fidanque	Deeplight Holdings	Alternate Administrator	January 21, 2016

Costa Norte's executive management team members are listed below:

Miguel Eduardo Bolinaga.....	Panama General Manager
Gustavo Giraldo.....	Panama Commercial Manager
Kristina Lund.....	Chief Finance Officer MCA&C & Treasurer
Arturo Gris.....	Operations VP MCA&C
Edgar Ivankovich.....	Corporate Matters Director & Panamá Stakeholders Management Director
Mayka McCalla	Human Resources VP MCA&C
Angelica Bertoli.....	Panama Legal Counsel

Compensation

Costa Norte's administrators and certain members of its senior management are employed by AES Latin America and AES. The administrators and members of senior management of Costa Norte that are employed by AES Latin America and AES also perform services for certain affiliates of Costa Norte. Accordingly, their respective salaries and other compensation are paid for through the administration and management agreements between Costa Norte or these affiliates and AES Latin America or AES. For additional information regarding these administration and management agreements, see "Related Party Transactions--- Costa Norte ---Administration and Management Fee Agreements." In the three months ended March 31, 2020, the members of Costa Norte's senior management received an aggregate U.S.\$ 3.9 million in compensation, including salaries and bonuses.

Costa Norte's Partnership Agreement

Costa Norte's governance structure is subject to a Partnership Agreement entered into between Global Power Holdings and Deeplight Holdings dated November 30, 2015. This Partnership Agreement serves to establish some rules and considerations regarding the management of the company. This agreement, among other things, sets forth the decisions that need to be taken by the holders of the participation quotas, such as approval of the annual budget, removal and appointment of administrator or officers, changes to the company's articles of association or capital calls. This Partnership Agreement also sets forth what decisions can be taken by the board of administrators, such as entering into new agreements, granting special power of attorneys and entering into intercompany agreements.

PRINCIPAL EQUITY HOLDERS

General

Each of the Companies is a limited liability company (*sociedad de responsabilidad limitada*) organized under the laws of Panama for an indefinite term. Applicable Panamanian laws provide that equity holders of a limited liability company are partners (*socios*) and that their equity contributions to the entity are represented by participation quotas (*cuotas de participación*). This offering memorandum however, refers to the Companies' participation quotas as equity interests and their equity partners as equity holders.

At March 31, 2020:

- AES Panamá had 214,717,428 authorized, issued, fully paid and outstanding quotas, with a par value of U.S.\$0.537287 per quota, having one vote per quota;
- AES Changuinola had 500 authorized, issued, fully paid and outstanding quotas, with a par value of U.S.\$540,771.08 per quota, having one vote per quota;
- Gas Natural Atlántico had 1,500,000 in authorized share capital of which 1,171,000 was subscribed through issued, fully paid and outstanding quotas with a par value of U.S.\$100.00 per quota, having one vote per quota; and
- Costa Norte had 2,857,000 authorized, issued, fully paid and outstanding quotas, with a par value of U.S.\$100.00 per quota, having one vote per quota.

The following tables set forth the holders of equity in each of the Companies, the respective number of the Companies' quotas they own and their percentage holdings as of March 31, 2020.

AES Panamá

Title of Class	Name of beneficial owner	Amount and nature of beneficial ownership	Percent of class
Participation quotas	Global Power Holdings	105,353,687	49.07%
Participation quotas	Panama ⁽¹⁾	108,347,536	50.46%
Participation quotas	Minority equity holders	1,016,205	0.47% ⁽¹⁾

- (1) Panamanian limited liability companies law provides that the articles of association of a company govern the rights of the holders of its equity. AES Panamá's articles of association contain certain provisions with respect to the rights of the holders of the Companies' equity, including the right of Global Power Holdings to appoint three of the five members of AES Panamá's board of administrators until the Panamanian government's holding in AES Panamá is less than the majority of Global Power Holdings equity at any time. If the Panamanian government's holding in AES Panamá is less than such majority, Global Power Holdings, as owner of 49.1% of AES Panamá's equity, will have the right to appoint a majority of the members of the Board of Administrators, as long as it holds 49.1% of AES Panamá's equity.

AES Changuinola

Title of Class	Name of beneficial owner	Amount and nature of beneficial ownership	Percent of class
Participation quotas	Global Power Holdings	400	80%
Participation quotas	AES Panamá	100	20%

Gas Natural Atlántico

Title of Class	Name of beneficial owner	Amount and nature of beneficial ownership	Percent of class
Participation quotas	Deeplight Holdings	584,329	49.9%
Participation quotas	Global Power Holdings	586,671	50.1%

Costa Norte

Title of Class	Name of beneficial owner	Amount and nature of beneficial ownership	Percent of class
Participation quotas	Deeplight Holdings	1,425,643	49.9%
Participation quotas	Global Power Holdings	1,431,357	50.1%

Managing Equity Holder

Global Power Holdings, the managing equity holder of AES Panamá, AES Changuinola, Costa Norte and Gas Natural Atlántico, is owned by The AES Corporation, or AES. AES is a global power company with operations in 14 countries on four continents, operating in two principal businesses, electric utilities and electricity generation. AES currently distributes electricity through its various electric utility subsidiaries to approximately 2.5 million customers worldwide, specifically in El Salvador and the United States. AES also has 30,471 MW of generation capacity worldwide, including in Latin America in Argentina, Brazil, Chile, Colombia, the Dominican Republic, Mexico, Panama, Puerto Rico and El Salvador. AES manages U.S.\$34.1 billion in total assets globally. AES is organized into four market oriented Strategic Business Units, or SBUs: U.S. & Utilities (United States, El Salvador and Puerto Rico), South America (Chile, Argentina, Brazil and Colombia), MCAC (Mexico, Dominican Republic and Panama), and Eurasia (Europe and Asia). The MCAC SBU, of which Panamá is a part, contributed 23% of AES's Adjusted pre-tax contribution for 2019.

RELATED PARTY TRANSACTIONS

AES Panamá

Concession Agreements

In connection with the privatization of AES Panamá, four concession agreements with ASEP were entered into pursuant to which AES Panamá was granted concessions to operate the Bayano, La Estrella, Los Valles and Estí hydroelectric facilities for the generation and sale of electricity. The term of the concession agreements ends in December 2048 (Bayano, La Estrella and Los Valles) and February 2056 (Estí), and may be renewed for an additional fifty (50) years subject to the prior approval of ASEP. For a description of these concession agreements, see "AES in Panama—Licenses and Concession Agreements."

AES Panamá also entered into four water concession agreements, each dated June 30, 1998, with the Natural Resources Entity, which was replaced by the Environment Ministry in July 1998, pursuant to which AES Panamá was granted four concessions to use the water resources of (i) for Bayano, the Bayano river, (ii) for La Estrella, the Los Valles river, (iii) for Los Valles, the Caldera river and (iv) for Estí, the Chiriquí and Estí rivers and the Barrigón ravine, in order to generate electricity through the Hydroelectric Facilities, until the termination of the concession agreements with ASEP. For a description of these concession agreements, see "AES in Panama—Licenses and Concession Agreements."

Administration and Management Fee Agreements

On November 22, 2010, AES Panamá and AES Solutions signed a Service Agreement with an annual minimum fee of U.S.\$4.0 million in exchange for the services rendered under the Administration and Management Fees Agreements. This service fee is net of taxes and is paid two times a year. The service fee is adjusted annually to reflect inflation and is reviewed by the Board of Administrators of AES Panamá every 6 months. Pursuant to the Services Agreement, AES Panamá paid AES Solutions an annual fee of U.S.\$3.4 million, U.S.\$5.8 million and U.S.\$6.4 million for 2019, 2018 and 2017, respectively. In June 2019, AES Panamá signed an amendment to this contract in which AES Solutions assigned all of its obligations and rights under the contract to its subsidiary AES Latin America. During 2019, the transactions generated by this contract amounted to U.S.\$3.5 million for services in the second half of 2019.

In June 2017, AES Panamá signed a human resources services agreement with AES Servicios América, S.R.L. which consists of payroll supervision, validation of calculations and coordination of all activities performed by the external payroll consultant. For the years ended December 31, 2019, 2018 and 2017, the fees paid under this agreement were U.S.\$97,000, U.S.\$62,000 and U.S.\$40,000 respectively. Also, AES Panamá maintains a Technical Assistance Agreement with AES Servicios América S.R.L., a subsidiary of AES, for technical support for SAP software. For the years ended December 31, 2019, 2018 and 2017, fees under this Agreement were U.S.\$77,000, each year.

On January 31, 2007, AES Panamá entered into a management contract with AES Changuinola by which AES Panamá offers operation and maintenance services to AES Changuinola, and AES Changuinola pays AES Panamá a fee equivalent to 1% of AES Panamá's income before depreciation, interest and income tax for such services. On January 2017, the contract was amended to reflect a change in the methodology for calculating the fees, using as a base, the actual costs incurred plus a 5% margin. The expenses related to this management fee are recorded in other (expenses) income, net in the amounts of U.S.\$0.8 million, U.S.\$1.1 million and U.S.\$0.9 million for 2019, 2018 and 2017, respectively.

In June 2017, AES Changuinola, signed a human resources services agreement with AES Servicios América, S.R.L. which consists of payroll supervision, validation of calculations and coordination of all activities carried out by the hired external payroll advisor. For the years ended December 31, 2019, 2018 and 2017, the fees under this agreement were U.S.\$17,000 U.S.\$11,000 and U.S.\$7,000 respectively. Also, AES Changuinola maintains a Technical Assistance Agreement with AES Servicios América S.R.L., a subsidiary of AES, for technical support for SAP software. For the years ended December 31, 2019, 2018 and 2017, the fees were for U.S.\$51,000 each year.

On June 24th, 2016, Gas Natural Atlántico and Costa Norte entered into separate project management services agreements with AES Solutions for the general management and administration of the Colón Facilities. The agreement was amended and restated on July 20, 2016 with a term of 20 years. Under its terms, Gas Natural Atlántico and Costa Norte pay U.S.\$0.7 million and U.S.\$0.3 million per year respectively to AES Solutions. On June 17, 2019, the contracts were assigned from AES Solutions to AES Latin America, under the same terms.

On January 26, 2016, Gas Natural Atlántico as sub-lessor and Costa Norte as sub-lessee entered into a sub-lease agreement for 8.8 hectares of land, for the construction, development and operation of a natural gas-fired power plant. In 2019, Costa Norte paid Gas Natural Atlántico U.S.\$2.6 million under this agreement. This agreement is effective as of August 27, 2015 and renews automatically each year.

On May 11, 2016, Gas Natural Atlántico and Costa Norte entered into an agreement for the use of the Colon Terminal pursuant to which Costa Norte provides ship docking services, unloading, receipt and temporary storage, regasification and delivery of LNG. This agreement is effective *until* May 1, 2028 may be extended for a period of up to ten years. As of December 31, 2019, Gas Natural Atlántico has paid U.S.\$34.3 million and U.S.\$21.9 million for 2019 and 2018, respectively.

On May 5, 2017, Costa Norte entered into an agreement with Colón LNG Marketing S. de R.L. and Total Gas & Power Limited London for the use of the Colon Terminal. This agreement also governs the commercialization of LNG or re-gasified gas with several clients. The agreement is effective since May 1, 2019 and has a term of 10 years. As of December 31, 2019, Costa Norte received revenues of U.S.\$3.2 million under this agreement.

Changuinola PPA

AES Panamá entered into a power purchase agreement with AES Changuinola for a term of twenty years under which AES Panamá is supplied with firm capacity and energy. In August 2013, following a request by AES Changuinola to be relieved of its electricity supply commitment due to the extremely poor hydrological conditions, AES Panamá amended the PPA with AES Changuinola from a financial contract (whereby AES Changuinola was obligated to supply AES Panamá with a specified amount of energy at fixed prices by either generating the energy itself or purchasing it in the spot market) to a physical contract whereby AES Panamá is now obligated to purchase only the energy that AES Changuinola generates. For more information regarding this transaction, see "Risk Factors—The Companies' managing equity holders may exercise management control in a manner that differs from the Issuer's interests or your interests as a Noteholder." On November 25, 2013, AES Panamá acquired a 20% equity interest in the equity of AES Changuinola through the capitalization of a U.S.\$63.3 million account receivable that AES Changuinola owed to AES Panamá under the PPA. On December 7, 2015, amendment No.4 was signed. This amendment sets the power and energy prices contracted from 2023 until 2030, resulting from the act of tender ETESA 01-12. For more information regarding this transaction, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Companies—Generation by Changuinola."

In June 2015, AES Panamá entered into two 5-year reserve contracts with AES Changuinola, pursuant to which AES Panamá sells 13 MW to AES Changuinola and AES Changuinola sells back those 13 MW to AES Panamá at the same price and conditions. These agreements were amended in August 2017 and increased the contracted capacity and associated energy to 25 MW. These agreements expired in June 2020 and will not be renewed. These contracts have no net effect on AES Panamá's and AES Changuinola's results.

Any controversy or claim arising out of the Power Purchase Agreement is required to be settled exclusively by binding arbitration. The parties are required to submit the dispute to a single arbitrator mutually selected by the parties, and the parties are required to proceed diligently in order for the arbitrator to render a decision within ninety days from the filing of a demand for arbitration. The arbitration will be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association and will be governed by Panamanian law. The arbitrator does not have any powers to award punitive damages. Any decision or award of the arbitrator will be final and binding upon the parties.

PPAs with the Distribution Companies

AES Panamá has entered in to several PPAs with the Distribution Companies, in which the Panamanian government holds a minority participation, and which are AES Panamá's largest customers. AES Panamá derives a

large part of all of its revenues from sales of energy and capacity to the Distribution Companies under these PPAs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview" for more information regarding these agreements.

Insurance

AES Panamá maintains an all-risk insurance policy with ASSA Compañía de Seguros, S.A., which in turn diversifies risk by entering into reinsurance transactions.

Sale of Accounts Receivable

On December 19, 2014, AES Panamá executed a credit and rights assignment agreement with the Banco Panamá, S.A. and Oficina de Electrificación Rural, a Panamanian government entity, pursuant to which Banco Panamá, S.A. acquired and paid U.S.\$14.6 million for the accounts receivable held by the Issuer from Oficina de Electrificación Rural.

Gas Natural Atlántico Entities

In March 2016, AES Panamá entered into a master reserve agreement and a representation agreement with Gas Natural Atlántico. Pursuant to these agreements, AES Panamá will sell to and purchase from Gas Natural Atlántico, S.R.L. up to 35 MW of firm capacity on the general terms set out in those agreements. Specific terms, including volume, price and duration will be agreed upon and set out in a term sheet for each future sale.

In June 2016, AES Panamá granted a U.S.\$30.1 million unconditional and irrevocable guarantee in favor of Gas Natural Atlántico II, S.R.L, its affiliate, for payments of principal and interest on a U.S.\$60.0 million loan obtained by it for the construction of the transmission line required by the system to support natural gas generation growth projects in the province of Colón in return for a fee of 1.5% of the guaranteed amount (or U.S.\$0.5 million).

Costa Norte LNG Entities

In August 2016 AES Panamá entered into an expense reimbursement agreement with Costa for a total maximum amount of U.S.\$300,000, effective until the Colón Terminal's completion date. In April 2017 the first amendment to this agreement was signed, raising the reimbursement cap to U.S.\$603,000.

AES Changuinola

Administration Agreements

AES Changuinola maintains a technical assistance agreement with AES Servicios América, S.R.L., a subsidiary of AES Corporation. For the years ending December 31, 2018 and 2017, the fees were U.S.\$51,000 each year. In June of 2017 AES Changuinola contracted with AES Servicios América, S.R.L. for the provision of human resources, which for the years ending in December 31, 2018 and 2017 totaled U.S.\$11,000 and U.S.\$7,000 respectively.

Dividends

For the year ending December 31, 2017, AES Changuinola distributed a dividend of U.S.\$8.9 million. For the year ending December 31, 2018, no dividend was paid.

Insurance

AES Changuinola maintains an all risk insurance policy with ASSA Compañía de Seguros, S.A., which in turn diversifies risk by entering into reinsurance transactions.

Gas Natural Atlántico

Reimbursement of Expenses

On August 2, 2016 Gas Natural Atlántico signed a contract for reimbursement of expenses with The AES Corporation, with an effective term running since October 1, 2015, for a total maximum of U.S.\$2.2 million, as well as with AES Andres DR, S.A. for a total maximum of U.S.\$1.1 million.

On December 7, 2017 Gas Natural Atlántico signed a unanimous consent for reimbursement of expenses with AES Latin America for U.S.\$10,000.

Administrative Services

On June 24, 2016, Gas Natural Atlántico signed a contract for administrative services with AES Solutions, effective from the date of signing through September 2028 for an annual fee of U.S.\$739,000.

On August 1, 2016, Gas Natural Atlántico signed a contract for administrative services with AES Solutions, effective from May 13, 2016 for an annual fee of U.S.\$910,000 running until the start of operation of the plant in September 2018.

Intercompany Loan

On December 10, 2019, Gas Natural Atlántico signed an intercompany loan agreement with Gas Natural Atlántico II S.R.L. for a principal amount of U.S.\$3 million of which U.S.\$1.5 million was disbursed in December 2019 and U.S.\$1.0 million was disbursed in March 2020.

Costa Norte

Use, Operation, and Coordination of the Colón Terminal

On May 5, 2017, Costa Norte signed the Total TUA, which is a contract with Colón LNG Marketing, S. R.L. and Total ELF for the use of the Colón Terminal. This contract also governs the commercialization of LNG with the clients in place at the date of the signing, as well as any other clients that may become effective in the future operations of the Colón Terminal. Costa Norte was required to make the services under this contract available (a) from no earlier than May 1, 2019 but no later than January 1, 2020 (such date, the "Services Commencement Date") and (b) until the tenth anniversary of the Services Commencement Date, unless extended until a later date on or before December 31, 2030.

Reimbursement of Expenses

On August 2, 2016, Costa Norte signed a contract for reimbursement of expenses with The AES Corporation, effective from October 1, 2015 through May 31, 2019, for a maximum total reimbursement of U.S.\$4.7 million. This agreement is no longer in effect.

On December 7, 2017, Costa Norte signed a unanimous consent for reimbursement of expenses with AES Latin America for a maximum total reimbursement of U.S.\$19,000. This agreement is no longer in effect.

Administrative Services

On June 24, 2016, Costa Norte signed a contract for administrative services with AES Solutions, effective from the date of signing through September 2028 for an annual fee of U.S.\$317,000.

On August 1, 2016, Costa Norte signed a contract for construction administrative services with AES Solutions, effective from May 13, 2016 for an annual fee of U.S.\$390,000 running until the start of operation of the facility in August 2019. This agreement is no longer in effect.

Capital Contributions

During 2018, Costa Norte received capital contributions from Global Power Holdings (previously AES Elsta, B.V.) and Deeplight Holdings, for a total of U.S.\$34.6 million and U.S.\$34.5 million respectively. As of December 31, 2018 and 2017, Costa Norte had received contributions from Global Power Holdings and Deeplight Holdings for an aggregate U.S.\$265.7 million and U.S.\$196.6 million, respectively. Insurance

Costa Norte maintains an all risk insurance policy with ASSA Compañía de Seguros, S.A., which in turn diversifies risk by entering into reinsurance transactions. Costa Norte maintains various insurance policies with ASSA Compañía de Seguros, S.A.

DESCRIPTION OF THE FINANCING DOCUMENTS

Operating Company Loan Agreements

On or prior to the Issue Date, the Issuer will enter into three Operating Company Loan Agreements, under which it will act as the lender to each of: (a) AES Panamá as borrower, (b) AES Changuinola as borrower and (c) Costa Norte and Gas Natural Atlántico, as jointly and severally liable co-borrowers ((a), (b) and (c) each referred to for purposes of this section as an "Operating Company").

The Operating Company Loans Agreements will be governed by the laws of the State of New York.

Operating Company Loans, Repayment, Interest and Fees

The loans that the Issuer makes under the Operating Company Loan Agreements (the "Operating Company Loans") will be funded with the proceeds of the Notes and the Loan Facility on the Issue Date. In addition, the Issuer may fund additional Operating Company Loans thereunder in the future, requested by an Operating Company, with the proceeds of Additional Secured Debt and/or GPH Subordinated Loans (the Notes, the Loan Facility, the Additional Secured Debt and the GPH Subordinated Loans are referred to as the "Related FinCo Debt") or equity commitments to the Issuer. Each Operating Company will use the proceeds of the Operating Company Loans made to it on the Issue Date to repay the following existing indebtedness: (a) in the case of AES Panamá, to repay the AES Panamá Notes and the loans outstanding under the AES Panamá's acquisition financing for Penonomé in full and to finance capital expenditures for the development of new solar projects, (b) in the case of AES Changuinola, to repay the AES Changuinola Series B Bonds in full and (c) in the case of Costa Norte and Gas Natural Atlántico, to repay the Colón Facility Financing in full and to lend to Gas Natural Atlántico II S.R.L. to refinance existing indebtedness related to the construction of the transmission line required by the system to support the development of the Colón Plant.

The Issuer may at any time make Operating Company Loans under the Operating Company Loan Agreements. Each Operating Company Loan will be evidenced by a New York law promissory note that will set out the interest rate, principal amount and repayment schedule of that Operating Company Loan, which will match the economic terms of the tranche of Related FinCo Debt that the Issuer uses to fund the Operating Company Loan on a back-to-back basis. Promissory notes in respect of Operating Company Loans made with proceeds of the Loan Facility will contain certain additional covenants and events of default that will not be included in promissory notes relating to the Operating Company Loans funded with the proceeds of the Notes. Some of these covenants include covenants of the Operating Companies in respect of integrity and environmental and social matters required by our Lenders under the Loan Facility.

There are no fixed commitment amounts, interest rates or fees under the Operating Company Loan Agreements other than:

- (a) a monthly fee (by transfer to the Issuer Local Account) which the Operating Companies may pay in respect of certain operating expenses of and taxes payable by the Issuer, such fees not to exceed in any calendar year U.S.\$1,500,000 for all of the Operating Companies;
- (b) each Operating Company's share of any fees payable by the Issuer to the Secured Parties (including a guarantee fee in the amount not to exceed 0.75% per annum on the principal amount of that Operating Company's Operating Company Loan to the extent funded with proceeds of the loans outstanding under the Credit Agreement from time to time payable by the Issuer to GPH, which fee will (i) accrue but will not be payable while any Liquidity Loans are outstanding and (ii) be subordinated to the Liquidity Loans and the Term Loans), where an Operating Company's proportionate share will be, with respect to any tranche of Related FinCo Debt used to fund Operating Company Loans to that Operating Company, the proportion that the aggregate principal amount of all Operating Company Loans outstanding under that tranche bears to the aggregate principal amount of all Operating Company Loans funded with proceeds from the same tranche of Related FinCo Debt (if any) of the other Operating Companies) within five days of its receipt of a written notice from the Issuer, and

- (c) an additional default interest rate of 2.0% per annum for late payments over the interest rate applicable to the relevant Operating Company Loan.

Fees, indemnification payments and other non-recurring payments (including fees under the Credit Agreement) will be made by the Operating Companies to the extent the Issuer notifies the Operating Companies that it is required to make any such payment in connection with any Related FinCo Debt.

Prepayments

Each Operating Company may voluntarily prepay the Operating Company Loans under any one or more tranches of Related FinCo Debt upon no less than five business days' notice to the Issuer. The amount of any such voluntary prepayment may not exceed the aggregate principal amount of the Related FinCo Debt in respect of such Operating Company Loans. Any such notice is irrevocable except if, and only to the extent that, the Secured Parties holding the relevant Related FinCo Debt decline or refuse such prepayment, in which case the Issuer may decline the voluntary prepayment by such Operating Company.

Each Operating Company Loan Agreement requires that the relevant Operating Company make a mandatory prepayment of Operating Company Loans following the occurrence of any of the following:

- (a) an asset sale, with excess proceeds from such asset sale as determined in accordance with the asset sale negative covenant;
- (b) with expropriation proceeds, in the amount thereof and within five business days after receipt by the Operating Company of such expropriation proceeds;
- (c) with casualty proceeds, as and to the extent required by the insurance covenant;
- (d) upon a Change of Control, in the amount, and on the same date, that any Related FinCo Debt is required to be prepaid or redeemed; and
- (e) if any Related FinCo Debt is required to be prepaid or redeemed (other than (A) in connection with any voluntary prepayment or mandatory prepayment otherwise described in the Operating Company Loan Agreement or (B) by the Issuer with cash on hand), in the Operating Company's proportionate share of, and on the business day preceding the date of, such required prepayment or redemption required to be made by the Issuer.

The Issuer may have to pay additional amounts in certain other situations and the Operating Company Loans must also cover such obligation. To the extent that the Issuer is required to pay any additional amount (including any accrued but unpaid interest, fee, premium, unwinding cost, redeployment cost, breakage cost, make-whole amount or any similar charge or expense) in respect of any Related FinCo Debt as a result of any voluntary or mandatory prepayment by an Operating Company, or as a result of the prepayment or redemption of any Related FinCo Debt as a result of an acceleration of the Operating Company Loans (or any tranche thereof), that Operating Company will make a corresponding payment, in its proportionate share of the applicable amount, to the Issuer no later than one (1) business day prior to the due date of that additional amount.

Each Operating Company will make all payments required to be made to the Issuer under its Operating Company Loan Agreement to the Issuer Collection Account for application in accordance with the Onshore Trust and Assignment Agreement.

"Change of Control" means, for purposes of the Operating Company Loan Agreements, the occurrence of one or more of the following events: (a) AES ceases to own, directly or indirectly, the percentage of the equity interests of the applicable Operating Company that it owned as of the date of the Operating Company Loan Agreement entitled to vote at meetings of shareholders of that Operating Company; (b) AES (including through an Affiliate thereof) at any time ceases to have the power to direct the management and/or the policies of that Operating Company; or (c) the adoption of a plan relating to the liquidation or dissolution of that Operating Company.

Covenants

Pursuant to each Operating Company Loan Agreement, the relevant Operating Company is subject to certain affirmative covenants, including, among others, the following (with certain exceptions and qualifications):

- (i) timely payment of obligations, liabilities and taxes;
- (ii) maintenance of corporate existence, material licenses and franchises and conduct of its business in accordance with sound engineering, financial and business practices;
- (iii) use of proceeds;
- (iv) compliance with applicable laws and timely filing and payment of taxes;
- (v) maintenance of books and records and internal account systems in accordance with accounting standards and applicable laws;
- (vi) maintenance of an acceptable accounting firm as its auditor and notification to the Issuer in case of any change in the auditor and the reason for such change;
- (vii) further assurances to execute any document or undertake any act reasonably necessary to give effect to the transactions under the Operating Company Loan Agreement;
- (viii) to take or cause all actions under applicable law necessary to perfect a first priority security interest in the Collateral;
- (ix) pari passu nature of Operating Company Loans and all other amounts due under its Operating Company Loan Agreement;
- (x) maintenance of all governmental authorizations required by applicable law;
- (xi) maintenance of properties in good condition, repair and working order;
- (xii) maintenance of insurance in accordance with prudent industry practices and payment of any proceeds therefrom in excess of U.S.\$10 million as a mandatory prepayment;
- (xiii) payment of all management fees (excluding any amounts thereof comprising actual out-of-pocket costs, salaries and other non-profit components) due and payable to GPH or any other affiliate of the Operating Company to the relevant GPH Dividend Collection Account; and
- (xiv) delivery of :
 - (A) quarterly and annual financial statements (within 120 days of year end for delivery of annual financial statements and within 60 days of quarter end for quarterly financial statements, with time extensions to the extent any regulatory authority in Panama or the SEC extends any period for reporting of financial statements, to the extent of and for the same time period as such extension), accompanied by an officer's certificate stating that such financial statements fairly present the financial condition of the Operating Company and its subsidiaries, and with annual financial statements accompanied by an audit opinion;
 - (B) a copy of any material management letter or other material communication sent by its auditor;
 - (C) the occurrence of any event or condition that has or could reasonably be expected to have a material adverse effect;
 - (D) any litigation that has or could reasonably be expected to have a material adverse effect;
 - (E) any event of default or potential event of default or the occurrence of a Change of Control;

- (F) any information requested by the Issuer in order to comply with the Secured Parties' "know your customer" requirements;
- (G) any other information the Issuer may reasonably request regarding the Operating Company, its subsidiaries or their respective assets;
- (H) any public filings made by the Operating Company or its subsidiaries with any securities exchange or securities regulatory agency; and
- (I) within 90 days following each year end, an officer's certificate as to the Operating Company's compliance with the Operating Company Loan Agreement.

Each Operating Company Loan Agreement also contains the following negative covenants that, subject to certain exceptions and permitted thresholds, limit the ability of the relevant Operating Company to, among others:

- (a) incur, or permit its restricted subsidiaries to incur, debt, unless either
 - (i) (A) prior to and after giving pro forma effect to the incurrence of such Indebtedness and application of the proceeds therefrom no FincCo Default will have occurred and be continuing, or would occur as a consequence thereof, under the Secured Debt Documents; (B) no event of default or potential event of default (as described under "*—Events of Default and Remedies*") under that Operating Company Loan Agreement will have occurred and be continuing, or would occur as a consequence thereof; and (C) after giving pro forma effect to the incurrence of that debt and the application of the proceeds of that debt, for any incurrence (1) before January 1, 2023, each of the OpCo Leverage Ratio for the applicable Operating Company (as defined below) and the Combined Leverage Ratio (as defined below) would be less than 4.60:1.00, (2) on or after January 1, 2023 and before January 1, 2025, each of the OpCo Leverage Ratio for the applicable Operating Company and the Combined Leverage Ratio would be less than 3.75:1.00 and (3) on or after January 1, 2025, each of the OpCo Leverage Ratio for the applicable Operating Company and the Combined Leverage Ratio would be less than 3.60:1.00 or
 - (ii) such debt is Permitted Debt (as defined below).
- (b) create liens (other than Permitted Liens (as defined below));
- (c) enter into transactions with affiliates, unless:
 - (i) (A) such transaction would be on arm's-length terms and (B) and the Operating Company delivers to the Issuer (1) for any transaction greater than U.S.\$10,000,000, a board resolution and officer's certificate certifying that such transaction complies with this affiliates covenant and has been approved (or ratified within 60 days after such transaction) by a majority of the disinterested members of the Operating Company, if any and (2) for any transaction greater than U.S.\$20,000,000, an opinion by an independent accounting, appraisal or investment banking firm stating such transaction is fair to the Operating Company or its restricted subsidiary from a financial point of view; or
 - (ii) such transaction is a Permitted Affiliate Transaction (as defined below);
- (d) change its organizational documents, its financial year or its accounting principles;
- (e) make sales and other dispositions of assets (including equity interests in subsidiaries), unless (i) the Operating Company (or its restricted subsidiary, as applicable) receives consideration equal to the fair market value of the assets or equity interests being issued, sold or otherwise disposed of and (ii) at least 75% of the consideration received therefor constitutes (A) cash or cash equivalents, (B) Replacement Assets, (C) liabilities of the Operating Company or its restricted subsidiaries that are assumed by the transferee of such assets or equity interests and for which the Operating Company and all of its restricted subsidiaries have been released or (D) any combination thereof; provided that

- (i) within 365 days after receipt of net cash proceeds from such sale or disposition of assets, the applicable Operating Company or restricted subsidiary may apply those net cash proceeds (A) to make a voluntary prepayment of its Operating Company Loan or repay other debt (and if that debt is revolving credit debt, to correspondingly reduce the commitments thereof); (B) purchase Replacement Assets no later than 365 days after the applicable sale or disposition of assets; (C) make capital expenditures of the Operating Company or a restricted subsidiary; or (D) make an excess proceeds payment (so long as such excess proceeds total at least U.S.\$20,000,000 and the Issuer instructs the relevant Operating Company to do so), which the Issuer will apply to offer to purchase all or a portion of the Notes as set forth under "Description of Notes—Repurchase Upon Asset Sale Repurchase Event" and thereafter to prepay the Loan Facility; and
 - (ii) if AES Panamá enters into a Bayano Transaction that constitutes an Asset Sale, AES Panamá will not be required to make any prepayment as described in the paragraph above if either (A) after giving pro forma effect to the sale or disposition of assets and the application of proceeds (if any) to make any related prepayment of the Operating Company Loan, AES Panamá's OpCo Leverage Ratio will be (1) less than 4.60:1.00 if the sale or disposition of assets is consummated prior to January 1, 2023, (2) less than 3.75:1.00 if the sale or disposition of assets is consummated on or after January 1, 2023 and prior to January 1, 2025 or (3) less than 3.60:1.00, if the sale or disposition of assets is consummated on or after January 1, 2025; or (ii) a rating affirmation with respect to the Notes (taking into account such Bayano Transaction) has occurred;
- (f) enter into, or permit its restricted subsidiaries to enter into, sale and leaseback transactions with assets with a fair market value greater than \$1,000,000, unless (i) such transaction would be permitted under clause (a) of this section, (ii) the gross cash proceeds of such transaction are at least equal to the fair market value of the asset subject to such transaction, (iii) a Permitted Lien can be incurred to secure such transaction and (iv) the Operating Company, within 180 days, either applies an amount equal to the financial leases in respect of such transaction to prepay its indebtedness ranking at least on parity with the Operating Company Loans or to acquire, purchase, construct, develop, extend or improve an asset used in its ordinary course of business;
- (g) enter into or permit its subsidiaries to enter into or permit any encumbrance or restriction on it or such subsidiaries to pay dividends or other amounts to the Operating Company, make loans to the Operating Company or transfer any of its property to the Operating Company or another restricted subsidiary, subject to certain exceptions;
- (h) engage or permit a restricted subsidiary to engage in any business other than permitted businesses; provided that this restriction will not prohibit a Bayano Transaction;
- (i) compensate or permit a restricted subsidiary to compensate any Secured Party or GPH for any consent, waiver or amendment; and
- (j) consolidate or merge with another person or sell or transfer all or substantially all of its property, unless:
 - (i) immediately after such transaction, no event of default or potential event of default under the Operating Company Loan Agreement exists;
 - (ii) either the Operating Company is the surviving entity or the surviving entity, among other things, assumes the obligations of the Operating Company under its Operating Company Loan Agreement;
 - (iii) other than for transactions between the Operating Company and any of its restricted subsidiaries, immediately after such transaction, either (A) the surviving entity can incur at least U.S.\$1.00 of additional debt under clause (a) of this section or (B) for any transaction consummated (1) before January 1, 2023, each of the OpCo Leverage Ratio and the Combined Leverage Ratio would be less than 4.60:1.00, (2) on or after January 1, 2023 and before January 1, 2025, each of the OpCo Leverage Ratio and the Combined Leverage Ratio would be less than 3.75:1.00 and (3) on or after January 1, 2025, each of the OpCo Leverage Ratio and the Combined Leverage Ratio would be less than 3.60:1.00 and (iv) the Operating Company delivers to the Issuer an officer's certificate showing

compliance with the requirements of the merger covenant described in this clause (j) and a legal opinion satisfactory to the Intercreditor Agent; provided that a Bayano Transaction is excluded from this covenant.

The Operating Companies are not restricted from making distributions. However, pursuant to the Dutch Account Security Agreement, GPH, as the majority shareholder in each Operating Company, has pledged to the Secured Parties all of its rights to receive distributions from each Operating Company and is restricted from making distributions unless certain distribution conditions are satisfied.

"Bayano Transaction" means for purposes of the Operating Company Loan Agreements, any transaction negotiated on an arm's length basis between the Operating Company (or any of its Affiliates) and the Republic of Panama (or any Governmental Authority thereof) relating to the ownership and/or purpose of the Bayano Project consisting of the 260MW reservoir-based hydroelectric power plant located on the Bayano River in the province of Panama.

"Calculation Period" means, for purposes of the Operating Company Loan Agreements, for any historic Calculation Period, the four financial quarters ending on the last day of the most recent financial quarter for which financial statements are available and for any projected Calculation Period, the four financial quarters beginning on the last day of the financial quarter for which financial statements are available.

"Combined EBITDA" means for any period, Combined Net Income for such period plus, without duplication and to the extent deducted in determining Combined Net Income for such period, the sum of (a) interest expense, (b) provision for taxes based on income, (c) depreciation expense, (d) amortization expense, (e) unusual or non-recurring charges, expenses or losses, (f) any management fee paid by the Issuer to GPH (excluding, for the avoidance of doubt, any amounts thereof comprising actual out-of-pocket costs, salaries and other non-profit components), and (g) other non-cash charges, expenses or losses (excluding any such non-cash charge to the extent it represents an accrual or reserve for potential cash charge in any future period or amortization of a prepaid cash charge that was paid in a prior period), minus, to the extent included in determining Combined Net Income for such period, the sum of (i) unusual or non-recurring gains and non-cash income, (ii) any other non-cash income or gains increasing Combined Net Income for such period (excluding any such non-cash gain to the extent it represents the reversal of an accrual or reserve for potential cash charge in any prior period) and (iii) any gains realized from the disposition of property outside of the ordinary course of business, all as determined on a consolidated basis.

"Combined Net Income" means, for any period, the net income (or loss) of the Issuer and the Operating Companies combined on a *pro forma* basis as if the Operating Companies were wholly owned Subsidiaries (in accordance with clause (b) of the definition thereof) of the Issuer in accordance with IFRS, U.S. GAAP or GAAP as applied in Panama; excluding (a) the income (or deficit) of any person accrued prior to the date it becomes a restricted subsidiary of any Operating Company or is merged into or consolidated with any Operating Company or any such restricted subsidiary, (b) the income (or deficit) of any person (other than a restricted subsidiary of any Operating Company) in which that Operating Company has an ownership interest, except to the extent that any such income is actually received by that Operating Company in the form of dividends or similar distributions and (c) the undistributed earnings of any Subsidiary (in accordance with clause (b) of the definition thereof) of the Operating Companies to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any contractual obligation or applicable law applicable to such Subsidiary.

"OpCo Net Tangible Assets" means the total of all assets appearing on a combined balance sheet of an Operating Company and its restricted subsidiaries, net of all applicable reserves and deductions, but excluding goodwill, trade names, trademarks, patents, unamortized debt discount and all other like intangible assets, less the aggregate of the current liabilities of that Operating Company and its restricted subsidiaries appearing on such balance sheet as determined in accordance with IFRS, U.S. GAAP or GAAP as applied in Panama.

"Combined Leverage Ratio" means, for purposes of the Operating Company Loan Agreements, for any Calculation Period, the ratio of (a) Combined Total Debt to (b) Combined EBITDA.

"Combined Total Debt" means, as of any date of determination, the aggregate stated balance sheet amount of all debt of the Issuer and the Operating Companies (or, if higher, the par value or stated face amount of all such debt (other than zero coupon debt)) combined on a *pro forma* basis as if the Operating Companies were wholly owned

Subsidiaries of the Issuer in accordance with IFRS, U.S. GAAP or GAAP as applied in Panama, on such date, but excluding (a) any operating leases or portion thereof treated as debt by application of IFRS 16 and any liability in respect of a lease or hire purchase contract which would, in accordance with IFRS in force prior to January 1, 2019, have been treated as an operating lease and (b) any contingent obligations arising under (i) letters of credit, bankers' acceptances and bank guaranties and (ii) surety bonds, performance bonds and similar instruments issued or created by or for the account of the Issuer or an Operating Company.

"Issuer Loan Agreements" means for the purposes of the Operating Company Loan Agreements, the Loan Facility, any subsequent loan facility on similar terms, and the Initial Liquidity Facility.

"OpCo Leverage Ratio" means, for purposes of the Operating Company Loan Agreements, for any Operating Company and for any Calculation Period, the ratio of such Operating Company's total debt to its adjusted EBITDA.

"Permitted Affiliate Transaction" means, for purposes of the Operating Company Loan Agreements, for any Operating Company:

- (a) transactions between or among the Operating Company and any of its restricted subsidiaries or any other Operating Company and its restricted subsidiaries;
- (b) transactions between the Operating Company or any of its restricted subsidiaries and the government of Panama, including any affiliate transaction required as part of a Bayano Transaction with respect to AES Panamá;
- (c) any permitted investment;
- (d) the Operating Company Loan Agreements and the loan documents thereunder;
- (e) transactions pursuant to agreements in effect at the time of entry into the Operating Company Loan Agreement and described in this Offering Memorandum and amendments thereto, so long as they are not materially more disadvantageous to the Operating Company and its restricted subsidiaries; provided, that, for the avoidance of doubt, an increase in management fees that is generally commensurate with an increase in revenues, operations, assets, business lines, management responsibilities, regulatory or compliance burdens, litigation support, information technology, legal or accounting issues or other similar situations, events or occurrences would not be considered materially more disadvantageous for purposes of this clause;
- (f) payments by an Operating Company or any of its restricted subsidiaries pursuant to tax sharing agreements among that Operating Company and its restricted subsidiaries and any direct or indirect parent company, up to the amount that Operating Company or its restricted subsidiaries would be required to pay in taxes;
- (g) payment of reasonable and customary fees to, and reasonable and customary indemnification arrangements on behalf of, administrators of the Operating Company or any of its restricted subsidiaries;
- (h) employment, consulting, service and termination agreements (and customary indemnification arrangements related thereto) entered into by the Operating Company or any of its restricted subsidiaries with their officers and employees that have been approved by the Operating Company's board of administrators and a majority of the disinterested members, if any;
- (i) transactions with a Receivables Entity as part of a Qualified Receivables Transaction on an arm's length basis;
- (j) amendments to any management agreements or servicing fees in place as of the date of the Operating Company Loan Agreements will be subject to the requirements applicable to transactions with affiliates greater than U.S.\$10,000,000; provided that any transactions between (1) Costa Norte and/or Gas Natural Atlántico and (2) AES Dominicana or Colón LNG Marketing S. de R.L. (A) shall be subject to the requirements applicable to transactions with affiliates greater than U.S.\$10,000,000, regardless of the amount of the aggregate consideration with respect to such transaction and (B) the related board

resolution must have been approved by the majority of directors appointed by the disinterested members, if any;

- (k) for Costa Norte and Gas Natural Atlántico, transactions between themselves; and
- (l) transactions between the Operating Company and the Issuer if such transaction could not reasonably be expected to have a material adverse effect on (i) the business, financial condition or results of operations of the Operating Company and its restricted subsidiaries, taken as a whole; (ii) the ability of the Operating Company to perform its obligations under the Operating Company Loan Agreement or any related loan documents; (iii) the legality, validity or enforceability of any or related loan documents or any material provision thereof; or (iv) the ability of the Issuer to enforce any of the obligations of the Operating Company under the Operating Company Loan Agreement or any related loan documents, or any of its rights and remedies under the Operating Company Loan Agreement or any related loan documents (provided that, for purposes of determining the existence of a material adverse effect as a result of any of the foregoing clauses (i) through (iv), prior to the one-year anniversary of the closing date of the Operating Company Loan Agreement, any actual or potential impact, direct or indirect, arising as a result of or related to (or that could reasonably be expected to arise out of or result from) the COVID-19 pandemic will be excluded from and will not constitute, result in or otherwise have (or reasonably be expected to constitute, result in or otherwise have) a material adverse effect).

"Permitted Debt" means, for purposes of the Operating Company Loan Agreements, subject to certain exceptions, qualifications and permitted thresholds:

- (a) unsecured debt of any Operating Company and its restricted subsidiaries, so long as the Issuer's obligations under the Credit Agreement remain outstanding, in an aggregate amount at any one time outstanding of U.S.\$25,000,000 (in the case of Gas Natural Atlántico and Costa Norte, U.S.\$25,000,000 for each such Operating Company and its restricted subsidiaries), and thereafter, up to the greater of U.S.\$25,000,000 (in the case of Gas Natural Atlántico and Costa Norte, U.S.\$25,000,000 for each such Operating Company and its restricted subsidiaries) and 5% of the OpCo Net Tangible Assets of that Operating Company at the time of such incurrence;
- (b) certain existing indebtedness of the Operating Companies until the effective date of the Operating Company Loan Agreements (except for certain debt of AES Changuinola in respect of its Series A 2023 Bonds and a revolving credit facility, which will remain outstanding until the respective maturity dates thereof);
- (c) the Operating Company Loans and other obligations owed under the loan documents associated with the Operating Company Loan Agreements;
- (d) financial leases, mortgage financings or purchase money obligations incurred to finance the acquisition, construction or improvement of property or equipment used in each Operating Company's (or its restricted subsidiary's) business, including Permitted Refinancing Indebtedness used to refinance any such indebtedness, not to exceed U.S.\$10,000,000 for so long as the Loan Obligations remain outstanding, and thereafter U.S.\$75,000,000 with respect to AES Panamá, U.S.\$50,000,000 with respect to Gas Natural Atlántico and Costa Norte, together, and U.S.\$25,000,000 with respect to AES Changuinola;
- (e) Permitted Refinancing Indebtedness of each Operating Company or any of its restricted subsidiaries to refund, refinance or replace any other Permitted Debt;
- (f) unsecured and subordinated indebtedness of any Operating Company or any of its restricted subsidiaries owing to such Operating Company, the Issuer or any of such Operating Company's restricted subsidiaries;
- (g) guarantees by any Operating Company or its restricted subsidiaries of other Permitted Debt;

- (h) obligations of any Operating Company or its restricted subsidiaries under derivative transactions for the purpose of fixing, hedging or swapping interest rate, commodity price or foreign exchange rate risk;
- (i) indebtedness of any Operating Company or its restricted subsidiaries from agreements for indemnification, adjustment or purchase price or similar obligations, or guarantees, letters of credit, surety bonds or performance bonds securing any obligations of such Operating Company or its restricted subsidiaries pursuant to such agreements, in any case incurred in connection with an asset sale of any business, assets or equity interests of a restricted subsidiary (other than guarantees of indebtedness incurred by any person acquiring all or any portion of such business, assets or equity interests of a restricted subsidiary for the purpose of financing such acquisition), so long as the amount does not exceed the gross proceeds actually received by the Operating Company or any restricted subsidiary in connection with such asset sale;
- (j) indebtedness from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business (if extinguished within ten business days of incurrence);
- (k) reimbursement obligations for letters of credit or other indebtedness issued in the ordinary course of business, including for workers' compensation claims (if reimbursed within 30 days of incurrence);
- (l) banker's acceptances, deposits, promissory notes, self-insurance obligations and performance, surety or similar bonds, or letters of credit provided by any Operating Company or its restricted subsidiaries in the ordinary course of business;
- (m) indebtedness of any Operating Company or its restricted subsidiaries to the extent the net cash proceeds thereof are promptly deposited to satisfy and discharge the Related FinCo Debt;
- (n) indebtedness or certain equity interests of any Operating Company or any of its restricted subsidiaries incurred to finance an acquisition, or of persons that acquired by, or merged with or into, such Operating Company or any of its restricted subsidiaries;
- (o) indebtedness in a Qualified Receivables Transaction that is without recourse to the Operating Company or any other subsidiary of such Operating Company or their assets (other than a receivables entity and its assets and, as to such Operating Company or any of its subsidiaries, other than pursuant to standard receivables undertakings) and is not guaranteed by any such person; and
- (p) additional unsecured indebtedness of any Operating Company or any of its restricted subsidiaries in an aggregate amount at any one time outstanding, including all Permitted Refinancing Indebtedness incurred to refinance any such indebtedness, not to exceed (i) for AES Panamá, U.S.\$75,000,000, for the development, construction, operation and/or acquisition of one or more renewable energy assets and (ii) for Costa Norte and GNA, U.S.\$50,000,000 to fund capital expenditures related to the transportation and export of liquid natural gas, including any terminal upgrades.

"Permitted Liens" means for purposes of the Operating Company Loan Agreements, with respect to any Operating Company:

- (a) liens in favor of the Operating Company;
- (b) liens on property or assets of a person existing at the time a person is merged or consolidated with the Operating Company or any of its restricted subsidiaries, or liens on the assets of any person existing at the time such person becomes a restricted subsidiary;
- (c) liens on property or assets (including equity interests) existing at the time of acquisition thereof by the Operating Company or any of its restricted subsidiaries;
- (d) certain existing liens on the date of the Operating Company Loan Agreement to which the Operating Company is a party;

- (e) liens securing Permitted Refinancing Indebtedness;
- (f) liens on property or assets securing indebtedness not prohibited by the Operating Company Loan Agreements or the Secured Debt Documents, and used to discharge the Secured Debt;
- (g) liens on assets transferred to or held by a receivables entity incurred in connection with a Qualified Receivables Transaction;
- (h) liens on Receivables Assets from a Qualified Receivables Transaction;
- (i) liens on cash equivalents securing derivative transactions of the Operating Company or any of its restricted subsidiaries either (i) for the purpose of fixing, hedging or swapping interest rate, commodity price or foreign exchange rate risk in respect of Permitted Debt or (ii) securing letters of credit that support such derivative transactions;
- (j) liens incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance or other social security obligations;
- (k) liens to secure indebtedness permitted by clause (d) of the definition of Permitted Debt so long as any such lien covers only the assets acquired, constructed or improved with such indebtedness and is created within 180 days of such acquisition, construction or improvement;
- (l) liens, deposits or pledges to secure the performance of bids, tenders, contracts, leases or similar obligations in the ordinary course of business;
- (m) liens, deposits or pledges to secure public or statutory obligations, surety, stay, appeal, indemnity, performance or similar bonds or obligations; and liens, deposits or pledges in lieu of such bonds or obligations, or to secure such bonds or obligations, or to secure letters of credit in lieu of or supporting the payment of such bonds or obligations;
- (n) liens in favor of collecting or payor banks having a right of setoff, revocation, refund or chargeback with respect to money or instruments of the Operating Company or any of its restricted subsidiaries on deposit with or in possession of such bank;
- (o) any interest or title of a lessor or licensor in property (other than property subject to a sale and leaseback transaction);
- (p) liens on equity interests of an unrestricted subsidiary;
- (q) liens on the assets of the Operating Company or any of its restricted subsidiaries for taxes, governmental charges or claims not yet due or that can be paid thereafter without penalty or are being contested in good faith;
- (r) liens securing claims of laborers, workmen, suppliers, carriers or vendors or claims provided by law that are being contested in good faith;
- (s) liens required by contract or statute to permit the Operating Company or any of its restricted subsidiaries to perform any contract or at the request of a governmental entity or to secure partial progress, advance or any other payments to the Operating Company or any of its restricted subsidiaries by a governmental entity pursuant to a contract or statute;
- (t) liens arising by operation of law;
- (u) liens resulting from litigation being contested in good faith and for which reserves as required by accounting standards have been made; and
- (v) any other liens securing indebtedness of the Operating Company or any of its restricted subsidiaries in an aggregate principal amount up to, (i) so long as the Loan Obligations remain outstanding,

U.S.\$40,000,000 for AES Panamá, U.S.\$30,000,000 in the aggregate for Costa Norte and Gas Natural Atlántico and U.S.\$10,000,000 for AES Changuinola, and (ii) thereafter, the greater of U.S.\$40,000,000 for AES Panamá, U.S.\$30,000,000 in the aggregate for Costa Norte and Gas Natural Atlántico and U.S.\$10,000,000 for AES Changuinola or 5% of the relevant OpCo Net Tangible Assets.

"Permitted Refinancing Indebtedness" means, for purposes of the Operating Company Loan Agreements, indebtedness of any Operating Company issued in exchange for, or the proceeds of which are used to refinance or discharge other indebtedness of such Operating Company, provided that (a) the principal amount of such Permitted Refinancing Indebtedness is not greater than the indebtedness to be refinanced; (b) such Permitted Refinancing Indebtedness has a weighted average life to maturity equal to or greater than the weighted average life to maturity of the indebtedness being refinanced; and (c) if the indebtedness being refinanced is subordinated in right of payment to the obligations under the Operating Company Loan Agreements, such Permitted Refinancing Indebtedness is subordinated on terms at least as favorable to the Issuer.

"Qualified Receivables Transaction" means any transaction or series of transactions entered into by an Operating Company or any of its restricted subsidiaries pursuant to which that Operating Company or any of its restricted subsidiaries sells, conveys or otherwise transfers to (a) a Receivables Entity (in the case of a transfer by that Operating Company or any of its restricted subsidiaries) or (b) any other person (in the case of a transfer by a Receivables Entity), or transfers an undivided interest in or grants a security interest in, any Receivables Assets (whether now existing or arising in the future) of that Operating Company or any of its restricted subsidiaries.

"Receivables Assets" means any accounts receivable and any assets related thereto, including all collateral securing such accounts receivable and assets and all contracts and contract rights, and all guarantees or other supporting obligations (within the meaning of the UCC Section 9-102(a)(77)) (including obligations under derivative transactions), in respect of such accounts receivable and assets and all proceeds of the foregoing and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitization transactions involving Receivables Assets.

"Receivables Entity" means a Subsidiary of an Operating Company (or another person formed for the purposes of engaging in a Qualified Receivables Transaction in which that Operating Company or any of its Subsidiaries makes an investment and to which that Operating Company or any of its Subsidiaries transfers Receivables Assets) which engages in no activities other than in connection with the financing of Receivables Assets of that Operating Company or its Subsidiaries, and any business or activities incidental or related to such financing, and which is designated by the Board of Administrators of the Operating Company or of such other person (as provided below) to be a Receivables Entity (a) no portion of the indebtedness or any other obligations under the Operating Company Loans (contingent or otherwise) of which (1) is guaranteed by that Operating Company or any of its Subsidiaries (excluding guarantees of obligations under the Operating Company Loans (other than the principal of, and interest on, indebtedness) pursuant to Standard Receivables Undertakings), (2) is recourse to or obligates that Operating Company or any of its Subsidiaries in any way other than pursuant to Standard Receivables Undertakings or (3) subjects any property or asset of that Operating Company or any of its Subsidiaries (other than Receivables Assets and related assets as provided in the definition of "Qualified Receivables Transaction"), directly or indirectly, contingently or otherwise, to the satisfaction thereof other than pursuant to Standard Receivables Undertakings, (b) with which neither that Operating Company nor any of its Subsidiaries has any material contract, agreement, arrangement or understanding (other than on terms which that Operating Company reasonably believes to be no less favorable to that Operating Company or such Subsidiary than those that might be obtained at the time from persons who are not affiliates of that Operating Company) other than fees payable in the ordinary course of business in connection with servicing Receivables Assets, and (c) with which neither that Operating Company nor any of its Subsidiaries has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results. Any such designation by the Board of Administrators of that Operating Company or of such other person will be evidenced to the Intercreditor Agent by filing with the Intercreditor Agent a certified copy of a resolution of the Board of Administrators of the Operating Company or of such other Person giving effect to such designation, together with an officer's certificate certifying that such designation complied with the foregoing conditions.

"Standard Receivables Undertakings" means representations, warranties, covenants and indemnities entered into by an Operating Company or any Subsidiary of it which are customary in a Qualified Receivables Transaction,

including those relating to the servicing of the assets of a Receivables Entity, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Receivables Undertaking.

"Receivables Repurchase Obligation" means any obligation of a seller of Receivables Assets in a Qualified Receivables Transaction to repurchase Receivables Assets arising as a result of a breach of a Standard Receivables Undertaking, including as a result of a Receivables Asset or portion thereof becoming subject to any asserted defense, dispute, offset or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"Replacement Assets" means for purposes of the Operating Company Loan Agreements, (a) non-current assets used in the business of the Operating Company; (b) substantially all the assets of a business related to the business of the Operating Company; (c) a majority of the equity interests of any person engaged in a business related to the business of the Operating Company that will become a restricted subsidiary upon acquisition of such equity interests (provided that for a Bayano Transaction, such equity interests may relate to an entity that may become an unrestricted subsidiary); or (d) in connection with a Bayano Transaction only, a minority of the equity interests of any person engaged in a business related to the business of the Operating Company.

"Subsidiary" means, for purposes of the Operating Company Loan Agreements, (a) as to an Operating Company, each restricted subsidiary and unrestricted subsidiary of that Operating Company and (b) as to any person, an affiliate over fifty percent (50%) of whose equity interests is owned, directly or indirectly, by such person. Unless otherwise specified herein, "Subsidiary" means a subsidiary of the Operating Company.

Events of Default and Remedies

Under each Operating Company Loan Agreement, each of the following events will constitute an event of default unless waived or cured within the cure period and in the manner set forth in such Operating Company Loan Agreement:

- (a) failure to pay any principal of any Operating Company Loan, any interest or fees on any Operating Company Loan or any other amount payable under the Operating Company Loan Agreement, in any such case, within 30 days following the date on which such payment was due;
- (b) failure to comply with (i) certain affirmative covenants under the Operating Company Loan Agreement relating to the purpose of the Operating Company Loans, corporate existence, use of proceeds, maintenance of an auditor, pari passu obligations, reporting requirements regarding defaults and Change of Control or any of the negative covenants or (ii) any other obligation, which failure is capable of cure and remains unremedied for 30 days following the earlier of the date of notice or awareness thereof;
- (c) misrepresentation, unless such misrepresentation is capable of cure and is remedied within 10 days of the earlier of the date of notice or awareness thereof;
- (d) expropriation or nationalization;
- (e) any involuntary or voluntary insolvency, bankruptcy or analogous procedure against the Operating Company or any restricted subsidiary;
- (f) attachment or analogous process levied or enforced against the Operating Company or any restricted subsidiary for an amount in excess of U.S.\$10 million (or its equivalent in other currencies and in the aggregate), and such attachment or process is not discharged within 60 days;
- (g) final judgments, orders or arbitral awards against the Operating Company or any restricted subsidiary for an amount in excess of U.S.\$10 million (or its equivalent in other currencies and in the aggregate), and (i) enforcement proceedings are commenced by any creditor upon such judgment or order or (ii) such judgment, order or arbitral award is not vacated, discharged or stayed within 60 days;
- (h) any cross default to any other indebtedness of the Operating Company or any restricted subsidiary in excess of U.S.\$10 million (or its equivalent in other currencies and in the aggregate) and any such failure continues for more than any applicable grace period or cross acceleration of any other indebtedness of

the Operating Company or any restricted subsidiary in excess of U.S.\$10 million (or its equivalent in other currencies and in the aggregate);

- (i) any Operating Company Loans in excess of U.S.\$10 million (or its equivalent in other currencies and in the aggregate) are accelerated as a result of an Additional Event of Default (as defined below);
- (j) the Operating Company Loan Agreement or any promissory note issued thereunder is revoked, terminated, rescinded, ceases to be in full force and effect, becomes unlawful, is declared void, becomes unenforceable, is repudiated or has its validity challenged by the Operating Company or any other person or the Operating Company denies in writing any liability or obligation thereunder;
- (k) the Operating Company or any restricted subsidiary ceases to carry on all or a substantial portion of its business operations for a period of 30 days or more;
- (l) any governmental authority in Panama declares a moratorium on payments by the Operating Company under the Operating Company Loan Agreement or otherwise cancels or suspends such payments, for a period of more than 10 consecutive business days; or

an "Additional Event of Default," as defined in any promissory note in respect of Operating Company Loans made from a tranche of Related FinCo Debt, occurs and is continuing. The promissory notes for the Operating Company Loans corresponding to the Notes will not include any Additional Events of Default.

If an event of default described in clause (e) above occurs with respect to any Operating Company, the principal of the Operating Company Loans then outstanding under the relevant Operating Company Loan Agreement, together with accrued interest thereon and all fees and other obligations accrued in respect thereof, will automatically become due and payable.

If an "OpCo Fundamental Event of Default" (other than any event of default described in clauses (e) or (f) above) occurs with respect to any Operating Company, the Issuer may, at the written direction of the Designated Voting Party in respect of the Related FinCo Debt the proceeds of which were used by the Finance Company to fund any Operating Company Loan then outstanding, declare such Operating Company Loans, together with accrued interest thereon and all fees and other obligations accrued in respect thereof, to be due and payable.

An "OpCo Fundamental Event of Default" means any event of default described in clauses (b)(i) (but only in respect of the certain covenants relating to maintenance of each Operating Company's corporate existence and conduct of business, use of proceeds, pari passu ranking, reporting requirements in respect of defaults or events of default and changes of control and the negative covenants to which the Operating Company is subject), (d), (e), (f), (g), (h), (j), (k), (l) and (n) (but only to the extent such Additional Event of Default is specified to be an "OpCo Fundamental Event of Default" in the promissory note issued in connection with the Operating Company Loan for which such promissory note was issued). The promissory notes for the Operating Company Loans corresponding to the Notes will not include any Additional Events of Default.

Suspension Period

During any period commencing on the date on which all of the Issuer's obligations under all Related FinCo Debt (including all interest, fees and other amounts related thereto) have been paid in full and the relevant Operating Company has paid in full all of its obligations to the Issuer under its Operating Company Loan Agreement and ending on the date, if any, thereafter any new Operating Company Loans have been made by the Issuer to such Operating Company pursuant to its Operating Company Loan Agreement (such period, a "Suspension Period"), the obligations of such Operating Company in respect of the covenants and the Events of Default under its Operating Company Loan Agreement will be suspended during the Suspension Period.

Loan Facility and Liquidity Facility

The Loan Facility and Liquidity Facility will be extended to the Issuer in accordance with the terms of the Credit Agreement, which the Issuer will enter into on or prior to the Issue Date. The Loan Facility will be disbursed

in one disbursement on the Issue Date and the Liquidity Facility will not be drawn on the Issue Date but may be utilized for working capital purposes thereafter.

The Credit Agreement is governed by the laws of the State of New York.

Loan Facility

The Loan Facility will consist of a term loan facility in the aggregate principal amount of U.S.\$105,000,000. The proceeds of the Loan Facility will be made in one disbursement on the Issue Date and applied by the Issuer to make Operating Company Loans in accordance with the terms of the Operating Company Loan Agreements. The Loan Facility will be fully drawn upon the Issue Date, and will mature on May 31, 2023. The Loan Facility will be repaid on a semiannual basis on each May 31 and November 30 of each year and on the maturity date in accordance with the amortization schedule set forth in the Credit Agreement.

Liquidity Facility

The Initial Liquidity Facility will consist of a revolving loan facility in an aggregate principal amount of U.S.\$50,000,000. The Initial Liquidity Facility will remain undrawn unless required to be drawn in order to satisfy payments for the Loan Facility or the Notes. The Initial Liquidity Facility will mature on the date that is three years after the Issue Date, and will be available on and from the Issue Date until but excluding the earlier of (a) such date that is one month prior to the maturity date and (b) the date the Initial Liquidity Facility commitments are terminated in accordance with the Credit Agreement. The Issuer intends to enter into subsequent Liquidity Facilities for the life of the Notes but is under no obligation to do so.

Interest Rate

Loans under the Loan Facility and the Liquidity Facility will be available as both ABR loans or LIBOR loans (in each case, as defined in the Credit Agreement) and will bear interest at a rate per annum equal to, in the case of ABR loans, ABR *plus* the applicable margin set forth below, and in the case of LIBOR loans, an adjusted LIBOR rate for such interest period *plus* the applicable margin set forth below. All interest periods for LIBOR loans will be for a period of six months. All interest payable under the Credit Agreement will be computed on the basis of a year of 360 days, except that interest computed by reference to the ABR at times when the ABR is based on the prime rate under the Credit Agreement will be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case is payable for the actual number of days elapsed (including the first day but excluding the last day).

The Issuer may at its option elect to convert a disbursement, including different portions thereof, of loans under either the Loan Facility or the Liquidity Facility to ABR or LIBOR or to continue such disbursement as a disbursement of an ABR or LIBOR loan. Interest on any amount overdue under the Credit Agreement will accrue at the rate of the sum of 2% per annum and the applicable interest rate in effect from time to time.

The applicable margin with respect to each loan under the Loan Facility and the Liquidity Facility will be, for any date of determination, the applicable rate per annum determined by reference to the credit ratings of the Issuer applicable on such date as set forth in the interest grid set forth below:

Applicable Margin (Term Loans)			
	Credit Rating	LIBOR Loans	ABR Loans
Pricing Level 1.....	BBB-/Baa3 or higher	3.50%	2.50%
Pricing Level 2.....	BB+/Ba1	4.00%	3.00%
Pricing Level 3.....	BB/Ba2 or lower	4.50%	3.50%

Applicable Margin (Liquidity Loans)			
	Credit Rating	LIBOR Loans	ABR Loans

Pricing Level 1	BBB-/Baa3 or above	3.75%	2.75%
Pricing Level 2	BB+/Ba1	4.25%	3.25%
Pricing Level 3	BB/Ba2	5.00%	4.00%
Pricing Level 4	Lower than BB/Ba2	6.00%	5.00%

Initially, commencing on the Issue Date, the applicable margin for each loan will be determined by reference to Pricing Level 1. If only one or no credit rating agency has in effect a credit rating, then the applicable margin will be determined by reference to (a) in the case of loans under the Loan Facility, Pricing Level 3 and (b) in the case of loans under the Liquidity Facility, Pricing Level 4. Subject to the paragraph below, if two credit rating agencies have in effect a credit rating, then the applicable margin will be determined by reference to such two credit ratings. Subject to the paragraph below, if three credit rating agencies have in effect a credit rating, then the applicable margin will be determined by reference to the two such credit ratings selected by the Issuer and notified by the Issuer to the Administrative Agent; provided that, in the absence of such notice, the Applicable Margin will be determined by reference to the two highest such credit ratings.

If the credit ratings fall within different pricing levels, (a) if the split in the credit ratings is one pricing level, then the applicable margin will be based on the lower pricing level (i.e., Pricing Level 2 if the credit ratings are Pricing Level 1 and Pricing Level 2), (b) if the split in the credit ratings is two pricing levels, then the applicable margin will be based on the pricing level between such two pricing levels (i.e., Pricing Level 2 if the credit ratings are Pricing Level 1 and Pricing Level 3), and (c) if the split in the credit ratings is more than two pricing levels, the applicable margin will be based on the pricing level immediately above the lower pricing level (i.e., Pricing Level 2 if the credit ratings are Pricing Level 1 and Pricing Level 4).

Fees

A commitment fee will accrue (a) in respect of the average daily unused amount of commitments under the Loan Facility at a rate per annum equal to 35% of the applicable margin for LIBOR loans during the period the Loan Facility is available and (b) in respect of the average daily unused amount of commitments under the Liquidity Facility at a rate per annum equal to 35% of the applicable margin for LIBOR loans during the period the Liquidity Facility is available. Accrued commitment fees are payable quarterly in arrears.

The Issuer must also pay fees to each arranger and agent under the Credit Agreement as documented in each fee letter as between the Issuer and each such arranger and agent.

Prepayment of Loans – Mandatory Prepayments

The Issuer is required to prepay outstanding loans under the Credit Agreement upon the occurrence of any of the following, and in the amounts described below:

- (a) the Issuer receives any mandatory prepayment under any Operating Company Loan Agreement that is made by such Operating Company with certain casualty proceeds, asset sale proceeds or expropriation proceeds, and such amounts will be applied to prepay the outstanding loans under the Credit Agreement; provided that any such prepayment will be shared pro rata with all other Secured Parties solely to the extent a mandatory prepayment or redemption is required by such other Secured Parties pursuant to their respective secured debt documents; and provided further that, pursuant to the Intercreditor Agreement, to the extent any Secured Party declined prepayment (in whole or in part) of their secured debt in accordance with their respective secured debt documents, any such amount shall be promptly allocated on a pro rata basis, and for further application, in accordance with the terms of the relevant secured debt documents among the Secured Parties that have not declined such prepayment;
- (b) as and to the extent it becomes unlawful for any lender under the Credit Agreement or its lender office under the Credit Agreement to maintain or fund its loan or any governmental authority imposes material restrictions

on the authority of such lender to purchase or sell, or to take deposits of, dollars in the London interbank market, and such loan must be prepaid in full;

- (c) as and to the extent permitted by the Collateral Trust and Assignment Agreement, to the extent there are any amounts on deposit in the Issuer Collection Account after making any transfers required by the Collateral Trust and Assignment Agreement, such amounts will be applied to prepay any outstanding loans under the Liquidity Facility;
- (d) on any applicable business day, repay all loans outstanding under the Liquidity Facility such that no loans thereunder will be outstanding for a period of at least five consecutive business days (such five consecutive business days to be selected at the Issuer's discretion) during the one-year period ending on each anniversary of the Issue Date, provided no such clean-down will occur within 30 days of another clean-down;
- (e) the Issuer receives any amount under an Operating Company Loan Agreement after the Issuer accelerates all loans under such Operating Company Loan Agreement, and such amount will be applied to prepay the outstanding loans under the Credit Agreement;
- (f) the occurrence of a Change of Control (as defined in the Credit Agreement), whereupon the Issuer will prepay, in full, the outstanding principal amount of any outstanding loans under the Credit Agreement, together with all accrued interest, fees and other expenses incurred by the Administrative Agent or the lenders under the Credit Agreement as a result of such Change of Control and prepayment; and
- (g) the occurrence of a Change of Control under, and as defined in, any Operating Company Loan Agreement, whereupon the Issuer will prepay, in full, the outstanding principal amount of any outstanding loans under the Credit Agreement, together with all accrued interest, fees and other expenses incurred by the Administrative Agent or the lenders under the Credit Agreement as a result of such Change of Control (as defined in the relevant Operating Company Loan Agreement) and prepayment.

On the date of any mandatory prepayment, the Issuer must also pay all accrued interest and Increased Costs (as defined in the Credit Agreement), if any, on the loans to be prepaid, together with all breakage and redeployment costs incurred upon unwinding funding arrangements resulting from the prepayment, and all other amounts then due and payable under the Credit Agreement.

Prepayments will be applied (other than as provided below) (i) first, on a pro rata basis to prepay the Liquidity Facility and the Loan Facility, (ii) to prepay ABR loans then outstanding, and thereafter, outstanding LIBOR loans, (iii) on a pro rata basis among all lenders under the Credit Agreement of the applicable class and type of loans and (iv) in the case of loans under the Loan Facility, in reverse chronological order of the then remaining scheduled repayments. Any prepayments under paragraph (b) above will be applied only to prepay the loan(s) owing to the lender(s) affected by the circumstances described therein and any prepayments under paragraph (d) above will be applied only to prepay the Liquidity Facility pro rata among all outstanding loans thereunder.

"Change of Control" means, for purposes of the Credit Agreement, the occurrence of one or more of the following events:

- (a) AES ceases to own, directly or indirectly, more than 50% of the Equity Interests entitled to vote at meetings of shareholders of the Issuer or GPH;
- (b) AES (including through an Affiliate thereof) at any time ceases to have the power to direct the management and/or the policies of the Issuer or GPH; or
- (c) the adoption of a plan relating to the liquidation or dissolution of the Issuer or GPH.

Prepayment of Loans – Voluntary Prepayments

The Issuer may voluntarily prepay all or any part of the loans outstanding under the Credit Agreement if: (a) for any prepayment of the Loan Facility, no loans under the Liquidity Facility are outstanding; (b) the Issuer simultaneously pays (i) all accrued interest and increased costs, if any, on the amount of the loans to be prepaid, together with all other amounts then due and payable under the Credit Agreement and (ii) for any partial prepayment

of the Loan Facility, any termination or partial termination amounts, if any, required to cause a corresponding reduction in the notional amounts set forth in any permitted hedging agreements so that the notional amount of such permitted hedging agreements does not exceed 100% of the actual outstanding principal amount of the loans under the Loan Facility following such prepayment; (c) for a partial repayment of loans under the Credit Agreement, the principal amount (other than a prepayment of the full remaining principal of loans under either the Loan Facility or the Liquidity Facility) being prepaid is at least U.S.\$5,000,000 in the aggregate; and (d) the Issuer, if requested, delivers evidence that all necessary governmental authorizations and any company, shareholder, third party or other approvals and consents required for the prepayment have been obtained.

Amounts voluntarily prepaid will be applied, for loans under the Liquidity Facility, pro rata among all such loans outstanding thereunder and for loans under the Loan Facility, either (i) pro rata among all such loans outstanding thereunder if so specified by the Issuer or (ii) in reverse chronological order of the then remaining scheduled repayments.

Covenants

The Issuer is subject to certain affirmative covenants under the Credit Agreement, including, among others, the following (with certain exceptions and qualifications): (a) maintain its corporate existence and conduct of its business in accordance with sound engineering, financial and business practices; (b) use of proceeds; (c) comply with applicable laws and timely filing and payment of taxes; (d) maintenance of books and records and internal account control systems in accordance with accounting standards and applicable laws; (e) maintenance of an acceptable accounting firm as its auditor and notification to the Administrative Agent of any change in the auditor; (f) upon request, permit representatives of the Administrative Agent and the lenders under the Credit Agreement to visit the sites where the Issuer's business is conducted and to have access to its books of account and records; (g) maintain (and comply with) governmental authorizations and applicable company, shareholder, third party or other approvals and consents to carry out its business; (h) further assurances to execute any document or undertake any act reasonably necessary to perfect and maintain the security interests of the lenders or any agent under the Credit Agreement; (i) pari passu nature of obligations under the Credit Agreement; (j) maintain its rights under the Operating Company Loan Agreements and take commercially reasonable steps to enforce its rights thereunder; (k) maintain certain collateral accounts; (l) pay all fees owed to the lenders under the Credit Agreement and their counsel; (m) deposit all payments received by it from the Operating Companies under the Operating Company Loan Agreements into the Issuer Collection Account (other than payments by the Operating Companies to the Issuer of any fees in respect of certain operating expenses of and taxes payable by the Issuer, which shall instead be deposited into the Issuer Local Account); and (n) accelerate the relevant Operating Company Loan in respect of certain OpCo Fundamental Events of Default (as defined in the Dutch Account Security Agreement), if such OpCo Fundamental Event of Default has occurred and is continuing for 90 days or more.

In addition to the affirmative covenants listed above, the Issuer must maintain, for any period, a Debt Service Coverage Ratio for such period of 1.75:1.00.

The Issuer is also subject to negative covenants that, subject to certain exceptions, permitted thresholds and qualifications, limit the ability of the Issuer to, among others: (a) make Restricted Payments other than payments of principal of certain GPH Subordinated Loans to any Dividend Collection Account; (b) incur expenditures for fixed assets; (c) incur debt other than Permitted Debt; (d) enter material leases for property or equipment; (e) create liens (other than Permitted Liens); (f) enter into transactions with affiliates that are not arm's-length, other than Permitted Affiliate Transactions; (g) enter into any partnership, profit-sharing or royalty or similar agreement to share its income or profits; (h) acquire or incorporate another company or form any partnership, joint venture or similar arrangement; (i) make any investments other than Permitted Investments; (j) change its charter, its financial year, its accounting principles or its line of business; (k) make sales and other dispositions of its assets; (l) undertake any merger, spin-off, consolidation or reorganization; (m) enter material agreements or transactions without the prior consent of the lenders holding more than 50% of the outstanding loans; (n) amend or grant any waiver or consent under the Operating Company Loan Agreements, compromise or settle any disputes with any Operating Company or assign any Operating Company Loan Agreement or consent to the assignment thereof by any Operating Company; (o) use the proceeds of the loans under the Credit Agreement, or make payments under the Credit Agreement, in violation of sanctions, anti-corruption laws or anti-money laundering laws; (p) change its organizational documents in breach of the Credit Agreement or financing documents in connection therewith; (q) enter into hedging agreements except for certain permitted hedging agreements in the ordinary course of business and which relate to the interest rate on the Loan

Facility; (r) permit voluntary prepayments by any Operating Company under any Operating Company Loan Agreement unless the Issuer is also making a corresponding voluntary prepayment under the Credit Agreement and a voluntary prepayment or redemption under the other Holdings Secured Debt Documents; and (s) have on deposit in the Issuer Local Account on any given date, more than U.S.\$1,500,000, or permit deposits to be made into the Issuer Local Account in an aggregate amount greater than U.S.\$1,500,000 in any calendar year, unless required under applicable law.

The Credit Agreement also requires the Issuer to comply with certain customary reporting requirements, among others, and subject to certain exceptions and qualifications, including: (a) the delivery of quarterly and annual financial statements (within 120 days of year end for delivery of annual financial statements and within 60 days of quarter end for quarterly financial statements), accompanied by an officer's certificate stating that such financial statements fairly present the financial condition of the Issuer and setting forth the combined debt service coverage ratio for the four (4) quarters preceding the last day of the most recent quarter for which financial statements are available and ending on the most recent interest payment date as of the end of such year, and with annual financial statements accompanied by an audit opinion; (b) the delivery of any material management letters or other material communication sent by its auditor; (c) the occurrence of any change in its business or operations or any event or condition that has or could reasonably be expected to have a material adverse effect; (d) any litigation against it or its affiliates that could reasonably be expected to have a material adverse effect; (e) any event of default or potential event of default under the Credit Agreement and the Operating Company Loan Agreements or the occurrence of a Change Of Control; (f) any information requested by any lender or agent under the Credit Agreement in order to comply with their "know your customer" requirements and other applicable laws including anti-money laundering laws; (g) receipt of any material modification or amendments to any governmental authorization; (h) the occurrence of certain social, labor, health and safety, security or environmental incidents at the Issuer, any Operating Company or certain of their subsidiaries, and the receipt of certain environmental and social claims; (i) certain information reasonably requested by the agents or the lenders under the Credit Agreement; (j) the delivery of any public filings made by the Issuer or any Operating Company with any securities exchange or securities regulatory agency or governmental authority; (k) any change in its credit rating; and (l) the entry into a hedging agreement for an interest rate hedge with a party other than permitted hedging counterparties.

"Combined EBITDA" has the meaning set out in—"Operating Company Loan Agreements—Covenants."

"Debt Service Coverage Ratio" means, for purposes of the Credit Agreement, for any period, the ratio of (a) Combined EBITDA for such period to (b) the sum of (without duplication) scheduled payments of the Issuer of principal, interest and fees, due and payable in respect of the Loan Facility and the Liquidity Facility, the Notes and all other Additional Secured Debt during such period.

"Permitted Affiliate Transactions" means, for purposes of the Credit Agreement, (a) certain affiliate contracts identified to the Lenders in the Credit Agreement; (b) the Operating Company Loan Agreements; (c) the GPH Subordinated Loans; (d) the Guarantee Fee Agreement in respect of the guarantee fee not to exceed 0.75% per annum on the principal amount of the loans outstanding under the Credit Agreement from time to time, to be paid by the Issuer to GPH; (e) the FinCo Tax/Expenses Agreement in respect of the fee in respect of certain operating expenses of and taxes payable by the Issuer to be reimbursed by the Operating Companies from time to time up to one million five hundred thousand Dollars (\$1,500,000) for all Operating Companies; and (f) any other arm's length transaction between the Issuer and any of its affiliates, GPH or any Operating Company (and for the benefit of the Issuer) if such transaction could not reasonably be expected to have a material adverse effect on (a) the business, financial condition or results of operations of the (i) Issuer or (ii) any Operating Company and its restricted subsidiaries, taken as a whole; (b) the ability of the Issuer or any Operating Company to perform its obligations under the Credit Agreement or any other financing document in connection therewith to which it is a party; (c) the legality, validity or enforceability of the Credit Agreement or any other financing document in connection therewith or any material provision thereof; (d) the validity, enforceability or priority of any security interest or lien purported to be granted to the lenders (under the Credit Agreement) under any of the security documents; or (e) the ability of any lenders and agents to enforce any of the obligations of the Issuer or any Operating Company under the Credit Agreement or any other financing document in connection therewith to which it is a party, or any of its rights and remedies under the Credit Agreement or any other financing document in connection therewith to which it is a party.

"Permitted Debt" means, for purposes of the Credit Agreement, (a) indebtedness under the financing documents entered into in connection with the Credit Agreement; (b) indebtedness from the bonds issued under the

Indenture on the date of the Credit Agreement; (c) indebtedness from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such indebtedness is promptly covered; (d) the GPH Subordinated Loans; (e) Additional Secured Debt; (f) a subordinated intercompany note issued by the Issuer to GPH to evidence an advance made by GPH to the Issuer using funds in any Dividend Collection Account consisting solely of principal and no fees or interest; or (g) unsecured indebtedness up to U.S.\$1,000,000 in the aggregate at any time outstanding.

"Permitted Investments" means, for purposes of the Credit Agreement, cash equivalents purchased or made with amounts on deposit in the Collateral Accounts in accordance with the terms of the security documents.

"Permitted Liens" means, for purposes of the Credit Agreement, any of the following, so long as no enforcement, foreclosure or similar proceeding has been commenced: (a) liens for tax not yet due or are subject to contest; (b) liens securing judgments for payment of money not constituting an event of default under the Credit Agreement or securing appeal or other surety bonds related to such judgment; (c) defects, easements, rights of way, encumbrances (other than for borrowed money) and similar clouds on title and statutory liens that do not materially impair the value or use of the affected property or in the aggregate do not materially impair the liens under the security documents; (d) liens under the security documents; (e) liens resulting from litigation the execution of which has been stayed while the underlying claims are being contested in good faith; (f) interests or titles of a lessor under any lease entered into by the Issuer in the ordinary course of business and covering only the assets so leased; and (g) any extension, renewal or replacement of any lien referred to in this paragraph, provided such extension, renewal or replacement lien is limited to all or part of the property which secured the lien being extended, renewed or replaced.

"Restricted Payments" means, for purposes of the Credit Agreement, (a) dividends, payments or distributions (whether in cash, securities or other property) with respect to the equity interests in the Issuer; (b) payments in respect of or any purchase, retirement, redemption or other acquisition by the Issuer of any subordinated indebtedness or any indebtedness owed to an affiliate of the Issuer or any indebtedness or deposit or similar transaction made to secure any loan or other financial obligation of any affiliate of the Issuer (including subordinated indebtedness) or payment of fees or interest in respect of any of the foregoing; (c) loans to any affiliate of the Issuer (other than to the Operating Companies under the Operating Company Loan Agreements); or (d) payments (whether in cash, securities or other property) by the Issuer to an affiliate with respect to the development, management or operation of the Issuer's business (other than fees and other amounts required to be paid under any Permitted Affiliate Transaction).

Events of Default

Under the Credit Agreement, each of the following events will, when it occurs and is continuing, constitute an event of default that, unless waived or cured within the cure period in the manner set forth in the Credit Agreement and subject to any qualifications, exceptions or cure periods stipulated in the Credit Agreement:

- (a) failure to pay when due any principal, interest or fees under the Credit Agreement;
- (b) failure to comply with any of the obligations listed under items (a), (b), (h), (i), (m) or (n) in the description of the affirmative covenants in the preceding section, any of the negative covenants described in the preceding section, item (e) in the description of the reporting requirements in the preceding section or the financial covenants described in the preceding section;
- (c) failure to comply with any of the obligations under the Credit Agreement or any financing document in connection therewith (other than the covenants and agreements described in items (a) and (b) of this section), and any such failure continues for 30 days after the earlier of (i) the Administrative Agent notifying the Issuer of such failure and (ii) the date the Issuer becomes aware of such failure; provided that if the breach or default cannot be cured within 30 days but can be cured within 60 days and the Issuer is diligently curing such default and provides notice to the Administrative Agent and keeps the Administrative Agent informed of its plans, the Issuer will have 60 days to cure such default;
- (d) any party to the Credit Agreement or any of the financing documents in connection therewith (other than the lenders and agents under the Credit Agreement, the Issuer or any Operating Company) fails to perform its material obligations under such financing document, and such failure continues for 30 days after the earlier

of (i) the Administrative Agent notifying the Issuer of such failure and (ii) the date the Issuer becomes aware of such failure;

- (e) any representation or warranty made under or in connection with the Credit Agreement, any related financing document or any notice or certificate by the Issuer or GPH is materially incorrect, unless such misrepresentation can be cured within 10 days of the earlier of (i) the Administrative Agent notifying the Issuer and (ii) the date the Issuer becomes aware of such misrepresentation;
- (f) any governmental authority takes certain expropriation, nationalization or other similar actions with respect to the Issuer's or any Operating Company's property or assets;
- (g) a decree or court order is entered against the Issuer, GPH or any Operating Company in respect of bankruptcy, insolvency, liquidation or similar matters, or any petition in respect of such is filed and not dismissed within 60 days;
- (h) the Issuer, GPH or any Operating Company initiates voluntary proceedings in respect of bankruptcy, insolvency, liquidation or similar matters;
- (i) an attachment or analogous process is levied or enforced upon any of the Issuer's assets in an amount greater than U.S.\$10,000,000 (or its equivalent in other currencies and in the aggregate) or that could reasonably be expected to have a material adverse effect, and such attachment or process is not discharged within 60 days;
- (j) any other event occurs that would have an effect analogous to any event described in clauses (e), (f) or (g) above;
- (k) a judgment is rendered against the Issuer in an amount greater than U.S.\$10,000,000 (or its equivalent in other currencies and in the aggregate) or one or more non-monetary judgments that could reasonably be expected to have a material adverse effect is rendered against the Issuer, and (i) enforcement proceedings are commenced on such judgment or (ii) such judgment is unsatisfied or not vacated, discharged or stayed for 60 days;
- (l) the Issuer fails to make any payment in respect of other indebtedness for borrowed money in an amount greater than U.S.\$10,000,000 (or its equivalent in other currencies and in the aggregate) and such failure continues for more than any applicable grace period, or any such indebtedness is accelerated in an amount in excess of U.S.\$10,000,000;
- (m) (i) any of the security documents in connection with the Credit Agreement is revoked, terminated or ceases to be in full force and effect, becomes unlawful, void or unenforceable or is repudiated or its validity or enforceability is challenged, or (ii) any lien created by any such security document does not have the effect or priority intended (unless due to a clerical error that the Issuer is diligently working to correct, in which cause no event of default will arise until 30 days after the Issuer becomes aware of such clerical error);
- (n) any financing document (other than the security documents mentioned above) in connection with the Credit Agreement is revoked, terminated or ceases to be in full force and effect, becomes unlawful, void or unenforceable or is repudiated or its validity or enforceability is challenged;
- (o) the Issuer ceases to carry on its business for 30 days or longer, other than due to a force majeure or government order; or
- (p) any governmental authority in Panama, by moratorium laws or otherwise, cancels, suspends or defers the obligations of the Issuer or any Operating Company to pay any amount under the Credit Agreement or related financing documents for more than 10 consecutive business days.

Upon the occurrence of an event of default, the Administrative Agent may (or if required by the lenders holding more than 50% of the outstanding loans, must) exercise any remedies available under the Credit Agreement, the related financing documents or applicable law, including the following: (x) accelerate the loans under the Credit Agreement in whole or in part, after which the principal of such loans will be due and payable together with all accrued interest thereon and all fees and other obligations of the Issuer under the Credit Agreement will become due and

payable immediately (unless such event of default is an event of default arising from a breach of (g) above, in which case the loans under the Credit Agreement will be accelerated automatically) and (y) exercise all contractual and legal rights of secured creditors in respect of the collateral under the Credit Agreement, including setting off and applying monies on deposit in any collateral accounts to satisfy outstanding loan obligations under the Credit Agreement. If the Issuer is liquidated or declared bankrupt, all loans under the Credit Agreement, the interest accrued thereon and any other amounts payable under the Credit Agreement or any other related financing document will become immediately due and payable.

Collateral Trust and Assignment Agreement

Certain terms in this section are used as defined in "Description of the Notes—Certain Definitions."

The Collateral Trust will be established in Panama pursuant to the Collateral Trust and Assignment Agreement under the technical name of "BG TRUST, INC. FID (01XX-GTIA-20)" as a separate legal entity to hold assets that will secure on a first priority, *pari passu* basis the Notes, the Loan Facility, the Secured Hedge Agreements and the Liquidity Facility as well as the Additional Secured Debt; *provided* that the Designated Voting Party of the holders of such other Additional Secured Debt will have executed a joinder to the Intercreditor Agreement.

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.

The Collateral Trust and Assignment Agreement provides for the establishment and maintenance by the Onshore Collateral Trustee of the Issuer Collection Account and such other accounts as the Onshore Collateral Trustee will from time to time require and establish and maintain for the Collateral Trust's operations. Under the Collateral Trust and Assignment Agreement the Onshore Collateral Trustee is authorized to open and maintain each Collateral Trust account with an approved account bank. The Onshore Collateral Trustee will be the only signatory under the Collateral Trust accounts. The Onshore Collateral Trustee will make transfers and/or withdrawals on each Collateral Trust account in accordance with the priority order described in "Description of the Notes—Collateral Arrangements—Flow of Revenues;" *provided* that, after the occurrence of and during the continuance of an Event of Default, the Onshore Collateral Trustee will make transfers and/or withdrawals on each Collateral Trust account in accordance with instructions from the Intercreditor Agent. Interest (acting in accordance with the Intercreditor Agreement) and other revenues generated by each Collateral Trust account will be credited into the same Collateral Trust account. Under the Collateral Trust and Assignment Agreement, the Issuer will unconditionally assign to the Collateral Trust all of the Issuer's rights in each of the Operating Company Loans.

The obligations secured by the Collateral Trust and Assignment Agreement include, among others:

- 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 of the Secured Debt Documents, 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 the Issuer of all expenses and obligations incurred or which may be incurred in the future by the Onshore Collateral Trustee, its advising agents and the other Secured Parties to collect, either judicially or extra-judicially, the amounts owed under any Secured Debt Document, to ensure fulfillment of the relevant obligations and commitments or to defend the rights of the Secured Parties conferred under the Collateral Trust and Assignment Agreement, including but not limited to attorney expenses, costs and other judicial expenses; and
- The timely and complete payment of any other sums the Issuer must pay to the Onshore Collateral Trustee or creditors pursuant to the relevant documents, as applicable.

- The Collateral Trust is irrevocable, pure and simple, and it will be extinguished when one of the following events occur: (i) all of the Secured Obligations are paid, or (ii) if a Remedies Direction is issued in light of an Anticipated Event of Default by the Issuer 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 Onshore 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 Onshore Collateral Trustee as a result of the Remedies Direction 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:

- All of the Issuer's rights in each of the Operating Company Loans, as assigned to the Onshore Collateral Trustee by way of the Collateral Trust and Assignment Agreement (including the assignment of any amounts received from the Issuer Collection Account with respect to any sums received by the Issuer from AES Changuinola, AES Panama and Costa Norte pursuant to the Operating Company Loans);
- The Collateral Trust accounts and any amounts deposited therein;
- Any other Collateral Trust accounts the Onshore Collateral Trustee may establish from time to time in fulfillment of its fiduciary duty;
- The rights and moneys derived from the Quota Pledge Agreements, by virtue of which the quotas of AES Panamá, Costa Norte and Gas Natural Atlántico have been delivered or will be delivered to the Onshore Collateral Trustee or a custodian, and the due blank endorsement of the quota certificates in accordance with the Quota Pledge Agreements;
- The Onshore Collateral Trustee's portion of the rights and moneys derived from the AES Changuinola Pledge Agreement in accordance with the terms thereof, by virtue of which the quotas of AES Changuinola have been delivered or will be delivered to the Onshore Collateral Trustee or the Custodian, and the due blank endorsement of the quota certificates in accordance with the AES Changuinola Pledge Agreement;
- Any funds and/or assets received by the Onshore Collateral Trustee as pledgee under the AES Changuinola Pledge Agreement or as beneficiary of the AES Changuinola Trust;
- Moneys, assets and rights the Collateral that forms part of the Collateral Trust assets 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 Onshore Collateral Trustee in order to form part of, or become incorporated into, the Collateral that forms part of the Collateral Trust assets.

Collateral Secured Debt Certificates

After incurring any Additional Secured Debt permitted under the Financing Documents, and prior to including the holders of any Additional Secured Debt as secured parties under the Collateral Trust and Assignment Agreement, the Issuer must notify the Onshore Collateral Trustee and the Intercreditor Agent, through the delivery of a certificate, of the incurrence of the Additional Secured Debt and of the Issuer's intention to include the holders of such debt as Secured Parties under the Collateral Trust and Assignment Agreement. Such holders will 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.

Transfer Certificates

Except as otherwise provided below, the Issuer will deliver to the Onshore Collateral Trustee, with a copy to the Intercreditor Agent, a certificate (the "Transfer Certificate") setting forth instructions for the transfer of specific funds to be made by the Onshore Collateral Trustee from the Issuer Collection Account in the order of priority set forth in "Description of the Notes—Collateral Arrangements—Flow of Revenues— Onshore Collateral Trustee Transfer of Funds on Deposit in the Issuer Collection Account." Each Transfer 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 Event of Default will have occurred and be continuing; (ii) the flows of funds to be transferred by the Onshore 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 Collateral Trust accounts to the accounts of the respective agents and creditors, in the specific priority order as set forth in the Collateral Trust and Assignment Agreement; and (iii) all other information as necessary for the Onshore Collateral Trustee to fulfill and comply with the instructions given in the Transfer Certificate.

The Onshore Collateral Trustee, BG TRUST, INC., is a corporation organized under the laws of Panama, duly recorded with the Mercantile Section of the Public Registry at Folio No. Micro-Jacket 444710. The Onshore Collateral Trustee holds a trustee license granted by the Superintendence of Banks of Panama through Resolution FID No. 01-2004 issued on September 1, 2004. The Trustee's contact information is:

BG TRUST, INC.
Address: Torre Banco General, fourth floor
Calle Aquilino de la Guardia y Avenida 5ta.-B Sur,
Panama City, Panama
Phone: (+507 303 7000)
P.O. Box: 0816-00843, Panamá, República de Panamá
Attention: Departamento de Fideicomisos, Valerie Voloi / Gabriela Zamora
Email address: vvoloj@bgeneral.com / gzamora@bgeneral.com

The Onshore Collateral Trustee provides trustee-related services and has never been subject to any sanctions by its supervising entity. The person in charge of the Collateral Trust and Assignment Agreement on behalf of the Onshore Collateral Trustee is Ms. Valerie Voloj.

The Issuer is the settlor under the Collateral Trust and Assignment Agreement, and the Collateral that is subject to the Collateral Trust and Assignment Agreement is the Issuer's property. The Issuer has no subsidiaries, and neither the Issuer nor its affiliates have pending obligations with the Onshore Collateral Trustee. The Issuer's contact information is:

AES PANAMA GENERATION HOLDINGS, S.R.L.
AES Panamá Generation Holdings, S.R.L.
Panamá Pacífico, International Business Park
Building 3845, 1st floor, office 101
Arraiján District
Panamá Oeste Province, Panamá
Telephone: +506 206-2600
Contact Person: Miguel Bolinaga
Email: Miguel.Bolinaga@aes.com

The Issuer is the settlor of the Collateral Trust and Assignment Agreement. The Collateral that is subject to the Collateral Trust and Assignment Agreement is the Issuer's property.

The Collateral Trust is irrevocable, pure and simple, and it will be extinguished when one of the following events occur: (i) all of the Secured Obligations are paid; (ii) if a Remedies Direction is issued in light of an Anticipated Event of Default by the Issuer 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; and any judicial action of any other kind filed by the Onshore Collateral Trustee as a result of the Remedies Direction has been terminated; or (iii) any of the causes set forth in Article 33 of Law No. 1 of January 5, 1984 takes place. The Collateral Trust is domiciled in the offices of the Onshore Collateral Trustee.

The Collateral Trust and Assignment Agreement is onerous and the Onshore Collateral Trustee will collect an annual remuneration that will be paid by the Issuer. The Collateral Trust and Assignment Agreement sets forth that the Onshore Collateral Trustee may debit the annual remuneration amount directly from the Collateral Trust accounts.

Under the Collateral Trust and Assignment Agreement, the Collateral will constitute a separate patrimony from the personal assets of the Onshore Collateral Trustee and of the Issuer for all the legal effects, and, as a result, the assets that compose it may neither be seized nor attached, except for obligations incurred in or damages caused with the execution of the Collateral Trust and Assignment Agreement, or by third parties whenever such Collateral were transferred to the Collateral Trust and Assignment Agreement or fraudulently retained in fraud and in prejudice of its rights.

The Onshore Collateral Trustee may not dispose of the Collateral in a form contrary or different to what is set forth in the Collateral Trust and Assignment Agreement. The Onshore Collateral Trustee is not required to grant a security interest of any kind for good administration in favor of the Issuer of any of the Secured Parties. The Onshore Collateral Trustee has no power to authorize the substitution of Collateral.

The Onshore Collateral Trustee must comply with the obligations set forth in the Collateral Trust and Assignment 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 Collateral Trust and Assignment Agreement that must be paid by the Secured Parties.

Duties and Responsibilities of the Onshore Collateral Trustee

Under the Collateral Trust and Assignment Agreement, which is governed by Panamanian law, the Onshore Collateral Trustee will have the following duties and responsibilities:

- Maintain and manage the Collateral Trust accounts, until such time as all Secured Obligations have been paid in their entirety;
- 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 the Issuer or from the Intercreditor Agent, in order to safeguard the interests of the Secured Parties;
- Undertake transfers from the Collateral Trust accounts to, among others, the payment account for the Notes, with the periodicity and for the amounts indicated by the Issuer in each Transfer Certificate or by the Intercreditor Agent, as applicable;
- Send to the Issuer and to the Intercreditor Agent, a report including the Collateral Trust's balance sheet and income statement, as well as the final report on its administrative management, both annually and upon termination of the Collateral Trust and Assignment Agreement;
- Within the first five (5) days of each month and in all cases subject to the Onshore Collateral Trustee having received it, send to the Intercreditor Agent a copy of the report identified in Exhibit E to the Collateral Trust and Assignment Agreement, prepared and sent to the Onshore Collateral Trustee by the Issuer together with a copy of the movements of cash deposited to the Collateral Trust accounts during the immediately preceding month;

- Deliver to the Issuer and the Intercreditor Agent, at our expense, the information, data and reports the Issuer requests, notwithstanding the other obligations provided for in the Collateral Trust and Assignment Agreement and the Law;
- Enter into the Intercreditor Agreement according to the written instructions sent thereto jointly by the Issuer and the Intercreditor Agent, substantially in the form attached as Exhibit F to the Collateral Trust and Assignment Agreement;
- Enter into an Additional Intercreditor Agreement that may be necessary as required by the Issuer in accordance with our written instructions and substantially in the form attached as Exhibit G to the Collateral Trust and Assignment Agreement;
- Deliver to the Intercreditor Agent, at our expense or, in the event the Issuer does not cover such expenses within three 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 Collateral Trust and Assignment Agreement and the Law;
- Send to us, on a quarterly basis, a certification of the assets and rights constituting the Collateral Trust assets, with a copy to the Intercreditor Agent;
- Remit, at any time, any information required of it regarding its management as Onshore Collateral Trustee, or any other information required by Law, to the proper authorities;
- Retain the documents evidencing fulfillment of its duties as Onshore Collateral Trustee during the term of the Collateral Trust and Assignment 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 Onshore 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 Collateral Trust and Assignment 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 Trust assets;
- 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 Trust assets those funds necessary to cover the expenses necessary for the execution (judicial or extrajudicial), administration, retention and/or disposal of the Collateral Trust assets;
- Fulfill the obligations imposed by the Collateral Trust and Assignment Agreement and applicable law; and
- Such other duties as are set forth in the Collateral Trust and Assignment Agreement and the Law or as may be required pursuant to the Intercreditor Agreement.

Duties and Responsibilities of the Issuer

Under the terms of the Collateral Trust and Assignment Agreement, our main duties and responsibilities are to:

- Contribute to any measures in order for the Onshore Collateral Trustee to be able to open the Collateral Trust accounts that require opening, and make the initial contributions for the opening of these accounts, if necessary;

- Prepare and deliver to the Onshore Collateral Trustee any Collateral Secured Debt Certificates as set forth in the Collateral Trust and Assignment Agreement;
- Prepare and deliver to the Onshore Collateral Trustee any Transfer Certificate as set forth in the Collateral Trust and Assignment Agreement and the Secured Debt Documents;
- Provide to the Onshore Collateral Trustee, at the time and on the occasion required, the funds needed to address the obligations the Onshore 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 Trust assets, for which the Onshore Collateral Trustee may discount said payments from the funds deposited to the Collateral Trust accounts;
- Present quarterly to the Intercreditor Agent, with a copy to the Onshore Collateral Trustee, a person appointed to act on our behalf, certifying whether or not the Issuer has satisfied the obligations under the Secured Debt 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; and
- Fulfill in its entirety any other obligation specified in the terms and conditions of the Secured Debt Documents, the Law and other applicable provisions.

Instructions

The Onshore Collateral Trustee will not be required to follow instructions from the Issuer 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 Collateral Trust and Assignment Agreement; (iii) would expose the Onshore Collateral Trustee to personal liability or could cause him any damage; or (iv) would require the Onshore Collateral Trustee to incur any expenses not covered by the Collateral Trust assets at the time.

Additionally, if, at any time, the Onshore Collateral Trustee were to receive contradictory instructions from the Issuer and the Intercreditor Agent, the Onshore Collateral Trustee be required to seek further clarification from both parties. If such clarification does not come within five (5) Business Days, the Onshore Collateral Trustee will follow the instructions from the Intercreditor Agent (acting in accordance with the Intercreditor Agreement).

Additionally, if, at any time, the Onshore 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 Onshore Collateral Trustee, and the Issuer would not be permitted to either give instructions or issue a Transfer Certificate or a Collateral Secured Debt Certificate.

Resignation and Removal of the Onshore Collateral Trustee

The Onshore Collateral Trustee may resign at any time, with or without cause, by providing 45 calendar days' advance notice to the Issuer and the Intercreditor Agent. If no Event of Default has occurred that is then continuing, the Intercreditor Agent will have up to 45 Business Days from the date of the Onshore Collateral Trustee's notice of resignation to appoint an Eligible Trustee as a replacement collateral trustee, with the prior written consent of the Issuer, and if the Intercreditor Agent fails to appoint a replacement collateral trustee in such time, the original Onshore Collateral Trustee may appoint a replacement. If an Event of Default has occurred and is continuing under any Secured Debt Document, the Intercreditor Agent will have 75 Business Days' from the date of the Onshore Collateral Trustee's notice of resignation to appoint an Eligible Trustee as a replacement collateral trustee (without our consent); provided, however, that if the Intercreditor Agent will not have appointed the Eligible Trustee within such term, the resigning Onshore Collateral Trustee may appoint, with the written consent of the Intercreditor Agent, an Eligible Trustee as replacement trustee. The Onshore Collateral Trustee may be removed by the Intercreditor Agent pursuant to the terms of the Intercreditor Agreement at any time, without cause and without our consent.

Supplement and Modification

The Collateral Trust and Assignment Agreement will only be modified by way of a written document signed between the Issuer and the Onshore Collateral Trustee on behalf of the holders of the Secured Debt Obligations who will approve such modification. The approved amendments will be valid and binding among all parties to the Collateral Trust and Assignment Agreement, including all Secured Parties and holders of any Additional Secured Debt. However, we, the Onshore Collateral Trustee and the Intercreditor Agent may, from time to time, establish procedures and rules for the implementation and administration of the Collateral Trust and Assignment Agreement, which, as long as such procedures and rules do not contradict or alter the terms of the Collateral Trust and Assignment Agreement, will not constitute an amendment thereto. A change of the Intercreditor Agent will not be deemed an amendment to the Collateral Trust and Assignment Agreement. See "Description of the Notes—Amendments of the Financing Documents."

The resident agent of the Collateral Trust and Assignment Agreement is the law firm ARIAS, FÁBREGA & FÁBREGA. Its domicile is P.H. ARIFA, 9th and 10th Floor, West Boulevard, Santa Maria Business District, Panama City, Republic of Panama. They countersigned the Collateral Trust and Assignment Agreement.

Governing Law and Jurisdiction

The Collateral Trust and Assignment Agreement is governed and interpreted in accordance with the laws of the Republic of Panama. The parties to the Collateral Trust and Assignment Agreement agreed that any dispute regarding the agreement's validity, interpretation or execution that cannot be resolved by negotiation, will be submitted to the civil courts of the First Judicial Circuit of the city of Panama, Republic of Panama.

Description of the Amended and Restated Changuinola Trust Agreement

The Changuinola Trust was established in Panama pursuant to the original Changuinola Trust Agreement dated November 14, 2013 (the "Original Changuinola Trust Agreement") between AES Changuinola, BG Trust, Inc., as trustee (the "Changuinola Collateral Trustee"), and Banco General, S.A., as paying agent of the AES Changuinola Bonds (the "Changuinola Administrative and Paying Agent") under the technical name of "*BG TRUST, INC. FID (...)*" as a separate legal entity to hold assets that secure on a first priority the Changuinola Bond Secured Parties. Upon the issuance of the Notes and the consent approval of the holders AES Changuinola Bonds, the Original Changuinola Trust Agreement will be amended and restated pursuant to the amended and restated AES Changuinola trust agreement (the "Changuinola Trust Agreement") between AES Changuinola, the Changuinola Collateral Trustee, and the Changuinola Administrative in order to secure, pursuant to the terms described therein, on a first priority basis the Changuinola/Issuer Secured Parties by guaranteeing: (i) the obligations under the AES Changuinola Bonds, (ii) the obligations guaranteed under the Onshore Trust and Assignment Agreement (including the Notes, the Paying Agent Loan Facility, the Secured Hedge Agreements and Liquidity Facility); and (iii) the Additional Secured Debt; *provided* that the Designated Voting Party of the holders of such other Additional Secured Debt will have executed a joinder to the Intercreditor Agreement.

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.

The Changuinola Trust Agreement provides for the establishment and maintenance by the Changuinola Collateral Trustee of a debt reserve collection account for the benefit of the Changuinola Bond Secured Parties (the "AES Changuinola Debt Reserve Collection Account") and such other accounts as the Changuinola Collateral Trustee will from time to time require and establish and maintain for the Collateral Trust's operations, including an account for the deposit of any proceeds derived from executing the collateral (the "AES Changuinola Execution Account"). The Changuinola Trust Agreement provides that the Changuinola Collateral Trustee will be authorized to open and maintain each Collateral Trust account with an approved account bank. Only the Changuinola Collateral Trustee will be a signatory under the AES Changuinola Debt Reserve Collection Account and the grantor will not be permitted to act as signatory under the AES Changuinola Execution Account. Interest and other revenues generated by each Collateral Trust account will be credited into the same Collateral Trust account.

The obligations secured by the Changuinola Trust Agreement include, among others:

- 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 Changuinola/Issuer Secured Parties, 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 the Issuer of all expenses and obligations incurred or which may be incurred in the future by the Changuinola Collateral Trustee, its advising agents and the other Changuinola/Issuer Secured Parties to preserve, maintain, defend, protect administer and maintain custody over the Changuinola Collateral, including, without limitation, insurance premiums, taxes, interest, contributions, legal, notarial and registration expenses;
- The timely and complete payment by the Issuer of all expenses and obligations incurred or which may be incurred in the future by the Changuinola Collateral Trustee, its advising agents and the other Changuinola/Issuer Secured Parties to collect, either judicially or extra-judicially, the amounts owed under any Changuinola Security Document, to ensure fulfillment of the relevant obligations and commitments or to defend the rights of the Changuinola/Issuer Secured Parties conferred under The Changuinola Trust Agreement, including but not limited to the expenses associated with the valuation, sale, assignment, use or preparation for sale of the Changuinola Collateral and attorney expenses, costs, and other judicial expenses; and
- The timely and complete payment of any other sums the Issuer must pay to the Changuinola Collateral Trustee or creditors pursuant to the relevant documents, as applicable.

Collateral

The Collateral will consist of a security interest in and to the Changuinola Shared Collateral (as defined below) and the Changuinola Non-Shared Collateral.

The Changuinola shared collateral (collectively, the "Changuinola Shared Collateral") will consist of:

- The pledge rights created pursuant to the Changuinola Pledge Agreement and any monies obtained as a result of the judicial or extrajudicial sale of the shares in AES Changuinola pledged pursuant to the Changuinola Pledge Agreement;
- The Execution Account and the funds deposited in it or in any of its sub accounts;
- Any monies, assets or interests produced by the Changuinola Shared Collateral as a result of capital gains, interest, credit, indemnification or other, or that result from the proceeds of the sale, transfer, exchange or any other transaction involving the Changuinola Shared Collateral; and
- Any other investment bank or investment account resulting from the Execution Account or amounts from the Changuinola Pledge Agreement, which from time to time is established by the Changuinola Trustee for purposes of complying with its fiduciary duty under the Changuinola Trust Agreement (so long as such account has been identified as part of the Changuinola Non-Shared Collateral).
- The Changuinola Shared Collateral will be for the benefit of the Changuinola/Issuer Secured Obligations.
- The Changuinola non-shared collateral (collectively, the "Changuinola Non-Shared Collateral") will consist of:
- The sum of U.S\$500.00 delivered to the Changuinola Trustee as an initial contribution and as deposited in the AES Changuinola Debt Reserve Collection Account;

- The AES Changuinola Debt Reserve Collection Account and the funds deposited therein or in any sub-account thereof;
- An acceptable letter of credit issued by an eligible issuer (as defined in the Changuinola Trust Agreement);
- The funds deposited in any other account of the Changuinola Trustee, other than the Execution Account and the sums related to the AES Pledge Agreement or the sums resulting from the investment thereof pursuant to the Changuinola Trust Agreement;
- Any monies, assets or interests produced by the Changuinola Non-Shared Collateral as a result of capital gains, interest, credit, indemnification or other, or that result from the proceeds of the sale, transfer, exchange or any other transaction involving the Changuinola Non-Shared Collateral;
- Any other investment bank or investment account, except for the Execution Account, which from time to time is established by the Changuinola Trustee for purposes of complying with its fiduciary duty under the Changuinola Trust Agreement (so long as such account has been identified as part of the Changuinola Non-Shared Collateral); and
- Any other monies, goods or rights which from time to time are transferred to the Changuinola Trustee.
- The Changuinola Non-Shared Collateral will be for the benefit of the Changuinola Bond Secured Parties.

Collateral Secured Debt Certificates

After incurring any Additional Secured Debt permitted under the Financing Documents and the AES Changuinola Bonds, and prior to including the holders of any Additional Changuinola Secured Debt as secured parties under the Changuinola Trust Agreement, AES Changuinola must notify the Changuinola Collateral Trustee and the Intercreditor Agent, through the delivery of a certificate (the "Changuinola Collateral Secured Debt Certificate"), of the incurrence of the Additional Changuinola Secured Debt and of its intention to include the holders of that debt as Changuinola/Issuer Secured Parties under the Changuinola Trust Agreement. Such holders will 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.

The Changuinola Collateral Trustee, BG TRUST, INC., is a corporation organized under the laws of Panama, duly recorded with the Mercantile Section of the Public Registry at Folio No. Micro-Jacket 444710. The Changuinola Collateral Trustee engages in providing trustee related services, and has never been subject to any sanctions by its supervising entity.

The Changuinola Collateral Trustee, BG TRUST, INC., is a corporation organized under the laws of Panama, duly recorded with the Mercantile Section of the Public Registry at Folio No. Micro-Jacket 444710. The Changuinola Collateral Trustee holds a trustee license granted by the Superintendence of Banks of Panama through Resolution FID No. 01-2004 issued on September 1, 2004. The Trustee's contact information is:

BG TRUST, INC.
 Address: Torre Banco General, fourth floor
 Calle Aquilino de la Guardia y Avenida 5ta.-B Sur,
 Panama City, Panama
 Phone: (+507 303 7000)
 P.O. Box: 0816-00843, Panamá, República de Panamá
 Attention: Departamento de Fideicomisos, Valerie Voloi / Gabriela Zamora
 Email address: vvoloj@bgeneral.com / gzamora@bgeneral.com

The Changuinola Collateral Trustee provides trustee-related services and has never been subject to any sanctions by its supervising entity. The persons in charge of The Changuinola Trust Agreement on behalf of the Changuinola Collateral Trustee is Ms. Valerie Voloj and Ms. Gabriela Zamora.

AES Changuinola is the settlor under the Changuinola Trust Agreement, and the Collateral that is subject to the Changuinola Trust Agreement is the property of AES Changuinola. AES Changuinola has no subsidiaries, and neither AES Chnaguinola nor its affiliates have pending obligations with the Changuinola Collateral Trustee. AES Chnaguinola's contact information is:

AES CHANGUINOLA, S.R.L.
Address: Edificio Bladex, Piso 11
Costa del Este, City of Panama, Panama
Phone: + 204 7600
Att: Manuel Francisco Pérez Rodríguez
E-mail: manuel.f.perez@aes.com

The AES Changuinola Trust is irrevocable, pure and simple, and it will be extinguished when one of the following events occur: (i) all of the Changuinola/Issuer Secured Obligations are paid as confirmed by the Intercreditor Agent; (ii) when the AES Changuinola Bonds have been repaid and any obligations to the Changuinola Bond Secured Parties as confirmed by the Changuinola Administrative Agent or (iii) any of the causes set forth in Article 33 of Law No. 1 of January 5, 1984 takes place. The Collateral Trust is domiciled in the offices of the Changuinola Collateral Trustee.

The Changuinola Trust Agreement is not gratuitous in nature and the Changuinola Collateral Trustee will collect an annual remuneration to be paid by AESC Changuinola. The Changuinola Trust Agreement sets forth that the Changuinola Collateral Trustee may debit the annual remuneration amount directly from the Collateral Trust accounts.

The Changuinola Trust Agreement sets forth that the Collateral will constitute a separate patrimony from the personal assets of the Changuinola Collateral Trustee and of the Issuer 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 Changuinola Trust Agreement, or by third parties whenever such Collateral were transferred to The Changuinola Trust Agreement or fraudulently retained in fraud and in prejudice of its rights.

The Changuinola Collateral Trustee may not dispose of the Collateral in a form contrary or different to what is set forth in The Changuinola Trust Agreement. The Changuinola Collateral Trustee is not required to grant a security interest of any kind for good administration in favor of the Issuer of any of the Secured Parties. The Changuinola Collateral Trustee has no power to authorize the substitution of Collateral. The Changuinola Collateral Trustee will comply with the obligations set forth in The Changuinola 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 Changuinola Trust Agreement that must be paid by the Secured Parties.

Duties and Responsibilities of the Changuinola Collateral Trustee

Under the terms of The Changuinola Trust Agreement, which is governed by Panamanian law, the Changuinola Collateral Trustee will have the following duties and responsibilities:

- Accept any other permitted security interests created for the benefit of the Changuinola/Issuer Secured Parties;
- Administer and preserve the Changuinola Collateral, pursuant to the terms of the Changuinola Trust;
- Execute, sell or otherwise dispose of (i) the Changuinola Shared Collateral pursuant to the instructions received from the Intercreditor Agent; and (ii) the Changuinola Non-Shared Collateral pursuant to the instructions received from the Changuinola Paying Agent.

- Act directly or through agents, appointees or empowered persons to comply with its duties and obligations pursuant to the Changuinola Trust;
- Hire and retain such lawyers and advisers as it may from time to time deem necessary in order to clarify the meaning or interpretation of any provisions pursuant to the Changuinola Trust.
- Fulfill the obligations imposed by The Changuinola Trust Agreement and applicable law; and
- Such other duties as are set forth in The Changuinola Trust Agreement and the Law or as may be required pursuant to the Intercreditor Agreement.
- ***The Duties and Responsibilities of AES Changuinola***
- Under the terms of The Changuinola Trust Agreement, AES Changuinola's main duties and responsibilities are to:
- Assume the fees, costs or expenses of the Onshore Trustee, the Changuinola Trustee, the Changuinola Paying Agent, the Intercreditor Agent, the Changuinola Secured Parties, the Secured Parties, the Custodians, the resident agent or any of their advisors, consultants, contractors or any other sum owed in connection with the execution of the Changuinola Collateral in the event that the Changuinola Collateral is insufficient to mean; and
- Fulfill in its entirety any other obligation specified in the terms and conditions of the Changuinola Security Documents, the Law and other applicable provisions.

Instructions

The Changuinola Collateral Trustee will not be required to follow instructions from the Issuer 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 Changuinola Trust Agreement; (iii) would expose the Changuinola Collateral Trustee to personal liability or could cause him any damage; or (iv) would require the Changuinola Collateral Trustee to incur any expenses not covered by the Collateral Trust assets at the time.

Additionally, if, at any time, the Changuinola Collateral Trustee were to receive contradictory instructions from the Issuer and the Intercreditor Agent, he will be required to seek further clarification from both parties. If such clarification does not come within five Business Days, the Changuinola Collateral Trustee will follow the instructions from the Intercreditor Agent (acting in accordance with the Intercreditor Agreement).

Additionally, if, at any time, the Changuinola 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 Changuinola Collateral Trustee, and the Issuer would not be permitted to either give instructions or issue a Transfer Certificate or a Collateral Secured Debt Certificate.

Resignation and Removal of Changuinola Collateral Trustee

The Changuinola Collateral Trustee may resign at any time, with or without cause, by providing 45 calendar days' advance notice to AES Changuinola, the Intercreditor Agent and the Paying Agent. Thereafter, the Intercreditor Agent (acting pursuant to the Intercreditor Agreement) will have up to 45 Business Days from the date of the Changuinola Collateral Trustee's notice of resignation to appoint a Substitute Trustee (*Fiduciario Sustituto* as such term is defined in the Changuinola Trust). In the event that the Intercreditor Agent is unable to appoint a Substitute Trustee, the original Changuinola Collateral Trustee may appoint a replacement.

The Changuinola Collateral Trustee may be removed (A) immediately if (i) they are responsible for gross negligence or fraud in the exercise of their duties as Changuinola Collateral Trustee; (ii) if they are insolvent or subject to intervention, declared to be subject to forced liquidation or in bankruptcy or subject to another similar event, (iii) if it is liquidated or subject to dissolution, (iv) if its trustee license is cancelled, (v) if it is unable to complete with its

contractual obligations under the Changuinola Trust Agreement; and (B) with 15 day notice for any other cause following an instruction from the Intercreditor Agent (acting in accordance with the Intercreditor Agreement) together with the AES Changuinola; it being understood that in the event of a Remedies Direction being issued, the consent of AES Changuinola will not be required.

Supplement and Modification

The Changuinola Trust Agreement will only be modified by way of a written document signed between AES Changuinola, the Changuinola Paying Agent and the Changuinola Collateral Trustee, the latter solely upon instruction from the Intercreditor Agent (acting in accordance with the Intercreditor Agreement). However, AES Changuinola, the Changuinola Paying Agent and the Changuinola Collateral Trustee may, from time to time, establish procedures and rules for the implementation and administration of the Changuinola Trust Agreement, which, as long as such procedures and rules do not contradict or alter the terms of the Changuinola Trust Agreement, will not constitute an amendment to the Changuinola Trust Agreement.

The resident agent of The Changuinola Trust Agreement is the law firm ARIAS, FÁBREGA & FÁBREGA. Its domicile is P.H. ARIFA, 9th and 10th Floor, West Boulevard, Santa Maria Business District, Panama City, Republic of Panama. They countersigned The Changuinola Trust Agreement.

Governing Law and Jurisdiction

The Changuinola Trust Agreement is governed and interpreted in accordance with the laws of the Republic of Panama. The parties to The Changuinola Trust Agreement agreed that any dispute regarding the agreement's validity, interpretation or execution that cannot be resolved by negotiation, will be submitted to arbitration pursuant to the Arbitration Rules of the Center for Arbitration and Conciliation of the Panamanian Chamber of Commerce (*Centro de Conciliación y Arbitraje de Panamá de la Cámara de Comercio, Industrias y Agricultura de Panamá*) in a tribunal comprise of three arbitrators and conducted in Spanish.

Quota Pledge Agreements

AES Panama and CONO/GNA Quota Pledge Agreements

The Notes will also be guaranteed by a commercial pledge to be granted by Global Power Holdings over 105,353,687 participation quotas of AES Panamá, which will be constituted on the Issue Date through a Panamanian-law governed quota pledge agreement between Global Power Holdings, as pledgor, the Onshore Collateral Trustee, as pledgee, and AES Panamá. Additionally, all other quotas and other interest or participation in the capital issued by AES Panamá to, or acquired by, Global Power Holdings in the future, either directly or indirectly through a third person, will be subject to the pledge.

The Notes will also be guaranteed by a commercial pledge to be granted by Global Power Holdings over 1,431,357 participation quotas of Costa Norte and 586,671 participation quotas of Gas Natural Atlántico, which will be constituted through a Panamanian-law governed quota pledge agreement between Global Power Holdings, as pledgor, the Onshore Collateral Trustee, as pledgee, Deeplight Holdings, S.R.L., as partner, Costa Norte and Gas Natural Atlántico, as soon as practicable after the Issue Date when all amounts due under the Colón Facility Financing have been paid in full and the existing security interest over Global Power Holdings' quotas in Gas Natural Atlántico and Costa Norte have been released. Deeplight will accept any transfer of the pledged quotas as a result of the pledge provided that (i) said transferee, buyer or acquirer and its subsidiaries, directors and officers are not at the time of said transfer the subject or the object of any sanction by the Office of Foreign Assets Control of the United States Department of the Treasury ("OFAC") or the United States Department of State, the Security Council of the United Nations, the European Union, Her Majesty's Treasury of the United Kingdom or other relevant sanctions authority; and (ii) said transferee, buyer or acquirer is not located, organized or resident in a country or territory that is subject to sanctions, including, but not limited to, Crimea, Cuba, Iran, North Korea and Syria. Notwithstanding the foregoing, the approval and acceptance of Deeplight at the time of transfer will be required (which will not be unreasonably denied) in the event that said transferee, buyer or acquirer of said quotas is not a recognized and experienced operator of power generation facilities or gas terminals and a management agreement has not been entered into with a recognized and experienced operator of power generation facilities or gas terminals.

Additionally, all other quotas and other interest or participation in the capital issued by Costa Norte or Gas Natural Atlántico and acquired by Global Power Holdings in the future to avoid dilution, either directly or indirectly through a third person, will be subject to the pledge.

If the Onshore Collateral Trustee under the AES Panamá Quota Pledge Agreement or the GNA/CONO Quota Pledge Agreement receives a Remedies Direction, it will take one or more of the following measures in case of execution of the pledge agreement:

- Reasonably exercise all the rights of a holder of the pledged quotas;
- At any time, and from time to time:
 - sell, assign, transfer or in any other way dispose of all or part of the pledged assets in accordance with the provisions of the pledge agreement; or
 - appropriate the pledged assets in accordance with the provisions of the pledge agreement.

Changuinola Pledge Agreement

The Changuinola/Issuer Secured Obligations (which include the Notes) are guaranteed by the AES Changuinola Pledge Agreement, pursuant to which AES Bocas, as pledgor, pledged to the Onshore Collateral Trustee, as trustee of the AES Changuinola Trust, as pledgee, the shares owned by AES Bocas in AES Changuinola to secure AES Changuinola's obligations under the AES Changuinola Bonds. The pledged AES Changuinola shares were subsequently converted into Quotas as a result of AES Changuinola's conversion into a limited liability company (*sociedad de responsabilidad limitada*), and ownership of such pledged AES Changuinola Quotas was transferred to Global Power Holdings, remaining subject to such pledge. On the Issue Date, the Changuinola Pledge Agreement will be amended and restated to include the Onshore Collateral Trustee as pledgee and to appoint a custodian as custodian of the assets pledged under the Changuinola Pledge Agreement (the "AES Changuinola Custodian").

At any time during the existence of the Changuinola Pledge Agreement, only one of the two pledgees will be responsible for: (i) delivering instructions received from the Intercreditor Agent pursuant to the Intercreditor Agreement, (ii) instructing the AES Changuinola Custodian; or (iii) otherwise carrying out actions pursuant the Changuinola Pledge Agreement (the "Instructor Pledgee"). Prior to the repayment of the AES Changuinola Bonds, the Changuinola Collateral Trustee will be the Instructor Pledgee, and after repayment of the AES Changuinola Bonds, the Onshore Collateral Trustee will be the Instructor Pledgee.

For the duration of the Changuinola Pledge Agreement, the assets pledged thereunder will be held by the custodian. The custodian will take directions from the Instructing Pledgee.

- 400 quotas of AES Changuinola, property of Global Power Holdings, represented by quota certificate no. 6 dated June 29, 2020 (the "Pledged AES Quotas");
- Any quotas, other securities assets or money that the pledgee may be entitled to receive from the AES Changuinola Quotas as a result of (a) any split or merger of the quotas; (b) any quotas distributed as dividends of the quotas; (c) any merger or consolidation; (d) any spin-off or segregation; (e) any restructuring or reclassification of capital; (f) any change to AES Changuinola's Articles of Incorporation; (g) any conversion of quotas; or (h) any other transaction or corporate reorganization;
- Any dividends from the AES Changuinola Quotas; and
- Any product or benefit from the pledged assets including those received from the collection, conversion, exchanger, transformation, investment, sale or other disposition of the AES Changuinola pledged assets including, without limitation, interest and other credits.

If the Instructing Pledgee receives a Remedies Direction, it will take or cause to be taken one or more of the following measures in case of execution of the pledge agreement:

- Reasonably exercise all the rights of a holder of the pledged quotas;
- At any time, and from time to time
 - sell, assign, transfer or in any other way dispose of all or part of the pledged assets in accordance with the provisions of the pledge agreement; or
 - appropriate the pledged assets in accordance with the provisions of the pledge agreement.

Prior to the repayment of the Changuinola Bond Secured Parties, the proceeds from the sale or appropriation of the assets pledged under the Changuinola Pledge Agreement will be deposited in the Changuinola Execution Account. After the repayment of the Changuinola Bond Secured Parties, the proceeds from the sale or appropriation of the assets pledged under the Changuinola Pledge Agreement will be deposited in the execution account of the Onshore Collateral Trust.

Dutch Account Security Agreement

Global Power Holdings, the Dutch Account Bank and the Offshore Collateral Agent will enter into the Dutch Account Security Agreement whereby Global Power Holdings will pledge to the Offshore Collateral Agent all of its rights and interests in the GPH Dividend Collection Accounts. Transfers to and from the GPH Dividend Collection Accounts are set forth in "Description of Notes—Transfer to the GPH Dividend Collection Accounts" and "Description of Notes—Offshore Collateral Agent Transfer of Funds on Deposit in the GPH Dividend Collection Accounts."

Account Bank Agreement

Global Power Holdings, the Dutch Account Bank and the Offshore Collateral Agent as Account Agent will enter into the Account Bank Agreement pursuant to which the Dutch Account Bank will establish and maintain the GPH Dividend Collection Accounts and release the funds in the GPH Dividend Collection Accounts in accordance with the instructions of the Account Agent.

Security Agreement

The Issuer, the New York Account Bank and the Offshore Collateral Agent will enter into the New York Security Agreement whereby the Issuer will pledge to the Offshore Collateral Agent all of its assets and properties not assigned to the Onshore Trust, including the Issuer Operating Account, but excluding the Issuer Local Account. Transfers to and from the Issuer Operating Account are set forth in "Description of Notes—Issuer Operating Account Transfers."

From the date of the New York Account Bank's receipt of any notice of default from the Offshore Collateral Agent (as directed by the Intercreditor Agent) or the Intercreditor Agent until the date that the New York Account Bank receives notice from the Offshore Collateral Agent (as directed by the Intercreditor Agent) or the Intercreditor Agent that such potential event of default no longer exists, in each case, in accordance with the terms of the Intercreditor Agreement, no funds will be withdrawn, transferred, paid or otherwise distributed from the Issuer Operating Account to any person other than to any Operating Company as an Operating Company Loan (as certified by the Grantor in a Withdrawal Certificate delivered in accordance with the terms of the Security Agreement) or to any Secured Party without the approval of the Offshore Collateral Agent (as directed by the Intercreditor Agent).

From the date of the New York Account Bank's receipt of a notice of enforcement from the Offshore Collateral Agent (as directed by the Intercreditor Agent) or the Intercreditor Agent until the date that the New York Account Bank receives notice from the Offshore Collateral Agent (as directed by the Intercreditor Agent) or the Intercreditor Agent that such event of default no longer exists, in each case, in accordance with the terms of the Intercreditor Agreement, no funds will be withdrawn, transferred, paid or otherwise distributed from the Issuer Operating Account without the approval of the Offshore Collateral Agent (as directed by the Intercreditor Agent).

DESCRIPTION OF THE NOTES

The following summary of certain provisions of the Indenture, the Notes and the Collateral is not complete and is subject to, and qualified in its entirety by reference to, all of the provisions of the Indenture, the Notes and the Financing Documents, as applicable. The holders of the Notes will be entitled to the benefits of, be bound by, and be deemed to have notice of, all of the provisions of the Indenture, the Notes and the Financing Documents, including, without limitation, the immunities and rights of the Indenture Trustee and Collateral Agents. Copies of the Indenture and other Financing Documents will be on file at the specified corporate trust office of the Indenture Trustee and may be inspected upon request.

General

In this "Description of the Notes," the word "Issuer" refers only to AES Panama Generation Holdings, S.R.L., a *sociedad de responsabilidad limitada* organized under the laws of Panama as a special purpose finance vehicle, and not to AES Global Power Holdings, B.V. ("GPH"), or any of its other Affiliates, as defined herein. The definitions of certain other terms used in this description are set forth throughout the text or under "—Certain Definitions."

The Issuer will issue U.S.\$1,380,000,000 in aggregate principal amount of 4.375% Senior Secured Amortizing Notes due 2030 (the "Notes"). The Notes will be issued under an indenture (the "Indenture") among the Issuer and Citibank, N.A., as trustee (the "Indenture Trustee"), registrar, transfer agent and paying agent.

The proceeds of the offering of the Notes sold on the Issue Date (after payment of offering fees and expenses) will be used by the Issuer as set forth in this Offering Memorandum under the caption "Use of Proceeds" to fund certain Operating Company Loans.

The Notes will constitute senior secured indebtedness of the Issuer.

The Notes will be due and payable on May 31, 2030. The Notes and almost all of the Issuer's outstanding indebtedness will be secured by a security interest in the Collateral, with the ranking described in "—Collateral Arrangements" below.

The Notes will have the benefit of, and will be subject to, the terms of the Security Documents. The Security Documents set forth the terms of the agreements in respect of the Collateral that will secure the Notes. For a description of the Security Documents, see "Collateral Arrangements." The Issuer urges each investor to read the Indenture and the Security Documents because those documents, and not this summary, define your rights as a holder of the Notes.

The Indenture will not be qualified under the Trust Indenture Act of 1939, as amended, and holders of the Notes 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.

Status, Ranking and No Recourse

The Notes will constitute the Issuer's direct and unconditional senior secured obligations, secured by the Collateral, and will rank *pari passu* in right of payment without any preference among themselves and with all Additional Notes (as defined herein), if any, the Loan Facility, the Secured Hedge Agreements, the Liquidity Facility and certain other Additional Secured Debt, if any, the Issuer may incur in the future. Except as provided in the following paragraph, the Issuer's payment obligations under the Notes will, other than in the case of certain of its obligations, which are granted preferential treatment over the Notes pursuant to law, at all times rank at least *pari passu* in priority of payment with all of its other present and future senior secured obligations from time to time outstanding, including the Loan Facility, the Secured Hedge Agreements, the Liquidity Facility, and any Additional Secured Debt, and will rank senior in priority of payment to all its present and future unsecured (to the extent of the value of the Collateral) or subordinated obligations from time to time outstanding.

All obligations in connection with the Notes are solely obligations of the Issuer, secured under the Security Documents by the Collateral, with no recourse to any other Person or entity, except to the extent the Collateral includes Quotas owned by GPH in the Operating Companies and dividends and fees payable by the Operating Companies to GPH or its Affiliates.

The Issuer will pay amounts due on or with respect to the Notes, the Loan Facility, the Secured Hedge Agreements and any Additional Secured Debt (as defined below) prior to paying any amounts due on or with respect to the Liquidity Facility. See "Collateral Arrangements—Flow of Revenues—Onshore Collateral Trustee Transfer of Funds on Deposit in the Issuer Collection Account."

As of the Issue Date, and after application of the proceeds of this offering, the Issuer will have U.S.\$105.0 million of Indebtedness other than the Notes, including the Loan Facility and the Liquidity Facility. As of the Issue Date, the Issuer expects to have U.S.\$105.0 million of borrowings outstanding under the Loan Facility, no borrowings outstanding under the Liquidity Facility and U.S.\$50.0 million of borrowing availability under the Liquidity Facility. The Indenture will prohibit the Issuer from incurring Indebtedness other than Permitted Indebtedness.

Principal, Maturity and Interest

The Notes will mature on May 31, 2030 and will bear interest at 4.375% per annum from August 14, 2020 or from the immediately preceding interest payment date to which interest has been paid. Interest on the Notes will be payable semi-annually in arrears on each Scheduled Payment Date, commencing on November 30, 2020, to the holders of record of the Notes at the close of business on May 16 or November 15, respectively, immediately preceding the corresponding interest payment date (each, a "Regular Record Date").

Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months. Interest on overdue principal and interest on the Notes will accrue at a rate that is 2% higher than the then applicable interest rate on each series of Notes.

Principal on the Notes will be payable semi-annually on each Scheduled Payment Date, commencing on May 31, 2023, to the holders of record of the Notes at the close of business on May 16 or November 15, respectively, immediately preceding the corresponding principal payment date (each, a "Regular Record Date").

Principal Payment Date	Amortization Payment
	<i>U.S.\$</i>
May 31, 2023	U.S.\$12,354,545.21
November 30, 2023	U.S.\$12,354,545.21
May 31, 2024	U.S.\$23,410,243.25
November 30, 2024	U.S.\$23,410,243.25
May 31, 2025	U.S.\$10,113,930.98
November 30, 2025	U.S.\$10,113,930.98
May 31, 2026	U.S.\$10,788,935.17
November 30, 2026	U.S.\$10,788,935.17
May 31, 2027	U.S.\$12,500,000.00
November 30, 2027	U.S.\$12,500,000.00
May 31, 2028	U.S.\$12,500,000.00
November 30, 2028	U.S.\$12,500,000.00
May 31, 2029	U.S.\$12,500,000.00
November 30, 2029	U.S.\$12,500,000.00
May 31, 2030	U.S.\$1,191,664,690.78

The Notes will not be entitled to the benefit of any sinking fund to retire them.

Source of Available Funds

As provided above, the Issuer will pay all amounts due on or with respect to the Notes solely from the periodic payments it receives from the Operating Companies under the Operating Company Loans, borrowings under the Liquidity Facility, amounts on deposit in the GPH Dividend Collection Accounts and/or proceeds from the disposition of Collateral.

Further Issuances

The Issuer will initially issue an aggregate of U.S.\$1,380,000,000 of Notes, but may, subject to the limitations set forth under "—Negative Covenants of the Issuer—Limitation on Indebtedness," issue an unlimited principal amount of notes under the Indenture. The Issuer may issue, in one or more transactions, without your consent, one or more new series of notes or additional Notes of an existing series (the "—Additional Notes"). Additional Notes of an existing series will have substantially identical terms (other than issue price, date of issuance and date from which the interest will accrue) as the existing Notes of the applicable series. Such Additional Notes of any such series may be issued with the same or different CUSIP numbers; provided, however, that unless such Additional Notes of such series are fungible with the Notes of such series for U.S. federal income tax purposes, such Additional Notes of such series must be issued under different CUSIP, ISIN and Common Code numbers, if any. Any Additional Notes of a series will be consolidated and form a single class with the other Notes of such series issued on the Issue Date, so that, among other things, holders of any Additional Notes of such series will have the right to vote together with holders of Notes of such series issued on the Issue Date as one class. Unless the context otherwise requires, for all purposes under the Indenture and this "Description of the Notes," references to the Notes of a series includes any Additional Notes of such series actually issued.

Form, Denomination and Registration

The Global Notes (and beneficial interests therein) will be issued in registered form only, without interest coupons, in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. No Notes will be issued in bearer form. Notes of a series offered and sold in reliance upon Rule 144A under the Securities Act will be issued in the form of one or more Rule 144A Global Notes of such series. Notes of a series offered and sold in reliance on Regulation S under the Securities Act will be issued in the form of one or more Regulation S Global Notes of such series. Each Global Note will be initially registered in the name of The Depository Trust Company ("DTC") or its nominee and deposited with the Indenture Trustee as custodian for DTC. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, the book entry records maintained by DTC and its direct and indirect participants (including Euroclear and Clearstream). Notes traded in Panama will clear through LatinClear as a participant in Clearstream.

Payments and Paying Agents

The Issuer will make all payments on the Notes exclusively in such coin or legal currency of the United States as at the time of payment will be legal tender for the payment of public and private debts.

The Issuer will make payments of principal and interest on the Notes to the Indenture Trustee, which will pass such funds to the paying agents or to the holders of the Notes. Initially, the Indenture Trustee will act as registrar, transfer agent and paying agent for the Notes.

The Issuer will make payments of principal upon surrender of the relevant Notes at the specified corporate trust office of the Indenture Trustee or any of the paying agents. In the event that a paying agent in Singapore is required by the Listing Manual of the SGX-ST, and for so long as the Notes are listed on the SGX-ST, a paying agent in Singapore will be appointed and maintained and the Notes may be presented or surrendered to such paying agent in Singapore for payment or redemption, and such payments of principal and payments of interest may be made by such paying agent in Singapore. The Issuer will pay interest on the Notes to the Persons in whose name the Notes are registered on the Regular Record Date. Payments of principal and interest in respect of each Global Note will be paid by wire transfer of immediately available funds to DTC. Payments of principal and interest in respect of any certificated notes will be made by Dollar check drawn on a bank in the City of New York and mailed to the

holder of such Note at its registered address. Upon application by the holder of at least U.S.\$1.0 million in aggregate principal amount of Notes to the specified corporate trust office of the Indenture Trustee or any paying agent not less than 15 days before the due date for any payment in respect of a Note, such payment may be made by transfer to a Dollar account maintained by the payee with a bank in The City of New York. The Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies) for so long as the Notes are listed on the SGX-ST.

All payments will be subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of "—Additional Amounts." For the purposes of the preceding sentence, the phrase "applicable tax or other laws and regulations" will include any obligation on the Issuer to withhold or deduct from a payment pursuant to FATCA (as defined below). No commissions or expenses will be charged to the holders in respect of such payments.

Subject to any applicable abandoned property law, the Indenture Trustee and the paying agents will pay to the Issuer upon its request any monies held by them for the payment of principal or interest that remains unclaimed for two years, and, thereafter, holders entitled to such monies must look to the Issuer for payment as its general creditors. After the return of such monies by the Indenture Trustee or the paying agents to the Issuer, neither the Indenture Trustee nor the paying agents will be liable to the holders in respect of such monies.

Collateral Arrangements

General

The obligations of the Issuer with respect to the Notes and the performance of all other obligations of the Issuer under or relating to the Indenture and the other Holdings Secured Debt Documents will be secured, *pari passu* with the Loan Facility, the Secured Hedge Agreements, the Liquidity Facility and Additional Secured Debt, if any, by the following (collectively, the "Collateral"):

- (i) **Operating Company Loans:** the Issuer's rights in each of the Operating Company Loans will be assigned to the Onshore Collateral Trustee, as trustee of the Onshore Trust;
- (ii) **Issuer Collection Account:** all payments to be made by the Operating Companies under the Operating Company Loans will be paid into the Issuer Collection Account, which will be an Onshore Trust Account opened and controlled by the Onshore Collateral Trustee;
- (iii) **Issuer Operating Account:** the Issuer Operating Account, and any funds deposited therein, will be pledged to the Offshore Collateral Agent;
- (iv) **Issuer Other Assets:** all assets of the Issuer not assigned to the Onshore Collateral Trustee, will be pledged to the Offshore Collateral Agent;
- (v) **GPH's Quotas in Operating Companies:** all Quotas owned by GPH in the capital of the Operating Companies (other than with respect to AES Changuinola, which is pledged for the benefit of both the AES Changuinola Trust and the Onshore Trust to be shared *pari passu* with the holders of the AES Changuinola 2023 Bonds pursuant to the terms of the Changuinola Pledge Agreement) will be pledged to the Onshore Collateral Trustee;
- (vi) **GPH Dividend Collection Accounts:** the GPH Dividend Collection Accounts (as defined below) and any funds deposited therein, including any distributions in respect of the Quotas owned by GPH in the capital of the Operating Companies, any amounts received from the Issuer Collection Account and the Issuer Operating Account, and advisory or other fees (excluding any amounts thereof comprising actual costs, salaries and other non-profit components) payable to GPH or its Affiliates by any Operating Company (other than AES Changuinola after the receipt by the Changuinola Collateral Trustee of a Remedies Direction), will be pledged to the Offshore Collateral Agent, on the understanding that any such amount with respect to AES Changuinola

will be shared *pari passu* with the holders of the AES Changuinola 2023 Bonds pursuant to the terms of the Changuinola Pledge Agreement and the Dutch Account Security Agreement; and

- (vii) **GPH's Quotas in AES Changuinola and Changuinola Enforcement Account:** all Quotas owned by GPH in the capital of AES Changuinola, as well as any distributions in respect of such Quotas pledged for the benefit of both the AES Changuinola Trust and the Onshore Trust will be shared *pari passu* with the holders of the AES Changuinola 2023 Bonds (together with all distributions in respect of the Quotas owned by GPH in the capital of AES Changuinola paid into (1) the relevant GPH Dividend Collection Account and, after the occurrence of an event of default under the AES Changuinola 2023 Bonds and the receipt by the Changuinola Collateral Trustee of a Remedies Direction, the Changuinola Enforcement Account and (2) following the repayment of the AES Changuinola 2023 Bonds and certain related obligations, the relevant GPH Dividend Collection Account, collectively the "Changuinola Collateral").

The Collateral will be free and clear of any liens other than Permitted Liens.

In connection with the issuance of the Notes, (a)(i) the Issuer and BG Trust, Inc., in its capacity as trustee (the "Onshore Collateral Trustee") will enter into a trust and assignment agreement (the "Onshore Trust and Assignment Agreement") pursuant to which a *fideicomiso* (the "Onshore Trust") will be created and certain of the Collateral designated above will be transferred to the Onshore Trust, (ii) GPH, the Onshore Collateral Trustee and AES Panamá will enter into the AES Panamá Quota Pledge Agreement (as defined below) pursuant to which GPH will grant a pledge over all quotas in AES Panamá currently owned by GPH to the Onshore Collateral Trustee (and any future quotas to avoid any dilution of the ownership interest of GPH in AES Panamá initially pledged to the Onshore Collateral Trustee) and (iii) GPH, Deeplight Holdings, S. de R.L., the Onshore Collateral Trustee, Costa Norte and Gas Natural Atlántico will enter into the CONO/GNA Quota Pledge Agreement (as defined below) pursuant to which GPH will grant a pledge over all its quotas in Costa Norte and Gas Natural Atlántico currently owned by GPH to the Onshore Collateral Trustee (and any future quotas to avoid any dilution of the ownership interest of GPH in Costa Norte and Gas Natural Atlántico initially pledged to the Onshore Collateral Trustee); (b) (i) AES Changuinola, the Changuinola Collateral Trustee (as defined below) and the Changuinola Administrative and Paying Agent (as defined below) will execute an amended and restated Changuinola Trust Agreement and (ii) AES Changuinola, the Changuinola Collateral Trustee (as defined below), the Onshore Collateral Trustee and the Custodian will execute an amended and restated Changuinola Pledge Agreement, each providing for such collateral trust and pledge to secure the Notes and the other Secured Obligations, in addition to the Changuinola Bond Obligations, and to include the Onshore Collateral Trustee as a party and pledgee and the Custodian as a party and custodian under such amended and restated Changuinola Pledge Agreement; (c) the Issuer, the NY Account Bank (as defined below) and Citibank, N.A., in its capacity as collateral agent (the "Offshore Collateral Agent") will enter into a Security Agreement (as defined below) pursuant to which the Issuer will pledge to the Offshore Collateral Agent all of its assets and properties not assigned to the Onshore Trust, including the Issuer Operating Account, but excluding the Issuer Local Account; and (d) GPH, the Dutch Account Bank and the Offshore Collateral Agent will enter into the Dutch Account Security Agreement pursuant to which GPH will pledge to the Offshore Collateral Agent the GPH Dividend Collection Accounts (as defined below).

On November 14, 2013, AES Changuinola, BG Trust, Inc., as trustee (the "Changuinola Collateral Trustee"), and Banco General, S.A., as paying agent of the AES Changuinola 2023 Bonds (the "Changuinola Administrative and Paying Agent") entered into a trust and assignment agreement (the "Changuinola Trust Agreement" and, together with the Onshore Trust and Assignment Agreement, the "Trust Agreements") pursuant to which a trust was created (the "Changuinola Trust" and, together with the Onshore Trust, the "Trusts") to secure the AES Changuinola 2023 Bonds. On November 14, 2013, AES Changuinola, AES Bocas del Toro Hydro, S.A. ("AES Bocas") and the Changuinola Collateral Trustee also entered into a pledge agreement (as amended from time to time, the "Changuinola Pledge Agreement") pursuant to which AES Bocas, as pledgor, pledged to the Changuinola Collateral Trustee, as trustee of the Changuinola Trust, as pledgee, the shares owned by AES Bocas in AES Changuinola to secure AES Changuinola's obligations under the AES Changuinola 2023 Bonds. The pledged AES Changuinola shares were subsequently converted into Quotas as a result of AES Changuinola's conversion into a limited liability company (*sociedad de responsabilidad limitada*), and ownership of such pledged AES Changuinola Quotas was transferred to GPH, remaining subject to such pledge. The collateral for the AES Changuinola 2023 Bonds also includes certain funds deposited in certain reserve accounts created in connection

with and described in the Changuinola Trust Agreement, but any funds deposited in such reserve accounts will not form part of the Collateral for the Notes and the other Secured Obligations.

In addition to the Notes issued on the Issue Date, the Collateral will also secure the Loan Facility, the Liquidity Facility and the Secured Hedge Agreements and will be allowed to secure any future debt permitted to be incurred by the Issuer under the Holdings Secured Debt Documents and permitted to be secured by the Collateral on a first priority, *pari passu* basis, under the Holdings Secured Debt Documents for the benefit of additional creditors (the "Additional Secured Debt"). The proceeds of any additional Indebtedness by the Issuer will be used to fund Operating Company Loans, see "Negative Covenants of the Issuer—Limitation on Indebtedness." 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 Security Documents, and the Collateral will also secure on a first priority, *pari passu* basis the other Secured Obligations; provided that, pursuant to the Changuinola Security Documents, the Changuinola Collateral will also secure, ratably, the Changuinola Bond Obligations.

The Designated Voting Parties of the holders of the Changuinola/Issuer Secured Obligations will be required to execute the Intercreditor Agreement or a joinder to the Intercreditor Agreement to share the benefit of the relevant Collateral applicable to such holders.

Administration of Collateral

Each of the Security Documents and the related portion of the Collateral will be administered by the relevant Collateral Agent for the benefit of such Collateral Agent and the other relevant Changuinola/Issuer Secured Parties. By accepting a Note, each holder of Notes will be deemed to have:

- irrevocably appointed the Intercreditor Agent and each Collateral Agent to act as its agent under the Financing Documents;
- irrevocably authorized the Intercreditor Agent and each Collateral Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Financing Documents or any other Secured Debt Documents to which it is a party, together with any other incidental rights, powers and discretions, subject to standard exculpatory provisions; and (ii) execute each document to be executed by the Intercreditor Agent and such Collateral Agent on its behalf; and
- irrevocably accepted the Intercreditor Agreement.

Release of Collateral

The Liens on the Collateral will be, automatically and without the need for any further action by any Person, released with respect to the Notes:

- (a) in whole, upon the full and final payment and performance of all obligations of the Issuer under the Indenture and the Notes (other than contingent obligations that may arise in the future for indemnities or otherwise);
- (b) in part, as to any property constituting Collateral that is sold, transferred or otherwise disposed of in a transaction permitted by "—Asset Sales" and by the Financing Documents (to the extent of the interest sold or disposed of);
- (c) otherwise in accordance with, and as expressly provided for under, the Indenture or the other Secured Debt Documents;
- (d) in whole or in part, with the consent of the holders of the requisite percentage of Notes in accordance with the provisions described under "—Amendment, Supplement, Waiver;" and

- (e) in whole, upon legal defeasance, covenant defeasance or satisfaction and discharge of the Notes as provided below under the captions "—Defeasance" and " —Satisfaction and Discharge."

Upon repayment of the Changuinola Bond Obligations, the Changuinola Collateral Trustee will (and the Changuinola Administrative and Paying Agent will instruct the Changuinola Collateral Trustee accordingly to) promptly take such actions as reasonably requested by AES Changuinola in order to terminate the AES Changuinola Trust, thereby leaving the Onshore Collateral Trustee (acting for the benefit of the Onshore Collateral Trust) as the only pledgee under the amended and restated Changuinola Pledge Agreement.

Upon repayment of the Secured Obligations, the applicable Collateral Agent will (and the Indenture Trustee and each other Applicable Designated Voting Party will instruct the Intercreditor Agent to instruct the applicable Collateral Agent accordingly to) promptly take such actions as reasonably requested in writing by the Issuer in order to release the security granted to such applicable Collateral Agent for the benefit of the Secured Parties and, if necessary, the applicable Collateral Agent will, at the Issuer's or, if applicable, AES Changuinola's, expense, cause to be filed such documents or instruments (that are prepared by the Issuer or AES Changuinola, as applicable, and provided to the applicable Collateral Agent) as will be necessary to provide for the release by the applicable Collateral Agent of the released Collateral. In connection with any such reconveyance or filing, the Indenture Trustee or the applicable Collateral Agent, as applicable, will 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 Secured Debt Documents.

Accounts

The Trust Agreements will provide for the establishment of, deposits into and withdrawals from the accounts, as described below.

BG Trust, Inc. will establish and maintain, as fiduciary and not in its own name, a secured account referred to as the "Issuer Collection Account" and such other accounts as it shall reasonably require in connection with the administration of the Trust Agreements, held or to be held at Banco General, S.A. or any other reasonably acceptable bank in Panama subject to the terms of the Onshore Trust and Assignment Agreement.

Transfers from the Issuer Collection Account will be made in accordance with the instructions of the Issuer; however, upon the delivery by the Intercreditor Agent to the Onshore Collateral Trustee of an Enforcement Notice and until withdrawal thereof, such transfers will be made solely in accordance with the instructions of the Onshore Collateral Trustee (as directed by the Intercreditor Agent).

The Issuer will establish and maintain in its own name a secured account referred to as the "Issuer Operating Account" held or to be held at offices located in the State of New York of the NY Account Bank or a successor account bank that has a combined capital and surplus of at least U.S.\$500,000,000. Transfers from the Issuer Operating Account will be made in accordance with the instructions of the Issuer; however, following receipt by the NY Account Bank of an Enforcement Notice from the Intercreditor Agent and until withdrawal thereof, such transfers will be made solely in accordance with the instructions of the Offshore Collateral Agent (as directed by the Intercreditor Agent) or the Intercreditor Agent.

All funds of the Issuer will be held in the Issuer Collection Account or the Issuer Operating Account, and transfers to and from those accounts will be governed by the Indenture and the Security Documents as described in this Description of Notes.

GPH will establish and maintain in its own name three secured accounts referred to as the "GPH Dividend Collection Accounts," held or to be held at the Dutch Account Bank, which will receive dividends from AES Panama, AES Changuinola and Costa Norte/GNA, respectively, any amounts received from the Issuer Collection Account with respect to AES Panama, AES Changuinola and Costa Norte/GNA, respectively, and advisory or other fees (excluding any amounts thereof comprising actual costs, salaries and other non-profit components) payable to GPH or its Affiliates by any Operating Company (other than AES Changuinola after the receipt by the Changuinola Collateral Trustee of a Remedies Direction). Transfers from the GPH Dividend Collection Accounts will be made,

subject to clauses (a) and (b) below under the heading "—Offshore Collateral Agent Transfer of Funds on Deposit in the GPH Dividend Collection Accounts", in accordance with the instructions of GPH; however, upon receipt by the Dutch Account Bank of any "Release Objection Notice" (as defined below) from any Designated Voting Party, no such transfers will be made by the Dutch Account Bank.

The Changuinola Collateral Trustee will, upon the occurrence of an event of default under the AES Changuinola 2023 Bonds, establish and maintain in the name of the Changuinola Trust, to be instructed solely by the Intercreditor Agent, the AES Changuinola Trust enforcement account (the "Changuinola Enforcement Account").

Flow of Revenues

Transfers to the Issuer Collection Account

The Operating Company Loan Agreements will provide that all funds paid by the Operating Companies to the Issuer will be paid by any such Operating Company directly into the Issuer Collection Account.

Transfers from the GPH Dividend Collection Accounts, transfers from the Issuer Operating Account, proceeds of GPH Subordinated Loans, proceeds of Liquidity Loans and contributions to the Equity Interests of the Issuer by its shareholders or their Affiliates may also be deposited into the Issuer Collection Account.

Onshore Collateral Trustee Transfer of Funds on Deposit in the Issuer Collection Account

Pursuant and subject to the terms of the Onshore Trust and Assignment Agreement and the Intercreditor Agreement and instructions from the Issuer or, upon delivery by the Intercreditor Agent to the Onshore Collateral Trustee of an Enforcement Notice and until withdrawal thereof, solely from the Onshore Collateral Trustee, on each Scheduled Payment Date, the Onshore Collateral Trustee will transfer funds on deposit in the Issuer Collection Account (other than funds received in connection with any Prepayment Event (as defined below)) in the following order of priority:

- (a) *first*, to pay, where applicable, upon request, and on a pro rata basis, the commissions, fees (including fees of counsel), additional taxes, expenses and indemnifications for the Agents (other than the Changuinola Collateral Trustee and the Changuinola Administrative and Paying Agent) and any tax that must be charged to said payments, which the Issuer must pay for any reason to such Agents (for its own account or for the account of any Secured Party), including any professional fees the Collateral Agents (other than the Changuinola Collateral Trustee) must pay for administration, advising or any other reason to fulfill their functions and obligations under the applicable Security Documents; and in addition to make transfers to the Issuer Local Account in the amounts and for the purposes set forth in "Negative Covenants of the Issuer—Limitation on Issuer Local Account;"
- (b) *second*, on a pro rata basis, (i) to the Indenture Trustee and the administrative agent under the Loan Facility, (ii) to the indenture trustee, administrative agent or similar representative agent for holders of any Additional Secured Debt, and (iii) to each Secured Hedge Bank, in an amount equal to the principal, interest or any other outstanding amounts (including Additional Amounts (if any) and ordinary course settlement payments and termination amounts under Secured Hedge Agreements) under each applicable Financing Document (other than in respect of the Liquidity Facility) due on such Scheduled Payment Date;
- (c) *third*, any amounts not transferred in accordance with clauses (a) through (b) above may be transferred, to the administrative agent under the Liquidity Facility to pay the principal, interest or any other outstanding amounts (including Additional Amounts (if any)) under the Liquidity Facility on such Scheduled Payment Date; and
- (d) *fourth*, so long as no payment default under the Indenture or any other Secured Debt Document for any principal, interest or any other amounts (without giving effect to any grace period thereunder) has occurred and is continuing, any amounts not transferred in accordance with clauses (a) through (c) above (other than

funds received in connection with any Prepayment Event (as defined below) may be transferred to the Issuer Operating Account or the GPH Dividend Collection Accounts, in which case they will first be applied to the payment of the Guarantee Fee (which shall be deposited in the GPH Dividend Collection Accounts in proportion to the Operating Company Loans owed by the Operating Companies) and the repayment of GPH Subrogation Claims and GPH Subordinated Loans.

To the extent there is a shortfall in the Issuer Collection Account to pay the Notes and the Loan Facility, the Issuer may borrow under the Liquidity Facility.

Pursuant and subject to the terms of the Onshore Trust and Assignment Agreement and the Intercreditor Agreement and instructions from the Issuer or, upon delivery by the Intercreditor Agent to the Onshore Collateral Trustee of an Enforcement Notice and until withdrawal thereof, solely from the Onshore Collateral Trustee, the Onshore Collateral Trustee will transfer funds: (a) on deposit in the Issuer Collection Account received in connection with (each of the following, a "Prepayment Event") any prepayments of any of the Operating Company Loans that triggers or is made in relation to optional redemptions, Mandatory Redemptions, Change of Control Offers or Asset Sale Repurchase Offers, which will be applied as contemplated in "—Optional Redemption," "—Mandatory Redemption," "—Redemption Procedures," "—Repurchase Upon Change of Control Repurchase Event," "—Repurchase Upon Asset Sale Repurchase Event" and "—Repurchase Offer Procedures" or (b) with which the Issuer has elected to make a voluntary prepayment or redemption, is required to make a mandatory prepayment or redemption or is required to make a change of control offer or an asset sale repurchase offer under any Holdings Secured Debt Document, in accordance with the relevant Holdings Secured Debt Documents.

Following receipt by the Onshore Collateral Trustee of an Enforcement Notice and until withdrawal thereof, no transfer from the Issuer Collection Account will be permitted without the approval of the Onshore Collateral Trustee (acting at the direction of the Intercreditor Agent).

Issuer Operating Account Transfers

On the Issue Date, the Issuer will instruct the NY Account Bank to transfer the net proceeds of the Loan Facility and the Notes, upon the terms and conditions set forth in the Security Agreement, from the Issuer Operating Account, to the Operating Companies as Operating Company Loans.

From time to time after the Issue Date, the Issuer will cause the proceeds of Additional Secured Debt to be deposited into the Issuer Operating Account and applied in accordance with the Indenture and the Additional Secured Debt Document pursuant to which such Additional Secured Debt is incurred. The Issuer's shareholders or their Affiliates may, from time to time, deposit contributions to the Equity Interests of the Issuer to the Issuer Operating Account for the purpose of making Operating Company Loans or funding the payment of any of the Issuer's obligations. The Issuer Operating Account may also receive transfers from the Issuer Collection Account and proceeds of GPH Subordinated Loans.

After the Issue Date and subject to the terms and conditions of the Security Agreement and the Intercreditor Agreement, the Issuer may or will instruct the NY Account Bank to make the following transfers of funds from the Issuer Operating Account:

- (a) provided that the Issuer may incur additional Indebtedness, within three (3) Business Days of the deposit of proceeds of any Additional Secured Debt and of GPH Subordinated Loans or Equity Interests contributions, if any, into the Issuer Operating Account, an amount equal to at least the net amount of Additional Secured Debt will be transferred to one or more Operating Companies as one or more Operating Company Loans;
- (b) funds on deposit in the Issuer Operating Account (other than proceeds of additional Indebtedness incurred) may be transferred to the Issuer Collection Account; and
- (c) funds on deposit in the Issuer Operating Account (other than proceeds of additional Indebtedness incurred) may be transferred to the GPH Dividend Collection Accounts so long as no payment

default under the Indenture or any other Secured Debt Document for any principal, interest or any other amounts (without giving effect to any grace period thereunder) has occurred and is continuing, in which case they will first be applied to the repayment of GPH Subrogation Claims and GPH Subordinated Loans.

Following receipt by the NY Account Bank of an Enforcement Notice from the Intercreditor Agent and until withdrawal thereof, no transfer from the Issuer Operating Account will be permitted without the approval of the Offshore Collateral Agent (acting at the direction of the Intercreditor Agent).

Transfers to the GPH Dividend Collection Accounts

Any dividends on the Equity Interests of the Operating Companies and any advisory or other fees (excluding any amounts thereof comprising actual costs, salaries and other non-profit components) payable to GPH or its Affiliates by any Operating Company (other than AES Changuinola after the receipt by the Changuinola Collateral Trustee of a Remedies Direction) will be paid to the GPH Dividend Collection Account corresponding to the relevant Operating Company.

Amounts may be transferred into the GPH Dividend Collection Accounts pursuant to priority *fourth* under the heading "—Onshore Collateral Trustee Transfer of Funds on Deposit in the Issuer Collection Account," and priority *third* under the heading "—Issuer Operating Account Transfers." GPH may deposit additional amounts into the GPH Dividend Collection Accounts.

Any funds in the GPH Dividend Collection Accounts will be released to GPH, subject to clauses (a) and (b) below under the heading "—Offshore Collateral Agent Transfer of Funds on Deposit in the GPH Dividend Collection Accounts."

Offshore Collateral Agent Transfer of Funds on Deposit in the GPH Dividend Collection Accounts

Pursuant and subject to the terms and conditions of the Dutch Account Security Agreement and the Intercreditor Agreement, so long as there is no Dutch Event of Default, GPH may or (in the case of clause (a) below) will instruct the Dutch Account Bank to make the following transfers of funds from the GPH Dividend Collection Accounts:

- (a) On any day there are accrued and unpaid amounts due under the Holdings Secured Debt Documents (after giving effect to any transfers required to be made on such date from the Issuer Collection Account pursuant to priorities *first* to *third* under the heading "—Onshore Collateral Trustee Transfer of Funds on Deposit in the Issuer Collection Account,"), funds on deposit in the GPH Dividend Collection Accounts will be transferred to the payment of such accrued and unpaid amounts due under the Holdings Secured Debt Documents; and
- (b) Subject to the transfers of funds described in clause (a) above and provided that (i) no Default or Event of Default under any Holdings Secured Debt Document has occurred and is continuing, funds on deposit in the GPH Dividend Collection Accounts may be transferred to GPH; provided that (i) if any "OpCo Event of Default" under any Operating Company Loan Agreement has occurred and is continuing, no funds that have been received as dividends or advisory or other fees (excluding any amounts thereof comprising actual costs, salaries and other non-profit components) from the defaulting Operating Company or Guarantee Fees from the Issuer may be transferred to GPH, (ii) if any "OpCo Blocking Event of Default" under any Operating Company Loan Agreement has occurred and is continuing, no funds received as dividends or advisory or other fees (excluding any amounts thereof comprising actual costs, salaries and other non-profit components) from any Operating Company or Guarantee Fees from the Issuer may be transferred to GPH, and (iii) if any amounts are outstanding under the Liquidity Facility, no funds received as dividends or advisory or other fees (excluding any amounts thereof comprising actual costs, salaries and other non-profit components) from any Operating Company may be transferred to GPH.
- (c) Pursuant to the terms of the Dutch Account Security Agreement, funds permitted to be transferred to GPH pursuant to clause (b) above may only be transferred to GPH during the period beginning on a Scheduled

Payment Date and ending 45 days thereafter, upon delivery of a Release Notice from GPH to the Intercreditor Agent, provided that the 45-day requirement will not apply to a transfer of any Catch-Up Amount. Funds received in the GPH Dividend Collection Accounts pursuant to priority fourth under the heading "—Onshore Collateral Trustee Transfer of Funds on Deposit in the Issuer Collection Account," and priority third under the heading "—Issuer Operating Account Transfers" may be transferred to GPH immediately following receipt thereof.

- (d) Following receipt by the Dutch Account Bank of a notice (the "Release Objection Notice") from the Offshore Collateral Agent (acting at the direction from the Intercreditor Agent) that any of the conditions required for the transfer of funds to GPH pursuant to clause (b) above are not satisfied with respect to such transfer, no transfer from the GPH Dividend Collection Accounts will be permitted without the approval of the Offshore Collateral Agent (acting at the direction of the Intercreditor Agent).

Transfers to the Changuinola Enforcement Account

For the duration of the Changuinola Trust Agreement, dividends on quotas owned by GPH in the capital of AES Changuinola paid after the receipt by the Changuinola Collateral Trustee of a Remedies Direction will be paid to the Changuinola Enforcement Account. Any such funds in the Changuinola Enforcement Account will be shared *pari passu* with the holders of the AES Changuinola 2023 Bonds and released to GPH, subject to clauses (a) and (b) below under the heading "—Changuinola Collateral Trustee Transfer of Funds on Deposit in the Changuinola Enforcement Account."

Changuinola Collateral Trustee Transfer of Certain Funds on Deposit in the Changuinola Enforcement Account

- (a) Pursuant to the terms of the Changuinola Security Documents and instructions solely from the Intercreditor Agent, the Changuinola Collateral Trustee will transfer funds originating from dividends on quotas owned by GPH in the capital of AES Changuinola on deposit in the Changuinola Enforcement Account in the following order of priority:
- *first*, to pay the commissions, fees (including fees of counsel), expenses and indemnifications for the Changuinola Collateral Trustee and any tax that must be charged to said payments, which AES Changuinola must pay for any reason to the AES Changuinola Collateral Trustee to fulfill its functions and obligations under the AES Changuinola Security Documents; and
 - *second*, to the GPH Dividend Collection Accounts to be applied as set out under "— Offshore Collateral Agent Transfer of Funds on Deposit in the GPH Dividend Collection Accounts."

Issuer Collection Account

The Issuer Collection Account will be managed by the Onshore Collateral Trustee in accordance with the rules and mechanics set forth in the Onshore Trust and Assignment Agreement and the Intercreditor Agreement. The Onshore Trust and Assignment Agreement provides that the Onshore Collateral Trustee will open and maintain the Issuer Collection Account with a commercial bank in Panama with at least (a) an Investment Grade Rating or higher on the international scale by at least one nationally recognized statistical rating organization or (b) an A-rating or higher on the local scale. The Onshore Collateral Trustee will be the only signatory under the Issuer Collection Account. Until receipt by the Onshore Collateral Trustee of an Enforcement Notice from the Intercreditor Agent and until withdrawal thereof, transfers and/or withdrawals from the Issuer Collection Account will be made by the Onshore Collateral Trustee in accordance with instructions from the Issuer with the priority order described above and the Issuer must deliver written instructions to the Onshore Collateral Trustee for any proposed transfer and/or withdrawal at least five Business Days in advance of such proposed transfer and/or withdrawal (other than transfers and/or withdrawals in respect of any Prepayment Event, with respect to which such instructions must be delivered at least three Business Days in advance unless otherwise agreed with the Onshore Collateral Trustee); provided that, following receipt by the Onshore Collateral Trustee of an Enforcement Notice from the Intercreditor Agent and until withdrawal thereof, the Onshore Collateral Trustee will make transfers and/or

withdrawals in accordance with Remedies Directions or other instructions issued by the Intercreditor Agent (acting in accordance with the provisions of the Intercreditor Agreement) following the Intercreditor Agent's notice to the Onshore Collateral Trustee to cease complying with the Issuer's instructions. Interest and other revenues generated by the Issuer Collection Account will be credited into the Issuer Collection Account.

Application of Proceeds from the Collateral

Pursuant to the terms of the Security Documents, in the event that the Indenture Trustee or any Collateral Agent attempts to realize proceeds from any of the Collateral, such proceeds will first be realized from funds deposited in the following accounts or the sale, collection or other liquidation of Collateral in the following order: (i) *first*, from the Issuer Operating Account to the extent available; (ii) *second*, from the Issuer Collection Account to the extent available, and (iii) *third*, from funds deposited in the GPH Dividend Collection Accounts, the AES Changuinola Dividend Collection Account and the other Collateral without order of preference; provided, however, that if (i) or (ii) above are not available to realize proceeds from, the Indenture Trustee or any Collateral Agent may attempt to realize proceeds from the accounts above in any order.

Pursuant to the terms of the Holdings Secured Debt Documents, proceeds realized by any Holdings Collateral Agent, the Indenture Trustee or the trustees or agents for any other series of Secured Obligations from the sale, collection or other liquidation of the Holdings Collateral will be applied:

- *first*, on a pro rata basis, to the payment of any fees, indemnities, costs, charges, expenses or disbursements of any kind incurred or expended by the Intercreditor Agent, the Holdings Collateral Agents and any other Agent (other than the AES Changuinola Administrative and Paying Agent and the AES Changuinola Collateral Trustee) (in their respective capacities as such in accordance with the terms of the Intercreditor Agreement, or the other Holdings Secured Debt Documents (including any fees, charges and disbursements of counsel, and costs and expenses incurred in connection with any realization or enforcement of the Holdings Collateral in accordance with the Intercreditor Agreement or the other Holdings Secured Debt Documents));
- *second*, on a pro rata basis, to the payment of any (a) accrued and unpaid interest, premium and breakage costs (including post-petition interest, whether or not an allowed claim in any Insolvency Proceeding) in respect of any Secured Obligations, (b) accrued and unpaid commitment fees and participation or other fees in respect of any Secured Obligations (other than (i) administrative costs owed to any Agent (other than the Changuinola Administrative and Paying Agent and the Changuinola Collateral Trustee), receiver or delegate and (ii) fees payable pursuant to expense reimbursement and indemnification provisions set forth in any Holdings Secured Debt Document under clause *first* above) and (c) accrued and unpaid ordinary course settlement payments under any Secured Hedge Agreements;
- *third*, on a pro rata basis, the payment of any (a) outstanding principal amount then due and payable in respect of any Secured Obligations and (b) termination payments and remaining settlement obligations then due and payable under any Secured Hedge Agreement;
- *fourth*, on a pro rata basis, to the payment of any other Secured Obligations; and
- *fifth*, after payment in full of the Secured Obligations, the remainder, if any, to the Holdings Collateral Agents to be applied in or towards payment to any other Persons entitled thereto or, if no such Person exists, to the Issuer in accordance with the Holdings Security Documents or any other Holdings Secured Debt Documents.

Pursuant to the terms of the Changuinola Security Documents, proceeds realized by the Changuinola Collateral Trustee, the Changuinola Administrative and Paying Agent or the trustees or agents for any other series of Changuinola/Issuer Secured Obligations from the sale, collection or other liquidation of the Changuinola Collateral will be applied:

- *first*, on a pro rata basis, to the payment of any fees, indemnities, costs, charges, expenses or disbursements of any kind incurred or expended by the Intercreditor Agent, the Collateral Agents and any other Agent (in their respective capacities as such in accordance with the terms of the Intercreditor Agreement or the other Secured Debt Documents (including any fees, charges and disbursements of counsel, and costs and expenses incurred in connection with any realization or enforcement of the Changuinola Collateral in accordance with the Intercreditor Agreement or the other Secured Debt Documents);
- *second*, on a pro rata basis, to the payment of any (a) accrued and unpaid interest, premium and breakage costs (including post-petition interest, whether or not an allowed claim in any Insolvency Proceeding) in respect of any Changuinola/Issuer Secured Obligations, (b) accrued and unpaid commitment fees and participation or other fees in respect of any Changuinola/Issuer Secured Obligations (other than (i) administrative costs owed to any Agent, receiver or delegate and (ii) fees payable pursuant to expense reimbursement and indemnification provisions set forth in any Secured Debt Document under clause *first* above) and (c) accrued and unpaid ordinary course settlement payments under any Secured Hedge Agreements;
- *third*, on a pro rata basis, the payment of any (a) outstanding principal amount then due and payable in respect of any Changuinola/Issuer Secured Obligations and (b) termination payments and remaining settlement obligations then due and payable under any Secured Hedge Agreement;
- *fourth*, on a pro rata basis, to the payment of any other Changuinola/Issuer Secured Obligations; and
- *fifth*, after payment in full of the Changuinola/Issuer Secured Obligations, the remainder, if any, to the Collateral Agents to be applied in or towards payment to any other Persons entitled thereto or, if no such Person exists, to the Issuer in accordance with the Changuinola Security Documents or any other Secured Debt Document.

If the net proceeds of the Collateral are not sufficient to repay all amounts due on the Notes and the Indenture, the holders of the Notes (to the extent not repaid from the proceeds of the Collateral) would only have an unsecured claim against the remaining assets of the Issuer.

Onshore Trust and Assignment Agreement

The Onshore Trust will be created pursuant to the Onshore Trust and Assignment Agreement. The Onshore Trust and Assignment Agreement and the rights and obligations of the parties thereunder are governed by the laws of the Republic of Panama.

Security Interest

The Onshore Trust grants the holders of the Secured Obligations a first priority lien on the assets in the Onshore Trust.

Assignment of Issuer's Rights under the Operating Company Loans

Under the Onshore Trust and Assignment Agreement, the Issuer will unconditionally assign to the Onshore Collateral Trustee, as trustee of the Onshore Trust, all its rights, title and interests in, to and under the Operating Company Loans.

Duration of the Onshore Trust

The Onshore Trust is an irrevocable trust subject to the laws of the Republic of Panama and extinguishable only pursuant to the terms of the Onshore Trust and Assignment Agreement. See "—Description of the Onshore Trust."

Duties and Responsibilities of the Onshore Collateral Trustee

Under the terms of the Onshore Trust and Assignment Agreement, the Onshore Collateral Trustee has, among others, the following duties and responsibilities:

- establish and maintain the Issuer Collection Account;
- prior to the receipt by the Onshore Collateral Trustee of an Enforcement Notice from the Intercreditor Agent and until withdrawal thereof, make transfers and/or withdrawals from the Issuer Collection Account in accordance with instructions from the Issuer in accordance with the priority order described above;
- after receipt by the Onshore Collateral Trustee of an Enforcement Notice from the Intercreditor Agent and until withdrawal thereof, make transfers and/or withdrawals from the Issuer Collection Account in accordance with instructions from the Intercreditor Agent in accordance with the priority order described above solely in accordance with the instructions of the Intercreditor Agent (acting in accordance with the provisions of the Intercreditor Agreement);
- take any action to protect and enforce the security interest of beneficiaries of the Onshore Trust (i.e., the Secured Parties); and
- take any and all actions required pursuant to the Intercreditor Agreement.

Resignation and Removal of the Onshore Collateral Trustee

The Onshore Collateral Trustee may resign at any time, without cause, by providing 30 calendar days' advance written notice to the Issuer and the Intercreditor Agent. If no Event of Default in respect of the Holdings Secured Debt Documents has occurred that is then continuing, the Issuer will have up to 75 Business Days from the date of the Onshore Collateral Trustee's notice of resignation to appoint a successor trustee as a replacement collateral trustee for the Onshore Trust (a "Successor Onshore Collateral Trustee"), with the consent of the Intercreditor Agent (acting upon the direction of the Required Secured Parties). If the Issuer fails to appoint a Successor Onshore Collateral Trustee in such time, the resigning Onshore Collateral Trustee may appoint a Successor Onshore Collateral Trustee.

If the Onshore Collateral Trustee resigns and an Event of Default in respect of any Holdings Secured Debt Documents has occurred and is continuing, the Intercreditor Agent will have 75 Business Days from the date of the Onshore Collateral Trustee's notice of resignation to appoint a Successor Onshore Collateral Trustee (acting in accordance with the provisions of the Intercreditor Agreement); provided, however, that if the Intercreditor Agent (acting in accordance with the provisions of the Intercreditor Agreement) will not have appointed the replacement collateral trustee within such term, the resigning Onshore Collateral Trustee may appoint a Successor Onshore Collateral Trustee.

From the time the Successor Onshore Collateral Trustee accepts the outgoing Onshore Collateral Trustee's appointment, the Successor Onshore Collateral Trustee will succeed to the outgoing Onshore Collateral Trustee and will have all the rights, powers, privileges and duties previously corresponding to the outgoing Onshore Collateral Trustee, and the outgoing Onshore Collateral Trustee will be released from the duties and obligations required under the Onshore Security Documents.

The Onshore Collateral Trustee's resignation will not be effective until the appointment of a Successor Onshore Collateral Trustee and until the Successor Onshore Collateral Trustee becomes party to the Intercreditor Agreement by executing a joinder agreement, assuming the rights and obligations of the Onshore Collateral Trustee under the Onshore Security Documents.

If 105 calendar days have passed from the date of the Onshore Collateral Trustee's notice of resignation to the Issuer and the Intercreditor Agent and a Successor Onshore Collateral Trustee has not been appointed in

accordance with the terms of the Intercreditor Agreement, the Onshore Collateral Trustee may put the Collateral created pursuant to the Onshore Security Documents at the disposal of a court of competent jurisdiction.

The Onshore Collateral Trustee may be removed by the Intercreditor Agent (acting in accordance with the provisions of the Intercreditor Agreement) at any time without cause. The Onshore Collateral Trustee may be removed, in the event that no Event of Default in respect of the Holdings Secured Debt Documents has occurred and is continuing, by the Issuer, with the prior written consent of the Intercreditor Agent, under the following circumstances:

- (a) the Onshore Collateral Trustee closes its offices in Panama City or its authorization to provide the services of Onshore Collateral Trustee is otherwise revoked;
- (b) the Onshore Collateral Trustee is dissolved, becomes insolvent or is otherwise subject to certain bankruptcy or liquidation proceedings;
- (c) if in the reasonable opinion of the Issuer, the Onshore Collateral Trustee has, by either act or omission committed gross negligence or fraud in the fulfillment of its obligations under the Onshore Security Documents; or
- (d) if in the opinion of the Issuer, 15 Business Days following the request to review and adjust its service fees, the Onshore Collateral Trustee's requested fee increase is deemed excessive.

Upon the removal of the Onshore Collateral Trustee by the Intercreditor Agent (acting in accordance with the provisions of the Intercreditor Agreement), the Intercreditor Agent (acting in accordance with the provisions of the Intercreditor Agreement) in accordance with the provisions of the Onshore Security Documents will appoint a Successor Onshore Collateral Trustee, which will be reasonably acceptable to the Issuer, unless an Event of Default in respect of any Holdings Secured Debt Document has occurred and is continuing, in which case no approval by the Issuer will be required. Upon the removal of the Onshore Collateral Trustee by the Issuer, in accordance with the provisions of the Onshore Security Documents, the Issuer will, with the written consent of the Intercreditor Agent (acting in accordance with the provisions of the Intercreditor Agreement), appoint a Successor Onshore Collateral Trustee; provided that, if an Event of Default in respect of any Holdings Secured Debt Documents has occurred and is continuing, the Intercreditor Agent (acting in accordance with the provisions of the Intercreditor Agreement) will appoint a Successor Onshore Collateral Trustee and no approval of the Issuer will be required.

No removal of the Onshore Collateral Trustee will become effective until the appointment of a Successor Onshore Collateral Trustee and until the Successor Onshore Collateral Trustee becomes a party to the Intercreditor Agreement and executes an instrument, acceptable to the Intercreditor Agent (acting in accordance with the provisions of the Intercreditor Agreement), assuming the rights and obligations of the Onshore Collateral Trustee under the Onshore Security Documents.

Amendment, Supplement and Modification

The Onshore Trust and Assignment Agreement will only be modified by way of a written document signed between the Issuer and the Onshore Collateral Trustee (acting pursuant to the instructions given by the Intercreditor Agent (acting in accordance with the provisions of the Intercreditor Agreement)). The approved amendments will be valid and binding among all parties to the Onshore Trust and Assignment Agreement, including all holders of the Notes and holders of any other Secured Obligations. Modifications of the Onshore Trust and Assignment Agreement will require approval of the holders of Secured Obligations. See "—Intercreditor Agreement—Modifications."

Governing Law and Jurisdiction

The Onshore Trust and Assignment Agreement is governed and interpreted in accordance with the laws of the Republic of Panama. Any disagreement or disputes arising from the Onshore Trust and Assignment Agreement

will be subject to arbitration pursuant to International Chamber of Commerce Rules of Arbitration, in the Spanish language. The arbitral tribunal will be in Panama City.

Onshore Pledge Agreements

GPH, the Onshore Collateral Trustee and AES Panamá will enter into a Panamanian-law-governed quota pledge agreement (the "AES Panamá Quota Pledge Agreement") whereby GPH will grant a pledge over all quotas in AES Panamá currently owned by GPH to the Onshore Collateral Trustee (and any future quotas to avoid any dilution of the ownership interest of GPH in AES Panamá initially pledged to the Onshore Collateral Trustee), as trustee of the Onshore Trust; and GPH, Deeplight Holdings, S. de R.L., the Onshore Collateral Trustee, Costa Norte and Gas Natural Atlántico will enter into a Panamanian-law-governed quota pledge agreement (the "CONO/GNA Quota Pledge Agreement and, together with the AES Panamá Quota Pledge Agreement, the "Onshore Pledge Agreements") whereby GPH will grant a pledge over all quotas in Costa Norte and Gas Natural Atlántico currently owned by GPH to the Onshore Collateral Trustee (and any future quotas to avoid any dilution of the ownership interest of GPH in Costa Norte and Gas Natural Atlántico initially pledged to the Onshore Collateral Trustee), as trustee of the Onshore Trust. On the Issue Date, the Changuinola Pledge Agreement will be amended to include the Onshore Collateral Trustee (acting for the benefit of the Onshore Trust) as a pledgee and the Custodian as a custodian. Upon the termination of the AES Changuinola Trust, the Onshore Collateral Trustee (acting for the benefit of the Onshore Trust) will be the only pledgee under the amended and restated Changuinola Pledge Agreement.

Security Agreement

The Issuer, the NY Account Bank and the Offshore Collateral Agent will enter into a New York law-governed assignment agreement (the "Security Agreement") whereby the Issuer will pledge to the Offshore Collateral Agent all of its assets and properties not assigned to the Onshore Trust, including the Issuer Operating Account.

Changuinola Trust Agreement

The Changuinola Trust was created pursuant to the Changuinola Trust Agreement. The Changuinola Trust Agreement and the rights and obligations of the parties thereunder are governed by the laws of the Republic of Panama.

On the Issue Date, the Changuinola Trust will be amended to also secure the Notes and the other Secured Obligations.

Dutch Account Security Agreement

GPH, the Dutch Account Bank and the Offshore Collateral Agent will enter into a Dutch law-governed pledge agreement (the "Dutch Account Security Agreement") whereby GPH will pledge to the Offshore Collateral Agent all of its rights and interests in the GPH Dividend Collection Accounts.

Intercreditor Agreement

In connection with the issuance of the Notes, the Issuer, the Indenture Trustee, the Administrative Agent, the Changuinola Administrative and Paying Agent, the Intercreditor Agent and the Collateral Agents will enter into the Intercreditor Agreement. The Intercreditor Agreement will be governed by the laws of the State of New York.

The Notes will be secured by a Lien on the Collateral pursuant to the Security Documents. See "—Collateral—General." In addition, the Loan Facility, the Liquidity Facility, the Secured Hedge Agreements and any Additional Secured Debt will be secured by a Lien on the Collateral pursuant to the Security Documents, provided that, the Designated Voting Party of the holders of such Additional Secured Debt must have executed a joinder to the Intercreditor Agreement. The holders of the AES Changuinola 2023 Bonds will share the Changuinola Collateral with the Secured Parties pursuant to the Changuinola Security Documents.

Pari Passu Benefits

Pursuant to the terms of the Intercreditor Agreement, each of the Intercreditor Agent, the Collateral Agents 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 Collateral is for the joint benefit of the Secured Parties, (b) the Changuinola Collateral is for the joint benefit of the Changuinola/Issuer Secured Parties, (c) the rights of payment from the Holdings Collateral and the Changuinola Collateral will be as set forth in the Intercreditor Agreement, (d) it will not accept any Lien on (i) any Collateral for the benefit of any Secured Party and (ii) any Changuinola Collateral for the benefit of any Changuinola/Issuer Secured Party, in each case, other than pursuant to the relevant Security Documents and (e) it will be bound by the terms of the Intercreditor Agreement. In addition, each Changuinola/Issuer Secured Party 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 each Changuinola/Issuer Secured Party in all or any part of the Collateral, or the provisions of the Intercreditor Agreement.

Under the Intercreditor Agreement, the holders of the Notes will be represented by the Indenture Trustee and the holders of any other Changuinola/Issuer Secured Obligations will be represented by their respective Designated Voting Parties. The Intercreditor Agreement will provide for the priorities and other relative rights among the holders of the Notes and the holders of the other Changuinola/Issuer Secured Obligations, 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 Collateral or (b) the incurrence or creation of any Secured Obligations, the Liens on the Collateral securing any Secured Obligations will be of equal priority to the Liens securing all other Secured Obligations;
- (2) notwithstanding the date, time, method, manner or order of (a) grant, attachment or perfection of any of the Liens on the Changuinola Collateral or (b) the incurrence or creation of any Secured Obligations or Changuinola Bond Obligations, the Liens on the Changuinola Collateral securing any Secured Obligations or Changuinola Bond Obligations will be of equal priority to the Liens on the Changuinola Collateral securing all other Secured Obligations and Changuinola Bond Obligations; and
- (3) the obligations in respect of the Notes and any other Secured Obligations 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 the other Holdings Secured Debt Documents without affecting the Lien priority or relative rights of the holders of such Secured Obligations with respect to the relevant Collateral.

Under the Intercreditor Agreement, each Designated Voting Party will agree that (i) none of the Changuinola/Issuer Secured Parties may institute any suit or assert in any suit, insolvency or other proceeding any claim against any Collateral Agent or any other holder of Changuinola/Issuer Secured Obligations seeking damages from or other relief by way of specific performance, instructions or otherwise with respect to any Collateral, (ii) neither a Collateral Agent nor any other Changuinola/Issuer Secured Party will be liable for any action taken or omitted to be taken by such Collateral Agent or other Changuinola/Issuer Secured Party with respect to any Collateral in accordance with the provisions of the Intercreditor Agreement or any Security Document, (iii) it will not challenge or question in any proceeding the validity or enforceability of any Changuinola/Issuer Secured Obligations or any Secured Debt 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 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 Collateral by a Collateral Agent in accordance with the Security Documents, (v) except as provided in the Intercreditor Agreement, it will have no right to direct a Collateral Agent or any other Changuinola/Issuer Secured Party to exercise any right, remedy or power with respect to any Collateral, (vi) it will not seek, and hereby waives any right, to have any Collateral or any part thereof marshalled upon any foreclosure or other disposition of such 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 a Collateral Agent or any other Changuinola/Issuer Secured Party to enforce the Intercreditor Agreement or the right to take any action permitted hereby.

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), will agree that no Changuinola/Issuer Secured Party will, except in accordance with the provisions of the Intercreditor Agreement, but without prejudice to any separate rights expressly granted to an Changuinola/Issuer Secured Party under any Secured Debt Document or any Operating Company Loan Agreement to the extent not otherwise included in the definition of "Enforcement Action", take any Enforcement Action or grant any Modification, consent or waiver of any Secured Debt Document or any of the provisions thereof (each, a "Decision"), except as otherwise provided for in the Intercreditor Agreement and that each Decision made in accordance with the terms of the Intercreditor Agreement will be binding upon each Changuinola/Issuer Secured Party and each other party to the Secured Debt Documents.

Except as otherwise set forth in the Intercreditor Agreement, where, in accordance with the Intercreditor Agreement or any other Security Document, the approval of or direction or instruction from the Required Secured Parties is required (excluding Unilateral Decisions or as provided for in the Intercreditor Agreement, the determination of whether such approval, direction or instruction will be granted or withheld will be determined through an Intercreditor Vote. Neither the Intercreditor Agent nor any Collateral Agent (each in its respective capacity as such) will have (i) a right or obligation to vote in any Intercreditor Vote in respect of any Decision to be taken under the Intercreditor Agreement; provided, however, that any Decision that modifies the rights or obligations of any Agent (including any Modification of any provision of the Intercreditor Agreement or any other Secured Debt Document) may only be made with the consent of that Agent; or (ii) any individual right or obligation to take or initiate the taking of any Enforcement Action, or to exercise any remedy, other than where instructed to do so in accordance with the terms of the Intercreditor Agreement or where expressly authorized to do so in any Secured Debt Document to which it is a party.

Unless otherwise provided in the Intercreditor Agreement, each holder of Changuinola/Issuer Secured Obligations (through its Designated Voting Party) will have a number of votes in any Intercreditor Vote (the "Vote Amount"), determined as of the date of the Voting Calculation Date, equal to the portion (in Dollar amounts in relation to the aggregate Dollar amount of the Combined Exposure) of the Combined Exposure represented by the Changuinola/Issuer Secured Obligations owed to it under its respective Secured Debt Documents. Subject to receipt by the Intercreditor Agent from each Designated Voting Party in accordance with the terms of the Intercreditor Agreement of any information it requires to calculate the Voting Party Percentage, the Intercreditor Agent will, based solely on information provided to the Intercreditor Agent, calculate the Voting Party Percentage. In calculating the Voting Party Percentage consenting to, approving, waiving or otherwise providing direction with respect to any Decision, the Vote Amount cast by all holders of Secured Obligations (through their Designated Voting Parties) in favor of the proposed Decision (the "Numerator") will be divided by the total number of votes entitled to be cast with respect to such matter (the "Denominator"); provided that, solely for any Decision with respect to the Changuinola Collateral, the Changuinola Security Documents, the Offshore Collateral Agent or the Changuinola Collateral Trustee prior to the Changuinola Bond Payoff Date (but not thereafter), the Numerator will be the total number of votes cast by all Changuinola/Issuer Secured Parties (through their Designated Voting Parties) in favor of the proposed Decision and the Denominator will be the total number of votes entitled to be cast with respect to such matter; and provided further, that (i) the Voting Party Percentage will not include certain votes excluded pursuant to the Intercreditor Agreement; and (ii) if the holders of any Changuinola/Issuer Secured Obligations fail to cast a vote in connection with any Intercreditor Vote within the Decision Period, the votes to be cast by such Changuinola/Issuer Secured Parties will be excluded from both the Numerator and the Denominator of the calculation in determining the outcome of such vote. In order to determine whether the Required Secured Parties have voted in favor or against any proposed Decision, following receipt of Voting Certificates from the Designated Voting Parties, the Intercreditor Agent will combine the Voting Party Percentages of all holders of Secured Obligations (acting through the Designated Voting Parties, as applicable) that voted in favor of such proposed Decision.

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 Applicable 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) its portion of the Combined Exposure as of such date and (b) such other information as the Intercreditor Agent may reasonably request. Any calculation of the Combined Exposure will be calculated by the Intercreditor Agent as of the Voting Calculation Date, in each case based solely upon the information provided by such Designated Voting Party pursuant to the terms of the Intercreditor Agreement or in any Voting Certificate delivered in connection with any Intercreditor Vote.

No party to the Intercreditor Agreement will amend any provision of any Secured Debt Document that affects the rights or duties of, any fees, expenses, indemnities or other amounts payable to, or any other provisions expressly for the benefit of, any Agent, in its capacity as such, without the written consent of the such Agent. In connection with any Modification to be entered into by any of the Collateral Agents or the Intercreditor Agent, as applicable, such Agent will be entitled to receive and rely upon an opinion of counsel from the Issuer or from the relevant Changuinola/Issuer Secured Parties that such Modification is authorized and permitted by the Intercreditor Agreement and the Secured Debt Documents and that all conditions precedent to such execution and delivery (or the giving of such direction) have been satisfied.

No Modification of any Secured Debt Document that directly affects the Secured Parties (and does not directly affect the interests, rights, privileges, liabilities or duties of any Credit Party or AES Changuinola (in respect of Changuinola Security Documents) and does not impose additional duties or obligations on any Credit Party or AES Changuinola (in respect of Changuinola Security Documents)) will require the consent of such Credit Party or AES Changuinola (in respect of Changuinola Security Documents); provided, however, that the Intercreditor Agent will provide to each Credit Party and AES Changuinola (in respect of any Modification to the Changuinola Security Documents) a copy of any such Modification as soon as practicable after such Modification has been approved in accordance with the terms of the Intercreditor Agreement, but in any event prior to the proposed effective date of such Modification. In furtherance of and without limiting the foregoing, except to the extent requested by the Issuer pursuant to the terms of the Intercreditor Agreement, no Modification of any Secured Debt Document may modify the interests, rights, privileges, liabilities or duties of any Credit Party or AES Changuinola or impose additional duties or obligations on any Credit Party or AES Changuinola without the consent of such Credit Party or AES Changuinola, as applicable.

Each of the Collateral Agents may 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 may refrain from taking any action in directing any of the Collateral Agents unless it is instructed to do so 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 Required Secured 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 will be entitled to rely on a certificate from the applicable Designated Voting Party and the advice of counsel.

Upon request from the Issuer/AES Changuinola for approval of a Decision or if any Changuinola/Issuer Secured Party notifies the Intercreditor Agent of a Decision with respect to which an Intercreditor Vote is required, the Intercreditor Agent will promptly provide each Applicable Designated Voting Party with a request for instructions in writing from the holders of the Changuinola/Issuer Secured Obligations as to enforcement actions to be taken, setting forth procedures for providing such instructions. If the Intercreditor Agent has not received instructions in accordance with the immediately preceding paragraph above, then the Intercreditor Agent may not exercise any rights or remedies or perform any other discretionary action or duty.

Defaults and Remedies

Promptly after any Designated Voting Party obtains knowledge of either (i) the occurrence of any Default or Event of Default under a Secured Debt Document to which it is a party that is continuing and has not been waived or rescinded, or (ii) that any Default or Event of Default under any Secured Debt Document to which it is party has ceased to exist, such Designated Voting Party will notify the Intercreditor Agent in writing thereof (such notice, a "Default Notice" or "Event of Default Notice", respectively) and the Depositary Bank to restrict the Issuer's access to the Collateral Accounts set forth in the applicable Security Document as and only to the extent provided in the

applicable Security Document. Upon receipt by the Intercreditor Agent of any such Default Notice or Event of Default Notice or of any notice from any Credit Party or AES Changuinola issued pursuant to the terms of the Intercreditor Agreement, it will promptly send copies thereof to each other Designated Voting Party, the Collateral Agents and, if applicable, the NY Account Bank. Each such Designated Voting Party will promptly provide a copy to the holders of the Changuinola/Issuer Secured Obligations that it represents of any Default Notice or Event of Default Notice received by it. Such Default Notice or Event of Default Notice will have the effect of blocking the relevant Credit Party or AES Changuinola's rights with respect to any Collateral granted by it (including any right to withdraw or transfer funds from the Collateral Accounts, if applicable), as and only to the extent provided in the relevant Security Documents, until such time the Intercreditor Agent is notified in writing that such Default or Event of Default, as applicable, has ceased to exist or such Default Notice or Event of Default Notice has been withdrawn and/or the Intercreditor Agent notifies the same to each Designated Voting Party, the Holdings Collateral Agents and if applicable, the NY Account Bank. Enforcement Event

Each Collateral Agent, upon the occurrence and during the continuation of an Event of Default and at the written direction of the Intercreditor Agent (acting solely upon the direction of the Required Secured Parties), will have the right (to the fullest extent permitted by Applicable Law) to enforce rights, exercise remedies (including set-off and the right to credit bid their debt, to the extent permitted by Applicable Law) and make determinations regarding the release, disposition, or restrictions with respect to the Collateral without any consultation with or the consent of any Changuinola/Issuer Secured Party (or any Designated Voting Party in respect thereof), in each case in accordance with the Security Documents. In exercising rights and remedies with respect to the Collateral, each Collateral Agent, at the written direction of the Intercreditor Agent (acting in accordance with the terms of the Intercreditor Agreement), may enforce the provisions of the Security Documents and exercise remedies thereunder, subject in each case to the terms and conditions of the Security Documents and Applicable Law. Such exercise and enforcement will include the rights of such Collateral Agent to sell or otherwise dispose of Collateral upon foreclosure, to incur expenses in connection with such sale or disposition, and to exercise all the rights and remedies of a secured creditor under Applicable Law, the Security Documents and of a secured creditor under the Debtor Relief Laws of any applicable jurisdiction, in each case to the extent set forth in the applicable Security Document; provided that, unless and until such Collateral Agent will have received a written direction of the Intercreditor Agent (acting in accordance the terms of the Intercreditor Agreement), such Collateral Agent may (but will not be obligated to), in each case take such action, or refrain from taking such action, in order to preserve or protect its interest in and Lien on the Collateral, with respect to any Event of Default. For the avoidance of doubt, nothing in the Intercreditor Agreement will limit or otherwise modify any of the rights of the Changuinola/Issuer Secured Parties to accelerate their respective Changuinola/Issuer Secured Debt in accordance with the relevant Secured Debt Document.

At any time after the occurrence and during the continuation of an Event of Default, the Designated Voting Party representing the Changuinola/Issuer Secured Parties in respect of which an Event of Default has occurred and is continuing may serve a notice in the form included in the Intercreditor Agreement (such notice, a "Remedies Notice") on the Intercreditor Agent which describes the Event of Default and instructs the Intercreditor Agent to call an Intercreditor Vote 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 to pursue.

If the Intercreditor Agent receives any Remedies Notice from any Designated Voting Party or any notice ("Request for Waiver/Modification") from the Issuer requesting the Intercreditor Agent to seek instructions from the holders of Changuinola/Issuer Secured Obligations as to whether an Event of Default should be waived or a Modification should be made to one or more of the Secured Debt Documents with respect thereto, the Intercreditor Agent will promptly provide each Applicable Designated Voting Party with a copy of such Remedies Notice (provided that, if the Remedies Notice executed by the Required Secured Parties (as confirmed in writing by such parties to the Intercreditor Agent)), the Intercreditor Agent will promptly provide each Applicable Designated Voting Party with a copy of such Remedies Notice and inform them of the date (such date, as specified in the Remedies Notice delivered by the Required Secured Parties, the "Remedies Commencement Date") on which the Intercreditor Agent will issue a Remedies Direction (if applicable). The Intercreditor Agent will submit such Remedies Notice (unless the Remedies Notice was executed by the Required Secured Parties) and Request for Waiver/Modification to an Intercreditor Vote, by delivering an Intercreditor Vote Notice and an accompanying Voting Certificate to each Applicable Designated Voting Party, which Intercreditor Vote Notice will incorporate a request for instructions from the Applicable Designated Voting Parties as to which rights and remedies, if any, the

Intercreditor Agent should exercise or, pursuant to the terms of the Intercreditor Agreement, instruct any Collateral Agent to exercise pursuant to a Remedies Direction or whether the requested waiver or Modification relative to any Event of Default should be made to any Secured Debt Document. The Intercreditor Agent will only give effect to any Remedies Notice if such Remedies Notice is executed by the Required Secured Parties, or such Remedies Notice is approved by the Required Secured Parties in an Intercreditor Vote and any Request for Waiver/Modification if such Request for Waiver/Modification is approved by the Required Secured Parties in an Intercreditor Vote. No Enforcement Action and no waiver or Modification relative to any Event of Default should be made to any Secured Debt Documents, unless, in each case, an Intercreditor Vote is taken in accordance with the procedures set forth in Intercreditor Agreement and such Enforcement Action, Modification or waiver is approved by the Required Secured Parties.

Upon receiving an Intercreditor Vote Notice and Voting Certificate delivered pursuant to the terms of the Intercreditor Agreement, each Applicable Designated Voting Party may, by returning such Voting Certificate, which will include instructions that request that the Intercreditor Agent take, or instruct the Collateral Agent pursuant to the terms of the Intercreditor Agreement to take, Enforcement Action as described in such Voting Certificate (any such instruction from the Required Secured Parties, a "Remedies Instruction"). Each Remedies Instruction will specify the particular Enforcement Action that the Changuinola/Issuer Secured Parties represented by such Applicable Designated Voting Parties propose to cause the Intercreditor Agent or any Collateral Agent (acting on the instructions of the Intercreditor Agent) to take, and except as otherwise provided herein, will be effective on the Remedies Commencement Date or such other date set forth in the Remedies Instruction; provided that, the Event of Default which is the subject of such Remedies Notice has not previously been cured or waived. Notwithstanding anything herein to the contrary, the Intercreditor Agent will not take or instruct any Person to take any Enforcement Action unless and until it has received Remedies Instructions with respect to such Enforcement Action from Changuinola/Issuer Secured Parties that constitute in the aggregate the Required Secured Parties. Promptly upon its receipt of a Remedies Instruction from the Required Secured Parties, the Intercreditor Agent will deliver a copy of such Remedies Instruction to each Applicable Designated Voting Party, instructing each such Collateral Agent to exercise the remedies provided in such Remedies Instruction.

Promptly after any Intercreditor Vote in connection with an Intercreditor Vote Notice delivered pursuant to the terms of the Intercreditor Agreement is completed, if the Required Secured Parties failed to deliver a Remedies Instruction to the Intercreditor Agent within the Decision Period and elected not to exercise remedies following delivery of a Remedies Notice by a Designated Voting Party, then, the Intercreditor Agent will promptly notify the Applicable Designated Voting Parties of such failure (in the form of a Vote Result Notice) and inform them that on the expiration date of the Decision Period, a 120-day standstill period (the "Standstill Period") commenced during which period no Changuinola/Issuer Secured Party, other than the Required Secured Parties, will be entitled to take any Enforcement Action in connection with such Event of Default. At the expiration of the Standstill Period, if such Event of Default will still be continuing, the Designated Voting Party representing the Changuinola/Issuer Secured Parties holding the Changuinola/Issuer Secured Obligations in respect of which such Event of Default has occurred and is continuing may serve a second remedies notice (a "Repeat Remedies Notice") on the Intercreditor Agent which describes the Event of Default 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 will 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 will apply only in respect of the holders of the Changuinola/Issuer Secured Obligations represented by such Designated Voting Party) that such Designated Voting Party proposes to take (such date, the "Non-Controlling Party Enforcement Date"). Promptly following its receipt of a Repeat Remedies Notice, the Intercreditor Agent will distribute a copy of such Repeat Remedies Notice to each Applicable Designated Voting Party, and the Intercreditor Agent will on the Non-Controlling Party Enforcement Date deliver a Remedies Direction to the applicable Collateral Agent, with a copy to the Issuer, and if applicable, AES Changuinola, instructing such Collateral Agent to exercise the remedies provided in such Repeat Remedies Notice; provided, however, that the Non-Controlling Party Enforcement Date will be stayed and will not occur and will be deemed not to have occurred and the Intercreditor Agent will disregard such Repeat Remedies Notice and withdraw any related Remedies Direction (1) at any time the Required Secured Parties have commenced and are pursuing any Enforcement Action with respect to such Event of Default or (2) at any time any Credit Party or AES Changuinola (as applicable) is subject to any Insolvency Proceeding.

Upon receipt of a Release Notice by the Intercreditor Agent under the Dutch Account Security Agreement, the Intercreditor Agent will make available such Release Notice to the Applicable Designated Voting Parties in accordance with the provisions of the Intercreditor Agreement. If the Intercreditor Agent receives a notice from any Designated Voting Party (acting at the direction of the Secured Parties that it represents) objecting to such Release Notice (which notice will specify that any of the conditions set forth in the Dutch Account Security Agreement that are not satisfied with respect to such Release Notice), then the Intercreditor Agent will promptly (but in any event within one (1) Business Day of receipt of such notice) notify the Offshore Collateral Agent of such objection.

Each Changuinola/Issuer Secured Party agrees that it will not contest, protest or object to any Enforcement Action brought by any Collateral Agent and/or the Intercreditor Agent that is taken in accordance with the Intercreditor Agreement and/or the Security Documents.

During the period prior to the commencement of the taking of any remedies with respect to any Event of Default, no Changuinola/Issuer Secured Party will be entitled to take any Enforcement Action in connection with such Event of Default, nor will, subject to the two immediately preceding paragraphs, any Changuinola/Issuer Secured Party instruct the Intercreditor Agent to take any Enforcement Action in connection with such Event of Default. None of the Changuinola/Issuer Secured Parties will have any power, individually or together with any other Changuinola/Issuer Secured Party, to enforce or to exercise any rights, powers, or remedies in respect of the Collateral which a Collateral Agent is authorized to exercise or enforce under the Intercreditor Agreement or any of the other Security Documents.

A Designated Voting Party may serve only one Remedies Notice with respect to any specific Event of Default within any 30-day period, except if such Remedies Notice executed by the Required Secured Parties, and each Remedies Notice served by such Designated Voting Party will specify the Event of Defaults relating to the Secured Debt Documents governing the Changuinola/Issuer Secured Obligations 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 will immediately rescind any Remedies Notice if it has received notice that the applicable Event of Default has been cured, waived or ceased to exist. The Intercreditor Agent will promptly inform each Designated Voting Party and the Collateral Agents of any revocation of any Default Notice or any Remedies Notice with respect to any Proposed Remedies.

Intercreditor Agent's Obligations

The Intercreditor Agent will, subject to the terms of the Intercreditor Agreement:

- (a) promptly provide each Applicable Designated Voting Party with the notices, certificates, reports, opinions, agreements and other documents which it receives under the Intercreditor Agreement and the other Secured Debt Documents in its capacity as Intercreditor Agent, and the Intercreditor Agent will have no liability for the accuracy or completeness of any document it forwards to another Person;
- (b) perform its duties in accordance with any instructions given to it by the Required Secured Parties or a Designated Voting Party in accordance with the Intercreditor Agreement; and
- (c) if so instructed by the Required Secured Parties, refrain from exercising any right, power or discretion vested in it as the Intercreditor Agent under the Intercreditor Agreement (other than those intended for the benefit of the Intercreditor Agent under the Intercreditor Agreement or any other Secured Debt Document).

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 the Issuer, the Collateral Agents and the other Designated Voting Parties, may resign at any time.

The Required Secured Parties may request at any time that the Intercreditor Agent be removed with or without cause by giving not less than 30 days' prior written notice to that effect to the Intercreditor Agent; provided that, no such removal will be effective until a successor for the Intercreditor Agent is appointed in accordance with the next succeeding paragraph.

Upon any resignation or removal, the Required Secured Parties will have the right (so long as no Event of Default has occurred and is continuing), subject 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 will have been so appointed and will have accepted such appointment within 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 Changuinola/Issuer Secured Parties, petition a court of competent jurisdiction for the appointment of a successor Intercreditor Agent, which will 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 will thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Intercreditor Agent, and the retiring Intercreditor Agent will be discharged from its duties and obligations under the Intercreditor Agreement.

No Intercreditor Agent's resignation will be effective until the appointment of a successor Intercreditor Agent acceptable to the Required Secured Parties and such successor Intercreditor Agent becomes a party to Intercreditor Agreement by executing a joinder agreement, assuming the rights and obligations of the outgoing Intercreditor Agent under the Intercreditor Agreement and the other Security Documents to which it is a party.

Any entity into which the Intercreditor Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Intercreditor Agent in its individual capacity will be a party, or any entity to which substantially all of the corporate trust business of the Intercreditor Agent in its individual capacity may be transferred, will be the Intercreditor Agent under the Intercreditor Agreement without further action.

Modifications

Except as otherwise set forth in the Intercreditor Agreement, no Modification will be agreed to by any Changuinola/Issuer Secured Party or granted or withheld, no instruction will be given to the Intercreditor Agent under or with respect to the Intercreditor Agreement or any Modification and no discretion will be exercised by any Changuinola/Issuer 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 such Modification is approved by the Required Secured Parties and any other Secured Party or Credit Party required pursuant to the terms of the Intercreditor Agreement.

No Modification of any provision of any Security Document that requires a Unanimous Decision may be made or provided unless approved by all Applicable Designated Voting Parties (on behalf of the Secured Parties or Changuinola/Issuer Secured Parties, as applicable, which it represents in accordance with the terms of the Secured Debt Document governing the applicable Secured Obligations) and any other Secured Party or Credit Party pursuant to the terms of the Intercreditor Agreement. If any Secured Debt Document (other than a Security Document) provides that a Modification of a particular provision of such Secured Debt Document requires the approval of all or some percentage of the Changuinola/Issuer Secured Parties party to such Secured Debt Document and not the Required Secured Parties, then with respect to any such Modification under such Secured Debt Document only, the approval of all or such percentage of the Changuinola/Issuer Secured Parties party to such Secured Debt Document will be required to approve any such Modification and no Intercreditor Vote will be required.

Notwithstanding anything in the Intercreditor Agreement to the contrary, each of the Intercreditor Agent and the Collateral Agents may, but will not be obligated to, at the request of any Designated Voting Party and without the need for a prior determination through an Intercreditor Vote and without obtaining the consent of any

Changuinola/Issuer Secured Party, consent to or make Modifications of the Intercreditor Agreement and the other Secured Debt Documents (i) to cure ambiguities, inconsistencies, defects, or manifest errors, (a) that are necessary or desirable to reflect the clear intent of the parties, (b) that will not be inconsistent with the Intercreditor Agreement (for example, errant cross-references and misspelled defined terms) (c) to provide for any other ministerial actions with respect to matters arising under the Security Documents, and (d) that will not adversely affect the interests of any of the Changuinola/Issuer Secured Parties or (ii) to convey, transfer, assign, mortgage or pledge any property to any Collateral Agent as additional Collateral for the relevant Changuinola/Issuer Secured Parties, in each case upon receipt of a certificate of an Authorized Officer of the Issuer (upon which the Agents may conclusively rely) certifying that (A) no Default or Event of Default has occurred or is continuing and (B) such Decision is not material and could not reasonably be expected to have a material adverse effect on any Changuinola/Issuer Secured Party's right or remedies under any Secured Debt Document. Any such Modification that is set forth in a writing signed by the Intercreditor Agent, the Collateral Agents, or any other Agent, and the Issuer and/or the AES Changuinola, will be binding on the Credit Parties and each of the Secured Parties.

Additional Secured Debt

Pursuant to the terms of the Financing Documents, the Issuer is permitted to incur Additional Secured Debt; provided that such incurrence is permitted by paragraph (1) under "Negative Covenants of the Issuer—Limitation on Indebtedness" and the other Financing Documents.

Additional Intercreditor Agreements

The Intercreditor Agreement will provide that, at the written request of the Issuer, in connection with the incurrence by the Issuer of any Additional Secured Debt or any Refinancing Indebtedness in respect of Secured Obligations, the Intercreditor Agent will be authorized under the Intercreditor Agreement and directed by the Changuinola/Issuer Secured Parties to enter into with the Designated Voting Party of the holders of such Additional Secured Debt or Refinancing Indebtedness, 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 holders of the Notes) 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 obligations on the Indenture Trustee, the Intercreditor Agent, any Collateral Agent or any other Designated Voting Party or adversely affect the rights, duties, liabilities or immunities of the Indenture Trustee, the Intercreditor Agent, any Collateral Agent or any other Designated Voting Party under the Secured Debt Documents or the Security Documents.

The Indenture will also provide that, at the direction of the Issuer and without the consent of the holders of the Notes, the Indenture Trustee will 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 Secured Obligations 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 holders of the Notes in any material respect.

The Issuer will 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 holders of at least a majority in principal amount of the Notes then outstanding (with all series of Notes voting together as a single class), 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.

Each holder of Notes, by accepting a Note, will 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 will be made available for inspection during normal business hours on any Business Day upon prior written request at the specified corporate trust office of the Indenture Trustee.

Open Market Purchases

To the extent permitted under applicable law, the Issuer and its affiliates may at any time and from time to time purchase any Notes or a beneficial interest therein in the open market or otherwise at any price.

Optional Redemption

The Issuer may redeem on one or more occasions some or all of the Notes of either or both series before they mature.

At any time and from time to time, prior to the Par Call Date, the Notes will be redeemable, in whole or in part, at the Issuer's option at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon that would have been payable to the Par Call Date if the redemption had not been made (exclusive of any interest accrued and unpaid to the date of redemption) discounted from the dates on which the principal and interest would have been payable if the redemption had not been made, to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30 day months) at the applicable Treasury Rate plus 50 basis points, plus, in either case, Additional Amounts, if any, and accrued and unpaid interest, if any, to, but not including, the date of redemption.

At any time and from time to time on, on or after the Par Call Date, the Notes will be redeemable, in whole or in part, at the Issuer's option at a redemption price equal 100% of the principal amount of the Notes to be redeemed plus Additional Amounts, if any, and accrued and unpaid interest, if any, to, but not including, the date of redemption.

The Issuer will be responsible for determining the redemption price of the Notes in connection with any such redemption, and the Indenture Trustee will have no duty to verify any such determination. If any such redemption is for less than the entire amount of the Notes, then the reduction in the principal balance of the Notes will be applied to reduce the remaining scheduled Amortization Payments on a *pro rata* basis.

For purposes of determining the applicable optional redemption price, the following definitions are applicable:

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Bank as having an actual or interpolated maturity that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the applicable Par Call Date of the Notes of the applicable series.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of five Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Independent Investment Bank is unable to obtain at least five such Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations obtained by the Independent Investment Bank.

"Independent Investment Bank" means one of the Reference Treasury Dealers appointed by the Issuer from time to time to act as the "Independent Investment Bank."

"Par Call Date" means February 28, 2030 (the "Par Call Date").

"Reference Treasury Dealer" means Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Scotia Capital (USA) Inc., or their respective affiliates or successors which are primary U.S. Government securities dealers in New York City ("Primary Treasury Dealers"), and two other nationally recognized investment banking firms that

are Primary Treasury Dealers selected from time to time by the Issuer; provided, however, that if any of the foregoing will cease to be a Primary Treasury Dealer, the Issuer will substitute therefor another nationally recognized investment banking firm that is a Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Bank, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Bank by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third (3rd) business day preceding that redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the third (3rd) Business Day immediately preceding that redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

Optional Redemption upon Tax Event

The Issuer may at any time redeem the Notes of either series at its option, in whole, but not in part, at a redemption price equal to 100% of the then-outstanding principal amount of the Notes of such series, plus accrued and unpaid interest thereon to, but excluding, the date of redemption and any Additional Amounts payable with respect thereto, if the Issuer certifies to the Indenture Trustee (in the manner prescribed below) that:

- (a) the Issuer has or will become obligated to pay Additional Amounts in connection with payments of interest, or amounts deemed interest, on the Notes as a result of a change in or amendment to the laws or regulations of a Relevant Jurisdiction or any political subdivision or governmental authority thereof or therein having power to tax, or any generally applicable change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective (and not publicly announced prior to) or, in the case of a change in official position, is publicly announced, on or after the later of the date of issuance of the Notes and the date that such Relevant Jurisdiction becomes a Relevant Jurisdiction; and
- (b) such obligation cannot be avoided by taking reasonable measures available to the Issuer; provided that reasonable measures will not include any change in the Issuer's jurisdiction of tax residency;

provided, further, however, that the notice of redemption, which will specify the date of redemption and redemption price, will not be given earlier than 60 days before the earliest date on which the Issuer would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

No later than 15 days (unless a shorter period is acceptable to the Indenture Trustee) before giving any notice of redemption as described in the preceding clauses, the Issuer will deliver an Officer's Certificate to the Indenture Trustee stating that the Issuer is entitled to effect such redemption in accordance with the terms of the Indenture and setting forth in reasonable detail a statement of facts relating thereto. The Officer's Certificate will be accompanied by a written opinion of recognized independent counsel experienced in tax and other related matters in the Relevant Jurisdiction to the effect that the Issuer has or will become obligated to pay the Additional Amounts as a result of such change or amendment.

Mandatory Redemption

The Notes will be subject to mandatory redemption prior to their Stated Maturity in the circumstances set forth below in "—General." For the avoidance of doubt, the proceeds being applied to a mandatory redemption of the Notes will also be applied pro rata to the repayment and/or redemption of principal, accrued and unpaid interest, and Additional Amounts, if any, payable in respect of any Secured Debt that by its terms, requires such redemption.

General

The Notes will be subject to mandatory redemption on a pro rata basis with the other Secured Obligations in accordance with the Intercreditor Agreement and the other Holdings Secured Debt Documents, upon the occurrence of any prepayment of an Operating Company Loan in connection with any expropriation, nationalization, casualty event or any other event of loss (but excluding asset sales or other events that result in an Asset Sale Repurchase Event) by any of the Operating Companies as set forth in the applicable Operating Company Loan Agreement (an "Event of Loss Mandatory Redemption"). The redemption price for any such Event of Loss Mandatory Redemption will be equal to 100% of the outstanding principal amount of the Notes being redeemed, plus accrued and unpaid interest to the redemption date, plus Additional Amounts, if any (but without payment of any premium), payable in respect of the Notes.

The Notes will be subject to mandatory redemption on a pro rata basis with the other Secured Obligations in accordance with the Intercreditor Agreement and the other Holdings Secured Debt Documents, upon the occurrence of a voluntary prepayment of an Operating Company Loan by any of the Operating Companies under the applicable Operating Company Loan Agreement (a "Make-Whole Mandatory Redemption"). The redemption price for any such Make-Whole Mandatory Redemption will be equal to the applicable redemption price set forth under "—Optional Redemption" above.

The Notes will be subject to mandatory redemption on a pro rata basis with the other Secured Obligations in accordance with the Intercreditor Agreement and the other Holdings Secured Debt Documents, upon the occurrence of the acceleration and repayment of any Operating Company Loan or other mandatory prepayment of an Operating Company Loan not included in an Event of Loss Mandatory Redemption (but excluding asset sales or other events that result in an Asset Sale Repurchase Event) (an "Operating Company Acceleration Mandatory Redemption" and each of an Event of Loss Mandatory Redemption, a Make-Whole Mandatory Redemption and an Operating Company Acceleration Mandatory Redemption, a "Mandatory Redemption"). The redemption price for any such Operating Company Acceleration Mandatory Redemption will be equal to 100% of the outstanding principal amount of the Notes being redeemed, plus accrued and unpaid interest to the redemption date, plus Additional Amounts, if any (but without payment of any premium), payable in respect of the Notes.

Upon the Issuer's receipt from any Operating Company of a notice of Mandatory Redemption, the Issuer, in a manner consistent with the requirements of applicable Panamanian, United States and other law, will redeem the Notes as described below and in "—Redemption Procedures."

Upon the Issuer's receipt from an Operating Company of a notice of Mandatory Redemption in accordance with the corresponding Operating Company Loan Agreement, the Issuer will promptly send (or the Indenture Trustee, in the name of and at the expense of the Issuer, upon the Issuer providing written instruction to the Indenture Trustee at least 10 days before the notice of redemption is to be sent (or such shorter times as is acceptable to the Indenture Trustee), will send) to each holder of Notes a notice of redemption setting forth the reason for the redemption (as set forth in the notice sent by such Operating Company pursuant to the corresponding Operating Company Loan Agreement and forwarded or provided to the Issuer), the expected amount of Notes to be redeemed, the applicable redemption price payable per U.S.\$1,000 principal amount of the Notes, the applicable record date, the applicable CUSIP numbers and the applicable redemption date with respect to such redemption. Any payment by an Operating Company of the applicable prepayment or repayment amounts with respect to a Mandatory Redemption (a "Redemption Amount") will be paid directly by such Operating Company into the Issuer Collection Account for the benefit of the Indenture Trustee on behalf of the holders from time to time of the Notes. Notes called for redemption will become due on the date fixed for redemption. The Issuer will pay the redemption price for the Notes together with accrued and unpaid interest thereon to but not including the date of redemption solely out of the Redemption Amount received from any such Operating Company with respect to such redemption.

On and after the applicable redemption date, interest will cease to accrue on the Notes as long as the Issuer has deposited with the paying agent funds in satisfaction of the applicable redemption price together with accrued and unpaid interest thereon pursuant to the Indenture. Upon redemption of the Notes by the Issuer, the redeemed Notes will be cancelled and cannot be reissued. Notwithstanding anything herein to the contrary, the funds available to be used to so redeem the Notes will be limited to funds in respect of the prepayment or repayment amount actually received in the Issuer Collection Account from any Operating Company.

Redemption Procedures

The procedures in this "Redemption Procedures" section will apply to any redemption pursuant to "—Optional Redemption," "—Optional Redemption upon Tax Event" and "—Mandatory Redemption" above. In the event that less than all of the Notes are to be redeemed at any time, selection of Notes for redemption will be made by the Indenture Trustee in compliance with the requirements of the principal securities exchange or market, if any, on which Notes are then listed or, if the Notes are not then listed on a securities exchange or market, on a pro rata basis, by lot or by any other method as the Indenture Trustee will deem appropriate (or such other basis as required by the applicable depository for the Notes). No Notes of a principal amount of U.S.\$200,000 or less may be redeemed in part and Notes of a principal amount in excess of U.S.\$200,000 may be redeemed in multiples of U.S.\$1,000 only.

Notice of any redemption will be given at least 10 but not more than 60 days before the redemption date to the Indenture Trustee and each holder of the Notes in accordance with the provisions described under "—Notices."

If Notes of any series are to be redeemed in part only, then the reduction in the principal balance of the Notes will be applied to reduce the remaining scheduled Amortization Payments on a pro rata basis. A new Note of the applicable series in a principal amount equal to the unredeemed portion thereof (if any) will be issued in the name of the holder thereof upon cancellation of the original Note (or adjustments to the amount and beneficial interests in a global note will be made, as appropriate). If any such redemption is for less than the entire amount of the Notes, then the reduction in the principal balance of the Notes will be applied to reduce the remaining scheduled Amortization Payments on a *pro rata* basis. For so long as the Notes are admitted to listing on the SGX-ST, the Issuer will cause notices of redemption also to be published as provided under "—Notices."

The Issuer will pay the redemption price for any Note called for redemption together with accrued and unpaid interest and Additional Amounts, if any, thereon up to, but not including, the date of redemption. On and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption as long as the Issuer has deposited with the paying agent funds in satisfaction of the applicable redemption price pursuant to the Indenture. 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. Upon redemption of any Notes by the Issuer, such redeemed Notes will be cancelled.

The Issuer will give notice to the applicable depository for the Notes pursuant to the provisions described under "—Notices" of any redemption it proposes to make at least 10 days (but not more than 60 days) before the redemption date. For so long as the Notes are registered with the SMV and listed on the PSE and/or the SGX-ST and the rules of such stock exchange so require, the Issuer will comply with the then applicable publishing or notification requirements of any such exchange. In addition, the Issuer will communicate any relevant fact (*hecho relevante*) in Panama in the manner prescribed by applicable law.

The Indenture will provide that the Issuer may not revoke any redemption notice once such notice has been delivered. Notwithstanding the foregoing provisions of this "Optional Redemption Procedures" section, the Issuer is not prohibited from acquiring the Notes by means other than a redemption, whether pursuant to a tender offer, open market purchase or otherwise.

Repurchase Upon Change of Control Repurchase Event

Except as otherwise described below, by no later than 30 days after the occurrence of a Change of Control Repurchase Event, the Issuer must give notice thereof to the Indenture Trustee and the holders of the Notes (which notice may be delivered by the Indenture Trustee, upon the written request and at the expense of the Issuer) (a "Change of Control Notice") and offer to purchase all of the Notes then outstanding 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 Laws) after the date of such notice, which selected date must be a Business Day (such offer, a "Change of Control Offer"). In connection with any Change of Control Offer, the Issuer will hold such offer open for at least 20 (but not more than 30) Business Days (or such additional time as may be required by Applicable Laws). The Change of Control Notice must advise each holder of the Notes in sufficient detail as to how to tender its Notes should it elect to accept such

offer. A change of control under the Operating Company Loans will only be a Change of Control for purposes of the Indenture if it is also a Change of Control under the Indenture.

The Issuer will pay (such payment to be made in Dollars) each applicable holder for its Notes a purchase price equal to 101% of the portion of the outstanding principal balance represented by such Notes plus all accrued and unpaid interest (if any) thereon to but excluding the purchase date plus Additional Amounts, if any, payable in respect of such Notes.

In any such Change of Control Offer, a holder may elect to condition its tender of its Notes subject to the condition that a minimum percentage (selected by such holder) of the outstanding principal balance of the Notes has been tendered in (but not withdrawn from) the offer; *it being understood* that, in determining whether such percentage has been achieved, the Notes of such holder and other holders that have so conditioned their tenders with the same or a higher percentage will not be considered to have been tendered.

Repurchase Upon Asset Sale Repurchase Event

Except as otherwise described below, if the Issuer receives notice from an Operating Company of the occurrence of an Asset Sale Repurchase Event, the Issuer must (a) deliver notice thereof (an "Asset Sale Notice") to the Indenture Trustee and the holders of the Notes (which notice may be delivered by the Indenture Trustee, upon the written request and at the expense of the Issuer) and (b) instruct the applicable Operating Company to apply the relevant Excess Proceeds to prepay a portion of its Operating Company Loan. The Issuer will offer to purchase a proportional principal amount of the Notes (such offer, an "Asset Sale Repurchase Offer") and prepay a proportional amount of the Loan Facility and any other Additional Secured Debt that requires a prepayment upon an Asset Sale Repurchase Event, and it will apply the proceeds of such prepayment of the applicable Operating Company Loan to repurchase or prepay, as applicable, a portion of the Notes and the other Secured Debt. If any holders of the Notes do not accept the Issuer's Asset Sale Repurchase Offer, the Issuer will use the proceeds that such holders would have received if they accepted the offer to prepay other Secured Debt. The applicable Operating Company will prepay such advances under its Operating Company Loan that have an amortization profile equivalent to the amortization profile of the Notes to be purchased and the other Secured Debt to be prepaid.

The Issuer must consummate any Asset Sale Repurchase Offer on a selected Business Day that is no earlier than 30 days and no later than 60 days (or such additional time as may be required by Applicable Laws) after the date of the Asset Sale Notice. The Issuer will hold each Asset Sale Repurchase Offer open for at least 20 (but not more than 30) Business Days (or such additional time as may be required by Applicable Laws). The Asset Sale Notice must advise each holder of the Notes in sufficient detail as to how to tender its Notes should it elect to accept such offer.

The Issuer will pay (such payment to be made in Dollars) each applicable holder for its Notes a purchase price equal to 100% of the portion of the outstanding principal balance represented by such Notes plus all accrued and unpaid interest (if any) thereon to but excluding the purchase date plus Additional Amounts, if any, payable in respect of such Notes.

Repurchase Offer Procedures

If the Issuer purchases only a portion of an outstanding Note in connection with a Change of Control Repurchase Event or an Asset Sale Repurchase Offer, the Issuer will, promptly upon cancellation of the 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 of a Note specified in "Settlement, Clearing, and Registration of the Notes."

The Issuer will comply, to the extent applicable, with the requirements of Rule 14e-1 under the Exchange Act and any other Applicable Laws in connection with a Change of Control Repurchase Event or an Asset Sale Repurchase Offer. To the extent that the provisions of any Applicable Laws conflict with provisions of this covenant, the Issuer will comply with such Applicable Laws and will not be deemed to have breached its obligations under this covenant by virtue of its compliance with such Applicable Laws.

Each registered holder of the Notes (except as otherwise required by law) will be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, writing on, or theft or loss of, the definitive Note issued in respect of it) and no Person will be liable for so treating the holder.

If holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in a Change of Control Offer or an Asset Sale Repurchase Offer and the Issuer, or any third party making a Change of Control Offer or an Asset Sale Repurchase Offer in lieu of the Issuer as described below, purchases all of the Notes validly tendered and not withdrawn by such holders, the Issuer will have the right, upon not less than 30 nor more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to the Change of Control Offer or an Asset Sale Repurchase Offer described above, to redeem all Notes that remain outstanding following such purchase at a redemption price in cash equal to the applicable payment in the Change of Control Offer or Asset Sale Repurchase Offer plus, to the extent not included in such payment, accrued and unpaid interest, if any, thereon, to, but not including, the date of redemption, plus Additional Amounts, if any, payable in respect of such Notes.

The Issuer will not be required to make a Change of Control Offer or an Asset Sale Repurchase Offer upon a Change of Control Repurchase Event or an Asset Sale Repurchase Event if (a) a third party makes the Change of Control Offer or Asset Sale Repurchase Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer or an Asset Sale Repurchase Offer made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer or Asset Sale Repurchase Offer, or (b) notice of redemption with respect to all the Notes has been given pursuant to the Indenture as described above under the caption "—Optional Redemption," "—Optional Redemption upon Tax Event" and "—Mandatory Redemption" unless and until there is a default in payment of the applicable redemption price. A Change of Control Offer or an Asset Sale Repurchase Offer may be made in advance of a Change of Control Repurchase Event or an Asset Sale Repurchase Event, as applicable, with the obligation to pay and the timing of payment conditioned upon the occurrence of a Change of Control Repurchase Event or an Asset Sale Repurchase Event, as applicable, if a definitive agreement to effect a Change of Control or an asset sale by an Operating Company, as applicable, is in place at the time the applicable Change of Control Offer or Asset Sale Repurchase Offer is made.

Priority of Payments upon Foreclosure on the Collateral

If the maturity of the Notes has been accelerated and if any of the Collateral Agents forecloses on or sells substantially all of the Collateral at any time pursuant to the terms of the Intercreditor Agreement and the other Security Documents, all proceeds realized in connection therewith must be applied to pay the holders of the Notes for the Notes and other required amounts in accordance with the priority set forth in the Indenture, irrespective of whether such proceeds are sufficient to pay all amounts then due under the Notes but excluding, for the avoidance of doubt, application of any such proceeds to the payment of any premium.

Additional Amounts

The Issuer will make payments of, or in respect of, principal, premium (if any) and interest on the Notes free and clear of, and without withholding or deduction for or on account of any present or future tax, levy, impost, duty, assessment or other charge of whatever nature levied by any Governmental Authority, irrespective of the manner in which they are collected or assessed, including any interest, additions to tax or penalties applicable thereto ("Taxes"), unless such withholding or deduction is required by law.

If the Issuer or any paying agent is required to deduct or withhold any amount in respect of Taxes for the account of Panama (or any political subdivision thereof or any authority therein or thereof having the power to tax) or any other jurisdiction (or any political subdivision or any authority thereof or therein) from or through which such payments are made (each, a "Relevant Jurisdiction"), the Issuer will pay to a holder of a Note such additional amounts ("Additional Amounts") as may be necessary so that the net amount received by such holder will not be less than the amount such holder would have received if such Taxes had not been withheld or deducted, it being understood that for Panamanian tax purposes the payment of such Additional Amounts will be deemed and construed as additional interest.

The foregoing obligation to pay Additional Amounts to any holder of Notes, however, will not apply to or in respect of:

- (a) any Taxes that would not have been so imposed, assessed, levied or collected but for the fact that the holder or beneficial owner of the Note (or a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such holder, if such holder is an estate, trust, partnership or corporation) having some present or former connection with a Relevant Jurisdiction, including such holder of the Note (i) being or having been a domiciliary, national or resident of the Relevant Jurisdiction, (ii) engaging or having been engaged in a trade or business in the Relevant Jurisdiction, (iii) maintaining or having maintained an office, a permanent establishment or branch in the Relevant Jurisdiction or (iv) being or having been physically present in the Relevant Jurisdiction, except for a connection solely arising from mere ownership of the Note, receiving payments of any nature on the Note, or enforcing rights under the Note;
- (b) any Taxes that would not have been so imposed, assessed, levied or collected but for the fact that, where presentation is required in order to receive payment, the Note was presented more than 30 days after the date on which such payment became due and payable or was provided for, whichever is later, except to the extent that the holder or beneficial owner thereof would have been entitled to Additional Amounts had the Note been presented for payment on the last day of such 30-day period;
- (c) any estate, inheritance, gift, sales, use, stamp, transfer, excise, or personal property or similar Taxes;
- (d) any Taxes that are payable otherwise than by deduction or withholding from payments on or in respect of the applicable Note;
- (e) any Taxes that would not have been so imposed, assessed, levied or collected but for the failure by the holder or the beneficial owner of the Note to provide any certification, identification, information, documentation or other evidence or information concerning the nationality, residence or identity of the holder or the beneficial owner or its connection with a Relevant Jurisdiction, if (i) compliance is required by statute, rule, regulation or administrative practice of a Relevant Jurisdiction as a condition to relief, reduction or exemption from all or part of such Taxes and (ii) the Issuer has given the holders at least 30 days' written notice prior to the first payment date with respect to which such certification, identification, information, documentation or other evidence is required to the effect that holders will be required to provide such information and identification;
- (f) any payment on the Note to a holder that is a fiduciary, a partnership or any person other than the sole beneficial owner of any such payment to the extent that a beneficiary or settlor with respect to such fiduciary, a partner of such partnership or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, partner or beneficial owner been the holder of the Note; or
- (g) any combination of the Taxes and/or withholdings or deductions described in (a) through (f) above.

The limitations on the Issuer's obligations to pay Additional Amounts set forth in clause (e) above will not apply if the provision of information, documentation or other evidence described in such clause (e) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a Note, than comparable information or other reporting requirements imposed under U.S. tax law, regulations (including temporary or proposed regulations) and administrative practice.

In addition, clause (e) above does not require, and will not be construed to require, that any holder, including any non-Panamanian pension fund, retirement fund, tax-exempt organization or financial institution, register, to the extent applicable, with the Panamanian Ministry of Economy and Finance (*Ministerio de Economía y*

Finanzas) or the *Dirección General de Ingresos* to establish eligibility for an exemption from, or a reduction of, Panamanian withholding taxes.

As provided in "—Payments and Paying Agents," all payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to Section 1471(b) of the Internal Revenue Code of 1986, as amended (the "Code"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, as amended, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, as amended, and any fiscal or regulation legislation, rules or practices adopted pursuant to such intergovernmental agreement (collectively, "FATCA"), and the Issuer will not be required to pay any Additional Amounts on account of any such deduction or withholding required pursuant to FATCA.

Unless otherwise stated, references in any context to the payment of principal of, and premium, if any, or interest on, any Note, will be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Issuer will also pay any present or future stamp, court or documentary taxes or other excise or property taxes, charges or similar levies which arise in any jurisdiction from the execution, delivery or registration in respect of the Notes, and the Issuer agrees to indemnify and/or provide security to each of the Indenture Trustee, the paying agents, the Collateral Agents and the holders of the Notes for any such amounts paid or incurred by any such party.

If the Issuer will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes, the Issuer will deliver to the Indenture Trustee, at least three (3) Business Days prior to the relevant payment date, an Officer's Certificate stating the fact that such Additional Amounts will be payable, the amounts so payable and will set forth such other information necessary to enable the Indenture Trustee to pay such Additional Amounts to holders of Notes on the payment date. Each such Officer's Certificate will be relied upon by the Indenture Trustee without further enquiry until receipt of a further Officer's Certificate addressing such matters.

Affirmative Covenants of the Issuer

Set forth below are summaries of certain affirmative covenants contained in the Indenture.

Compliance with Laws, Etc.

The Issuer will comply with all Applicable Laws and all orders, writs, injunctions and decrees applicable to it or to its business or property, except where any failure to so comply could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; provided that, the Issuer may, at its expense, contest by appropriate proceedings conducted in good faith the validity or application of any such requirement of Applicable Law, so long as (1) none of the Secured Parties would be subject to any liability for failure to comply therewith and (2) the institution of such proceedings would not reasonably be expected to result in a Material Adverse Effect.

Payment of Obligations

The Issuer will pay, discharge or otherwise satisfy in full, at or before maturity or before they become delinquent, all of its respective obligations and liabilities arising pursuant to the Notes, including all payments of principal, interest, any premium and any Additional Amounts.

The Issuer will pay and discharge as the same become due and payable all of its obligations and liabilities, including (i) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are subject to contest in good faith and for which reasonable reserves have been provided for; (ii) all premiums owed under any insurance policies and (iii) all lawful claims that, if unpaid, would by law become a Lien upon its properties, except in the case of clauses (i), (ii) and (iii) where the failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Preservation of Existence, Etc.

The Issuer will (i) preserve and maintain its corporate existence under the laws of Panama and (ii) take all reasonable action to obtain and maintain in full force and effect all Governmental Authorizations and all other rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except where the failure to maintain such Governmental Authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Books and Records

The Issuer will (i) maintain books of record and accounts in conformity with IFRS, U.S. GAAP and Panamanian generally accepted accounting principles, in each case, consistently applied and in material conformity with applicable requirements of any Governmental Authority having regulatory jurisdiction over the Issuer and (ii) maintain internal accounting, management information and cost control systems adequate to ensure compliance with Applicable Laws in Panama.

Further Assurances

The Issuer will promptly upon the written request of the Indenture Trustee or any of the Collateral Agents (none of which will be under an obligation to make such request), and at the cost and expense of the Issuer (i) correct any material defect or error that may be discovered in the Indenture and any Security Document or in the execution, acknowledgment, filing or recordation thereof; and (ii) do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, conveyances, pledge agreements, mortgages, deeds of trust, trust deeds, assignments, financing statements and continuations thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments necessary (or as the Indenture Trustee or any of the Collateral Agents may reasonably request from time to time) in order to (A) enable the Issuer lawfully to perform and comply with its obligations under the Indenture and the Notes, (B) to the fullest extent permitted by Applicable Law, subject the Issuer's properties, assets, rights or interests to the Liens intended to be covered by any of the Security Documents, (C) perfect and maintain the validity, effectiveness and priority of any of the Security Documents and any of the Liens intended to be created thereunder and (D) assure, convey, grant, assign, transfer, preserve and protect and confirm more effectively to the Collateral Agents for the benefit of the Secured Parties the rights granted or purported to be granted in accordance with the terms of the Security Documents.

Use of Proceeds

The Issuer will use the net proceeds from the offering of the Notes in the manner set forth in the table set out in this offering memorandum under "Use of Proceeds."

Ranking

The Issuer will ensure that the Notes and all amounts due under the Indenture will constitute its direct, unconditional and general senior secured obligations and will at all times rank, in right of payment, upon the bankruptcy or insolvency of the Issuer, *pari passu* in right of payment with, and share equally and ratably in the Collateral with, all of the Issuer's other present and future Indebtedness secured by the Collateral, other than those obligations or Indebtedness mandatorily preferred by operation of Applicable Law or secured by a Permitted Lien.

Covenant to Give Security

In connection with any property of the Issuer (including, without limitation, any assets, rights, real estate, contracts, permits, credit instruments, shares and/or equity interests) (i) which is not already subject to a perfected first priority security interest in favor of the Collateral Agents for the benefit of the Secured Parties, (ii) as to which no governmental authority or other third-party consent is required for a first priority Lien to be created upon such property or has been obtained, and (iii) which is not subject to any third party Lien, the Issuer will, at its own expense, within the terms of the relevant Security Document, (A) duly execute and deliver, in form and substance

reasonably satisfactory to the applicable Collateral Agent, a contribution to the Onshore Trust or a grant of security interest or pledge to the applicable Collateral Agent of such property and take whatever action (including the registration with the corresponding public registry of Panama and any other recording, filing of UCC financing statements, the giving of notices and the endorsement of notices on title documents) necessary to vest in the applicable Collateral Agent a valid and subsisting first priority Lien on such property enforceable against all third parties in accordance with its terms; or (B) duly execute and deliver a mortgage, pledge, assignment or other security agreement, in form and substance reasonably satisfactory to the applicable Collateral Agents, securing payment of all of the Secured Obligations and constituting a Lien on such property and take whatever action (including the registration with the corresponding public registry of Panama or any other recording, the filing of UCC financing statements, the giving of notices and the endorsement of notices on title documents) necessary to vest in the applicable Collateral Agents a valid and subsisting first priority Lien on such property purported to be subject to such mortgage, pledge, assignment or other security agreement, enforceable against all third parties in accordance with its terms.

Preservation of Collateral

Subject to the last sentence of the paragraph under "—Perfection and Maintenance of Security Interests" below, the Issuer will undertake all actions that are necessary to enable the Collateral Agents, on behalf of the Secured Parties, to exercise and enforce their respective rights, powers, remedies and privileges under the Security Documents, including the making or delivery of all filings and recordings, the payments of fees and other charges, the issuance of supplemental documentation, the discharge of all claims or other Liens (other than Permitted Liens) adversely affecting the rights of the Collateral Agents, on behalf of the Secured Parties, to and under the Collateral and the publication or other delivery of notice to third parties.

Perfection and Maintenance of Security Interests

Subject to the last sentence of this paragraph, the Issuer will, at its expense, prepare, give, execute, deliver, file and/or record any notice, financing statement, continuation statement, public deed, instrument or agreement necessary under Applicable Laws to maintain, preserve or perfect any Lien granted under the Security Documents. At the written request of the Indenture Trustee, the Issuer will, at its expense, furnish the Indenture Trustee and the Collateral Agents, no more than once per year after the first anniversary of the date of the Indenture, with the Opinions of Counsel of U.S. and/or Panamanian counsel specifying the action taken or required to be taken by it to comply with the requirements of this paragraph since the date of the Indenture or the last such Opinions of Counsel, as the case may be, or stating that no such action is necessary.

Deposit of Funds Received from Operating Companies

To the extent any such payments or other assets are not deposited directly into the Issuer Collection Account, the Issuer will deposit all payments or other assets received by it from any of the Operating Companies pursuant to any Operating Company Loan into the Issuer Collection Account upon receipt.

Maintenance of Ratings

The Issuer will at all times use commercially reasonable efforts to maintain a rating of the Notes by at least two Rating Agencies, provided, however, that, in the event that one or more 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 such Rating Agency will 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 another Rating Agency in place of such Rating Agency), the failure by the Issuer to obtain or maintain such rating will not constitute an Indenture Event of Default; *it being understood* that the Issuer will not request any Rating Agency to cease rating the Notes and/or the Issuer. For the avoidance of doubt, the Issuer will not have any obligation to maintain any particular minimum rating or level of rating in respect of itself or the Notes.

Maintenance of Financing Documents

The Issuer will perform its obligations under the Financing Documents and, without the consent of the holders of at least a majority in principal amount of the Notes then outstanding (with all series of Notes voting together as a single class), will not terminate or waive or amend any Financing Documents except in accordance with the Indenture.

Enforcement of Rights under Operating Company Loan Agreements

The Issuer will maintain all of its rights under each of the Operating Company Loan Agreements and take all commercially reasonable steps to enforce its rights thereunder if failure to maintain or enforce such rights could reasonably be expected to have a Material Adverse Effect.

If any OpCo Fundamental Event of Default has occurred and is continuing for ninety (90) days or more under any Operating Company Loan Agreement, the Issuer will, within one (1) Business Day after its receipt of a notice from the Indenture Trustee (acting at the direction of the holders of at least a majority in principal amount of the Notes then outstanding (with all series of Notes voting together as a single class)) for the Issuer to do so, declare to the Operating Company party to such Operating Company Loan Agreement that all the Operating Company Loans funded with the proceeds of the Notes have become due and payable as contemplated in Section 7.02(b) (Remedies upon an Event of Default) of such Operating Company Loan Agreement.

Negative Covenants of the Issuer

Set forth below are summaries of certain negative covenants contained in the Indenture.

Limitation on Issuer

The Issuer will not own any material assets or other property, other than the Operating Company Loans, cash and Permitted Investments, own any Subsidiaries or Investments or engage in any trade or conduct any business other than (1) cash management activities and activities incidental thereto; (2) the issuance of its Equity Interests to its shareholders or their Affiliates; (3) as permitted or required under "—Affirmative Covenants of the Issuer"; and (4) as permitted under "—Negative Covenants of the Issuer." The Issuer will not Incur any material liabilities or obligations other than its obligations pursuant to the Notes and the Indenture and other Indebtedness permitted to be Incurred as described under "—Limitation on Indebtedness" and liabilities and obligations pursuant to business activities permitted under "—Affirmative Covenants of the Issuer" or "—Negative Covenants of the Issuer."

Limitation on Indebtedness

- (1) The Issuer will not Incur any Indebtedness, except that the Issuer may Incur Indebtedness if:
 - (i) immediately after giving effect to the Incurrence of such Indebtedness, no Default or Event of Default has occurred and will be continuing or will result from such Incurrence;
 - (ii) (a) the Net Available Proceeds of any such Indebtedness are lent by the Issuer substantially concurrently with the Incurrence of such Indebtedness to an Operating Company pursuant to an Operating Company Loan Agreement, (b) such Operating Company Loan Agreement is pledged as part of the Collateral for the benefit of the Indenture Trustee on behalf of the holders of the Notes and (c) the Incurrence of such Operating Company Loan by any such Operating Company is permitted by the Operating Company Loan between the Issuer and such Operating Company; and
 - (iii) the Issuer obtains a Ratings Affirmation in connection with such Incurrence;
- (2) Notwithstanding clause (1) above, the Issuer may incur the following Indebtedness:

- (a) Indebtedness in respect of the Notes, excluding Additional Notes;
- (b) Indebtedness under the Loan Facility outstanding from time to time in an aggregate amount at any one time outstanding not to exceed U.S.\$105 million;
- (c) Indebtedness under the Liquidity Facility outstanding from time to time in an aggregate amount at any one time outstanding not to exceed U.S.\$60.0 million;
- (d) GPH Subordinated Loans;
- (e) Refinancing Indebtedness with respect to Indebtedness existing on the Issue Date (including the Notes and the Loans) or Incurred in compliance with the Indenture; and
- (f) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided that, such Indebtedness is extinguished within five (5) Business Days of receipt of notice of insufficient funds.

Any Indebtedness permitted by clause (1) or clause (2) above is "Permitted Indebtedness."

For purposes of determining compliance with this "Limitation on Indebtedness" covenant, in the event that an item of proposed Indebtedness (or any portion thereof) meets the criteria of more than one of the categories described in clauses (a) through (d) above, or is entitled to be incurred pursuant to clause (1) of this covenant, the Issuer, in its sole discretion, will be permitted to classify such item of Indebtedness (or any portion thereof) on the date of its Incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant and will only be required to include the amount and type of such Indebtedness in one of the above clauses.

For purposes of determining compliance with any Dollar-denominated restriction on the incurrence of Indebtedness, the Dollar amount of Indebtedness denominated in a currency other than the Dollar will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer may incur pursuant to this covenant will not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

Limitation on Payments from Issuer Accounts

The Issuer's funds will only be held in the Issuer Collection Account, the Issuer Operating Account or the Issuer Local Account and all payments from those accounts are subject to the provisions of the Indenture, the Onshore Trust and Assignment Agreement, the Security Agreement and the Dutch Account Security Agreement related to those accounts as described in "Collateral Arrangements—Flow of Revenues—Onshore Collateral Trustee Transfer of Funds on Deposit in the Issuer Collection Account", "Collateral Arrangements—Flow of Revenues—Issuer Operating Account Transfers" and "Negative Covenants of the Issuer—Limitation on Issuer Local Account."

Limitation on Issuer Local Account

The Issuer will only use funds on deposit in the Issuer Local Account to pay its administration expenses and taxes. The Issuer will be funded with transfers from the Issuer Collection Account with fees paid by the Operating Companies under the Operating Company Loan Agreements for this purpose. The Issuer will be able to transfer to the Issuer Local Account an amount not exceeding U.S.\$1,500,000 per Year, and the balance on the Issuer Local Account will not exceed U.S.\$1,500,000 at any time. The Issuer may transfer amounts on deposit in the Issuer Local Account to the Issuer Collection Account.

Limitation on Liens

The Issuer will not directly or indirectly, grant, create, incur, assume or suffer to exist any Lien (other than Permitted Liens) upon any of its properties, assets or revenues, whether owned at the Issue Date or thereafter acquired.

Change in Nature of Business

The Issuer will not engage in any business other than making Operating Company Loans and Incurring Indebtedness in order to make such Operating Company Loans, in compliance with the terms of the Indenture and the other Financing Documents.

Merger, Consolidation, Liquidation, Dissolution

The Issuer will not consolidate with or merge into any other Person or sell, assign, convey, transfer, lease or otherwise dispose of its properties and assets substantially as an entirety to any Person.

Asset Sales

The Issuer will not consummate an Asset Sale.

Limitation on Investments

The Issuer will not make any Investments except (i) Cash Equivalents and (ii) Investments constituting pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations.

Limitation on Transactions with Affiliates

The Issuer will not enter into or become a party to any material agreement or arrangement with an Affiliate.

The foregoing restriction will not apply to (i) the Operating Company Loan Agreements; (ii) the Guarantee Fee Agreement, (iii) reasonable and customary payments to or on behalf of the Issuer's directors, officers or employees or in reimbursement of reasonable and customary payments or reasonable and customary expenditures made or incurred by such Persons as directors, officers or employees; and (iv) any transfer to (or, for avoidance of doubt, from) the Issuer Collection Account, the Issuer Operating Account or the Issuer Local Account permitted under "—Limitation on Payments from Issuer Accounts".

Hedging Transactions

The Issuer will not enter into any Derivative Transaction except to the extent permitted in any relevant Financing Document and that any such Derivative Transaction is entered into for hedging purposes and not for speculative purposes.

No Transfer of or Encumbrance on Collateral.

Other than the security interest granted to the Collateral Agents, for the benefit of the Indenture Trustee, the holders and the Secured Parties, and as otherwise permitted pursuant to the Financing Documents, the Issuer will not pledge, assign, sell, grant a security interest in, or otherwise convey any of the Collateral.

Reporting Requirements

The Issuer will provide the Indenture Trustee and, upon request, the holders of the Notes, with the following reports and notices:

- (a) Annual financial statements of the Issuer and, to the extent received from each Operating Company, each Operating Company audited by an internationally recognized firm of Independent Accountants within 120 days after the end of the Issuer's Financial Year, and unaudited quarterly financial statements of the Issuer and each Operating Company (including a balance sheet, statement of comprehensive income and cash flow statement for the Financial Quarter or Quarters then ended and the corresponding Financial Quarter or Quarters from the prior Financial Year) within 60 days of the end of the first three Financial Quarters of each Financial Year of such entity; provided that to the extent any regulatory authority in Panama or the SEC extends any period for reporting of financial statements, these reporting periods will be extended for a period commensurate with the extensions provided by the regulatory authority in Panama or the SEC. These annual and quarterly financial statements will be prepared in accordance with IFRS and for each Operating Company, will be prepared on a consolidated basis with respect to it and its Subsidiaries. The annual financial statements will be accompanied by a "management discussion and analysis of results of operations and financial condition" providing an overview in reasonable detail of the consolidated results of operations and financial condition of the Issuer and each such Operating Company and will include the related notes in respect thereof. The quarterly financial statements will be accompanied by a brief narrative overview of the results of operations and financial condition of the Issuer and each such Operating Company. English translations will be provided of any of the foregoing documents prepared in another language;
- (b) Copies (including English translations of documents prepared in another language) of public filings made by the Issuer or any Operating Company with any securities exchange or securities regulatory agency or authority within 30 days of such filing and of any report or notice received by the Issuer from any of the Operating Companies.
- (c) so long as the Issuer is not subject to Section 13 or Section 15(d) of the Exchange Act and exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act, upon request, to any holder and any prospective purchaser of the Notes, the information required pursuant to Rule 144A(d)(4) under the Securities Act; and
- (d) promptly (but in any event within 10 Business Days after a Responsible Officer of the Issuer obtains Knowledge or is aware thereof), a notice of: (i) the occurrence of any Indenture Default or Indenture Event of Default under the Notes, (ii) the occurrence of any Default or Event of Default and (iii) the occurrence of any OpCo Event of Default, any OpCo Blocking Event of Default or any OpCo Fundamental Event of Default.

Simultaneously with the delivery of each set of financial statements referred to in clause (a) above, the Issuer will provide the Indenture Trustee with an Officer's Certificate of the Issuer and any applicable Operating Company stating (1) that such financial statements fairly and accurately present the consolidated financial condition and results of operations of the Issuer or such Operating Company on the dates and for the periods indicated in accordance with the IFRS, subject to the absence of footnotes and normally recurring year-end adjustments and (2) whether an Indenture Default or an Indenture Event of Default exists on the date of such Officer's Certificate and, if an Indenture Default or an Indenture Event of Default exists, setting forth the details thereof and the action which the Issuer is taking or propose to take with respect thereto. Except where otherwise indicated, all reports, notices, certificates and other documents delivered pursuant to this "Reporting Requirements" covenant will be in the English language. In addition, within the time period prescribed in clauses (a) and (b) above, the Issuer will make such information and such reports provided pursuant to clauses (a) and (b) above available by posting such information and reports on its website.

In the event that the Issuer receives a request from an Operating Company for the calculation of various financial ratios pursuant to the relevant Operating Company Loan Agreement, the Issuer will provide such certificate to such Operating Company promptly and, in any event, within 10 Business Days (with a copy to the Indenture Trustee).

Delivery of reports, information and documents to the Indenture Trustee is for informational purposes only and its respective receipt of such reports will not constitute actual or constructive notice of any information

contained therein or determinable from information contained therein, including any other Person's compliance with any of its covenants under the Indenture or the Notes (as to which the Indenture Trustee is entitled to rely conclusively on Officer's Certificates).

Reporting and Payments to Regulatory, Stock Exchange and Clearing Agency

The Issuer will deliver, pay or notify, as applicable, to the PSE and the SMV the following: (i) within 90 days after the end of each Financial Year, the Issuer's audited financial statements together with its annual report (*informe anual de actualización de la compañía*), for the previous Financial Year; (ii) within 60 days after the end of each of the first three Financial Quarters of each Financial Year, 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 Financial 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; (v) pay any applicable fees and expenses to LatinClear; and (vi) prepare or deliver any additional report or information required by applicable law, regulation or PSE rules. So long as the Notes are listed on the PSE, copies of these reports will be made available to investors through the PSE website.

Indenture Events of Default

Pursuant to the Indenture each of the following events, acts, occurrences or conditions, will constitute an event of default with respect to a series of Notes (each an "Indenture Event of Default"). "Indenture Default" means any event, circumstance or condition that with the lapse of time, the making of a determination or the giving of notice, or any combination thereof, would become an Indenture Event of Default.

- (a) The Issuer fails to pay any amount of principal (including premium, if any) on any Note of such series when the same becomes due and payable or (ii) the Issuer fails to pay interest (including Additional Amounts) on any Note of such series within 30 days after the same becomes due and payable;
- (b) The Issuer fails to comply with any of the covenants or agreements in the Notes of such series or the Indenture (other than those referred to in clause (a) above), and such failure continues for 60 days after notice from the Indenture Trustee thereof or notice thereof to the Indenture Trustee and the Issuer by the holders of at least 25% in aggregate principal amount of the Notes of such series then outstanding;
- (c) Any Insolvency Proceeding occurs with respect to the Issuer;
- (d) (i) The Issuer fails to pay any amount due and payable in respect of any of its Indebtedness for borrowed money other than the Notes of such series (whether at Stated Maturity or otherwise), which Indebtedness is outstanding in the principal amount of at least U.S.\$20 million in the aggregate (or its equivalent in another currency), and such default continues beyond any applicable grace period set forth in the agreements or instruments evidencing or relating to such Indebtedness, or (ii) any such Indebtedness for borrowed money other than the Notes of such series, which Indebtedness is outstanding in the principal amount of at least U.S.\$20 million in the aggregate (or its equivalent in another currency), becomes due (or required to be prepaid, repurchased, redeemed or defeased) and payable prior to the scheduled maturity thereof;
- (e) There is entered against the Issuer (i) final non-appealable judgments or orders for the payment of money in an aggregate amount exceeding U.S.\$20.0 million that the Issuer fails to make payment thereof within the period of time mandated by such judgment or order or (ii) any one or more non-monetary judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of 60 consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect;

- (f) Any Security Document (once executed and delivered and, where appropriate, noticed to counterparties, registered or where other action has been taken in accordance with all Applicable Law and the Indenture) will for any reason (other than pursuant to the terms thereof) cease to create a valid and perfected first priority lien on and security interest in the Collateral purported to be covered thereby, except when due to clerical error; provided that, the Issuer will be diligently pursuing the perfection of such lien and such clerical error will be corrected no later than 30 Business Days after the earlier of (i) a Responsible Officer of the Issuer has Knowledge of such clerical error and (ii) written notice thereof has been given to the Issuer by the Indenture Trustee and the Collateral Agents or to the Indenture Trustee, the Collateral Agents and the Issuer by the holders of at least 25% in aggregate principal amount of the Notes of such series then outstanding;
- (g) Any Governmental Authority asserting *de jure* or *de facto* governmental or police powers in Panama will, by moratorium laws or otherwise, cancel, suspend or defer the obligation of the Issuer to pay any amount required to be paid under the Indenture when the same becomes due and payable thereunder and such cancellation, suspension or deferral will continue for 10 or more consecutive Business Days;
- (h) The Issuer denies or disaffirms in writing any obligation of the Issuer arising under the Indenture or any other Financing Document;
- (i) Any Operating Company Loan Agreement is held in any non-appealable judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect or any Operating Company denies or disaffirms in writing its obligations under any Operating Company Loan Agreement or
- (j) GPH denies or disaffirms in writing any obligation of GPH arising under such Financing Documents to which it is party, or GPH transfers any funds on deposit in the GPH Dividend Collection Accounts except as permitted by the Dutch Security Agreement and the Indenture and the default caused by such transfer is not cured within 30 days of the earlier of GPH having knowledge of such default or receipt by GPH of notice from the Indenture Trustee of such default.

Upon the occurrence and during the continuation of any Indenture Event of Default, the Indenture Trustee or the holders of at least 25% in aggregate principal amount of the Notes of any series then outstanding, by notice then given in writing to the Issuer (and to the Indenture Trustee if given by the holders of the Notes of any such series), may declare the aggregate principal balance of all Notes of such series immediately due and payable; provided that, any Indenture Event of Default under clause (c) above will automatically result in the aggregate principal balance of all Notes of such series becoming immediately due and payable.

At any time after a declaration of acceleration with respect to the Notes of a series as described in the preceding paragraph, holders of a majority in principal amount of the outstanding Notes of such series may rescind and cancel such declaration and its consequences:

- (a) if the rescission would not conflict with any judgment or decree;
- (b) if all existing Events of Default with respect to such series have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration;
- (c) 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
- (d) if the Issuer has paid the Indenture Trustee its reasonable compensation and reimbursed the Indenture Trustee for its reasonable expenses, disbursements and advances.

No rescission will affect any subsequent Indenture Event of Default or impair any rights relating thereto.

Holders of a majority in principal amount of the outstanding Notes of a series may waive any existing Indenture Event of Default with respect to such series under the Indenture, and its consequences, except a default under clause (c) above.

The Indenture Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders of the Notes of any series, unless such holders will have offered to the Indenture Trustee indemnity and/or security satisfactory to the Indenture Trustee. Subject to such provision for the indemnification of and/or security to the Indenture Trustee and such other terms and conditions as are set forth in the Indenture, the holders of a majority in aggregate principal amount of the outstanding Notes of a series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee in respect of the Notes of such series or exercising any trust or power conferred on the Indenture Trustee in respect of the Notes of such series.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes and the rights of the Indenture Trustee and agents under the Indenture, as expressly provided for in the Indenture) as to all outstanding Notes when:

- (a) either:
 - (i) all of the Notes previously authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has previously been deposited in trust and thereafter repaid to the Issuer or discharged from such trust) have been delivered to the Indenture Trustee for cancellation; or
 - (ii) all Notes not previously delivered to the Indenture Trustee for cancellation (i) have become due and payable or will become due and payable at Stated Maturity within one year or (ii) are to be called for redemption within one year under irrevocable arrangements satisfactory to the Indenture Trustee for the giving of notice of redemption by the Indenture Trustee in the name, and at the expense, of the Issuer and, in each case, the Issuer has irrevocably deposited or caused to be deposited with the Indenture Trustee cash in Dollars, US Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of Independent Accountants expressed in a written certificate delivered to the Indenture Trustee, without reinvestment to pay and discharge the entire indebtedness on the Notes not previously delivered to the Indenture Trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit (in the case of Notes that have become due and payable) or to the maturity or redemption date, as the case may be, and any Additional Amounts payable with respect thereto, together with irrevocable instructions from the Issuer directing the Indenture Trustee to apply such funds to the payment;
- (b) no Indenture Event of Default will have occurred and be continuing on the date of such deposit or will occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuer is a party or by which the Issuer is bound;
- (c) the Issuer has paid all other sums payable by it under the Indenture and the Notes; and
- (d) the Issuer has delivered to the Indenture Trustee an Officer's Certificate and Opinion of Counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

Upon satisfaction of the conditions set forth in this "Satisfaction and Discharge" section, the Indenture Trustee, upon the Issuer's written request and at the Issuer's expense, will acknowledge in writing the satisfaction and discharge of

the Indenture. Upon satisfaction and discharge of the Indenture, the Liens of the Security Documents will terminate with respect to the Indenture and the Notes.

Defeasance

The Issuer may at any time terminate all of its obligations with respect to the Notes ("defeasance"), except for certain obligations, including those to the Indenture Trustee and the agents appointed under the Indenture, those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes, to maintain agencies in respect of Notes and those expressly stated to survive any termination or defeasance. The Issuer may at any time terminate its obligations under certain covenants set forth in the Indenture, and any omission to comply with such obligations will not constitute an Indenture Default or an Indenture Event of Default with respect to the Notes ("covenant defeasance"). In order to exercise either defeasance or covenant defeasance, the Issuer must irrevocably deposit in trust, for the benefit of the holders of Notes, with the Indenture Trustee cash in Dollars, US Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of Independent Accountants expressed in a written certificate delivered to the Indenture Trustee, without consideration of any reinvestment, to pay the principal of, premium, if any, on and interest on the Notes to redemption or maturity and comply with certain other conditions, including the delivery of an opinion of legal counsel of nationally recognized standing in the United States to the effect that the holders of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would otherwise have been the case (and in the case of a defeasance that is not a covenant defeasance, such opinion will be based on a change in applicable U.S. federal income tax law or a published ruling of the U.S. Internal Revenue Service).

Amendment, Supplement, Waiver

Subject to certain exceptions, the Indenture, the Notes and, subject to the terms thereof, the Security Documents, may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the Notes then outstanding (with all series of Notes voting together as a single class), and any past Default or compliance with any provision in the Indenture, the Notes and, subject to the terms of the Security Documents, the Security Documents may be waived with respect to a series of Notes with the consent of the holders of at least a majority in principal amount of the Notes of such series then outstanding. However, without the consent of each holder of an outstanding Note affected thereby, no amendment may:

- (a) reduce the rate of or extend the time for payment of interest on the Notes;
- (b) reduce the principal, or change the Stated Maturity, of the Notes;
- (c) reduce the amount payable upon redemption or repurchase of the Notes or change the time at which the Notes may or must be redeemed or repurchased;
- (d) make any change in the provisions of the Indenture described under "— Additional Amounts" that adversely affects the rights of any holder of Notes;
- (e) change the currency for, or place of payment of, principal, premium or interest on the Notes;
- (f) impair the right to institute suit for the enforcement of any payment on or with respect to the Notes;
- (g) waive certain Defaults or Events of Default with respect to the Notes;
- (h) amend, change or modify the obligation of the Issuer to make and consummate an Change of Control Offer in the event of a Change of Control Repurchase Event in accordance with the covenant described under the caption "—Repurchase Upon Change of Control Repurchase Event"

after such Change of Control Repurchase Event has occurred, including, in each case, amending, changing or modifying any definition relating thereto;

- (i) except as otherwise permitted under the covenants described under the caption "—Negative Covenants of the Issuer—Merger, Consolidation, Liquidation, Dissolution," consent to the assignment or transfer by the Issuer of any of its rights or obligations under the Indenture;
- (j) modify the grant of security interests in the Collateral for the benefit of the Secured Parties in a manner that would adversely impact the Secured Parties or release all or substantially all of the interest in the Collateral, in each case other than pursuant to the terms of the Indenture, the Security Documents and the documents contemplated therein;
- (k) make any change in the provisions in the Indenture or the Security Documents dealing with the application of proceeds of Collateral that would adversely affect the holders of the Notes in any material respect;
- (l) reduce the principal amount of Notes whose holders must consent to any amendment or waiver; or
- (m) make any change in the amendment or waiver provisions which require each holder's consent.

The holders of the Notes will receive prior notice as described under "—Notices" of any proposed amendment to such Notes, the Indenture or the Security Documents described in the immediately preceding paragraph. After an amendment described in the immediately preceding paragraph becomes effective, the Issuer is required to deliver to the holders of the Notes a notice briefly describing such amendment. However, the failure to give such notice to all holders of the Notes, or any defect therein, will not impair or affect, with respect to such Notes, the validity of the amendment.

The consent of the holders of the Notes is not necessary to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

The Issuer, the Indenture Trustee, the Collateral Agents and any other applicable agent under the Indenture or the Security Documents may, without the consent or vote of any holder of the Notes, amend or supplement the Indenture, the Notes and, subject to the terms of the Security Documents, the Security Documents (or, if the Indenture Trustee is not a party to any such Security Document, the Indenture Trustee may consent to the Collateral Agents or other relevant agent, as applicable, amending or supplementing such Security Document) for the following purposes:

- (a) to cure any ambiguity, omission, defect or inconsistency; provided that, such amendment or supplement does not materially adversely affect the rights of any holder of the Notes;
- (b) to add guarantees or collateral with respect to the Notes;
- (c) to add to the covenants of the Issuer for the benefit of holders of the Notes;
- (d) to surrender any right conferred upon the Issuer;
- (e) to evidence and provide for the acceptance of an appointment by a successor trustee;
- (f) to provide for the issuance of Additional Notes;
- (g) to conform the text of the Indenture, the Notes or the Security Documents to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Security Documents and the Indenture Trustee has received an Officer's Certificate from the Issuer to that effect;

- (h) to comply with the regulations of any securities exchange on which the Notes may be listed;
- (i) to release any Collateral from Liens securing the Notes when permitted or required under the Indenture or the Security Documents or to convey, transfer, assign, mortgage or pledge to the Collateral Agents as security for the Notes any property;
- (j) to make any other change that does not materially adversely affect the rights of any holder of the Notes;
- (k) evidence and provide for the acceptance and appointment under the Indenture or any other Financing Document of a successor Indenture Trustee, successor Collateral Trustee or other successor agent thereunder pursuant to the requirements thereof; or
- (l) permit or facilitate the issuance of Notes in definitive form.

In executing any amendment, waiver or supplemental indenture to the Indenture, the Notes or the Security Documents, the Indenture Trustee and, if applicable, the Collateral Agents and any other agent under the Indenture or the Security Documents, will be entitled to receive an Officer's Certificate and an Opinion of Counsel, each stating that such amendment, waiver or supplemental indenture is authorized or permitted by the Indenture and/or the Security Documents, as the case may be, that all covenants and conditions precedent to such amendment, supplement or waiver under the Indenture and the Security Documents have been complied with, and that it will be valid and binding upon the Issuer in accordance with its terms.

Pursuant to the Indenture, each holder, by its acceptance of a Note, will authorize and direct the Indenture Trustee and each agent under the Indenture to execute and deliver from time to time, if so requested in writing by the Issuer, and without the consent of the holders of the Notes, one or more documents or agreements as are expressly contemplated to be executed by the Indenture Trustee or any such agent in accordance with the terms of the Financing Documents (collectively, "Permitted Supplemental Agreements"); provided that, the entry by any such party into any such Permitted Supplemental Agreement will be subject to the prior receipt of (i) an Officer's Certificate from the Issuer certifying that (A) each of the conditions precedent specified in the Financing Documents to the entry by the Indenture Trustee or the applicable agent, as the case may be, into such Permitted Supplemental Agreement, and the requirements set forth in the Financing Documents in respect of the relevant transactions contemplated by such Permitted Supplemental Agreement, have been satisfied; and (ii) an Opinion of Counsel stating that, in the opinion of such counsel, the execution, delivery and performance by (A) the Issuer, the Indenture Trustee, and/or the applicable agent, as applicable, and any other relevant other counterparty(ies) to the Permitted Supplemental Agreement, will not result in any conflict with or breach of any Financing Document.

Listing

The Notes will be registered with the SMV and listed on the PSE. Promptly after such a listing, the Issuer will notify the Indenture Trustee in writing, which will, in turn, provide notice thereof to each of the holders of the Notes. Upon registration of the Notes with the SMV and the listing of the Notes on the PSE, the Issuer will comply with the reporting and other requirements set forth in the Panamanian securities law applicable to companies who have registered their securities with the SMV, as well as any corresponding requirements of the PSE.

We have received approval in-principle, subject to final approval, for the listing and quotation of the Notes on the Official List of the SGX-ST. Each of the Issuer, the Indenture Trustee and the Collateral Agents are (without the need for any approvals, consents or instructions from any holders of the Notes, but in accordance with all other provisions applicable thereto) authorized to join in the execution of any amendment (including amendment and restatement) of any Financing Document(s) to the extent required to provide such a listing. Promptly after such a listing, the Issuer will so notify the Indenture Trustee in writing, which will provide notice thereof to each of the holders of the Notes.

In the event that the Notes are admitted to listing on the SGX-ST, the Issuer will use its commercially reasonable efforts to maintain such listing, provided that if, as a result of any legislation the Issuer could be required

to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the IFRS which it would otherwise use to prepare its published financial information, or if the Issuer determines that it is unduly burdensome, in its good faith determination, to maintain a listing 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 its commercially reasonable efforts to seek an alternative admission to listing, trading and/or quotation for the Notes by another listing authority, stock exchange and/or quotation system as it may decide; provided that, such listing authority, stock exchange or quotation system is used for listing and trading in the international debt capital markets. Although the Issuer cannot assure you as to the liquidity that may result from a listing on the SGX-ST, delisting the Notes from the SGX-ST may have a material effect on the ability of holders of the Notes to resell the Notes in the secondary market.

Notices

Notices to be given to holders of Notes of series will be given to the depositary, in accordance with its applicable policies as in effect from time to time, with respect to any such Notes held in global form. To the extent Notes of a series are issued in individual definitive form, notices to be given to holders of such Notes issued in individual definitive form will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the Notes at their registered addresses as they appear in the registrar's records. Neither the failure to give any notice to a particular holder of the Notes, nor any defect in a notice given to a particular holder of the Notes, will affect the sufficiency of any notice given to another holder of the Notes.

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 in a newspaper with general circulation in Singapore, which is expected to be the *Business Times, Singapore Edition*. Notices will be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication.

Governing Law and Submission to Jurisdiction

The Notes, the Indenture, the Operating Company Loan Agreements and the Security Documents will be governed by, and construed in accordance with, the laws of the State of New York, except that certain Security Documents will be governed by Panamanian law or Dutch law, as applicable.

Each of the parties to the Indenture will irrevocably submit to the jurisdiction of the U.S. federal and New York State courts located in the Borough of Manhattan, City and State of New York and to the courts of its own corporate domicile in respect of actions brought against it as a defendant for purposes of all legal actions and proceedings instituted in connection with the Notes, the Indenture, the Operating Company Loan Agreements and any Security Document stated to be governed by the laws of the State of New York. Each of the parties to the Indenture will irrevocably waive (and each holder of Notes (by acquiring a Note or a beneficial interest therein or otherwise accepting the benefits of the Indenture and the other applicable Financing Documents) will be deemed to irrevocably 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 court, any claim that any such proceeding brought in such a court has been brought in an inconvenient forum and any objection based on place of residence or domicile. The administration of the Operating Companies is not subject to attachment prior to judgment, injunction or any other precautionary measure (*medidas cautelares*) ordered by any court or administrative agency in the Republic of Panama.

The Issuer will appoint on or prior to the Issue Date, CSC Global, with an office on the date hereof at 1180 Avenue of the Americas, Suite 210, New York, NY 10036-8401, United States of America, as its authorized agent upon which process may be served in any such action.

Currency Indemnity

Dollars are the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Notes and the Indenture, including damages. To the greatest extent permitted under applicable law, any amount received or recovered in a currency other than Dollars (whether as a result of, or of the enforcement

of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise) by any holder of a Note in respect of any sum expressed to be due to it from the Issuer will only constitute a discharge to the Issuer to the extent of the Dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Dollar amount is less than the Dollar amount expressed to be due to the recipient under any Note or the Indenture, the Issuer will indemnify such holder against any loss sustained by it as a result; and if the amount of Dollars so purchased is greater than the sum originally due to such holder, such holder will, by accepting a Note, be deemed to have agreed to repay such excess. In any event, the Issuer will indemnify the recipient against the cost of making any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the holder of a Note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of Dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of Dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities will constitute a separate and independent obligation from the other obligations of the Issuer, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any holder of a Note and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note.

Waiver of Immunity

To the extent that the Issuer or any of its properties, assets or revenues may have or may hereafter become entitled to any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any such legal action, suit or proceeding, from setoff or from counterclaim from the jurisdiction of any Panamanian, New York State or U.S. federal or other applicable court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution of judgment, or from execution of judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any such court in which proceedings may at any time be commenced, with respect to the obligations and liabilities of the Issuer or any other matter under or arising out of or in connection with, the Notes or the Indenture, the Issuer irrevocably and unconditionally waives such right, and agrees not to plead or claim any such immunity and consents to such relief and enforcement. To the extent that the Issuer or any of its properties, assets or revenues may hereafter become entitled to any such right of immunity, such waiver may not be effective if it affects the interests of any third parties as they relate to the Issuer or if such waiver is expressly forbidden under Panamanian law.

Settlement, Clearing and Registration of the Notes

Global Notes

The Notes will be registered with the SMV and will be offered by the Issuer through the PSE in a public auction process. As a result, on the date of such public auction (the "Local Trading Date"), the Initial Purchasers will submit a bid to purchase the Notes through the PSE.

On such date, any local broker will be permitted to submit a bid to purchase the Notes and the Issuer will be permitted to present its offer to sell the Notes on the PSE. Any such bids to purchase the Notes are required to be for the full aggregate principal amount of the offering. On the same date, during any applicable trading sessions, (i) the first session of the primary market that takes place between 8:00 a.m. and 9:00 a.m. (Panama time) and is solely available on the PSE for certain issuances of securities in respect of which settlement takes place totally or partially in the international markets, or (ii) at the regular trading session that takes place between 10:00 a.m. and 3:00 p.m. (Panama time), the Initial Purchasers will submit their bid to purchase the Notes through BG Valores, S.A., which bid will be for all the Notes.

If the Initial Purchasers will not have placed and secured the highest (and in case of equality, earliest) bid price for the Notes, the Issuer will withdraw any offer to sell the Notes on the Issue Date on the PSE and any such offer will immediately be withdrawn and cancelled and be of no further force or effect.

The Notes will be represented by Regulation S Global Notes (as defined below) and Rule 144A Global Notes (as defined below) (each sometimes referred to herein as a "Global Note" and together referred to herein as the "Global Notes"). The Notes will be issued in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. For purposes of listing the Notes with the PSE, prior to the issuance of such Global Notes, the Issuer will issue one or more global temporary notes on the Local Trading Date (the "Temporary Notes") and deposit them with LatinClear. Upon issuance of the Global Notes, the Temporary Notes will, pursuant to their terms and the terms in the Indenture, be immediately deemed without effect and will be replaced by the Global Notes.

Notes sold outside the United States in reliance on Regulation S will be represented by one or more Global Notes in definitive, fully registered form without interest coupons (collectively, the "Regulation S Global Note") and will be deposited with the Indenture Trustee, as custodian for DTC, and registered in the name of DTC or its nominee for the accounts of Euroclear and Clearstream (as indirect participants in DTC).

Notes sold in reliance on Rule 144A under the Securities Act initially will be represented by one or more Global Notes in definitive, fully registered form without interest coupons (collectively, the "Rule 144A Global Note") and will be deposited with the Indenture Trustee, as custodian for DTC and registered in the name of DTC or its nominee.

The Notes will be subject to certain restrictions on transfer and will bear a legend to that effect as described under "Transfer Restrictions" in this Offering Memorandum. Beneficial interests in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note only upon receipt by the Indenture Trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made to a person that the transferor reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in the Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note only upon receipt by the Indenture Trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC ("DTC participants") or persons who hold interests through DTC participants. The Issuer expects that under procedures established by DTC:

- upon deposit of each Global Note with DTC's custodian, DTC will credit portions of the principal amount of the Global Note to the accounts of the DTC participants designated by the Initial Purchasers;
- ownership of beneficial interests in each Global Note will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in each Global Note).

Beneficial interests in a Global Note may be credited within DTC to Euroclear, Clearstream and LatinClear on behalf of the owners of such interests.

Investors may hold their interests in a Global Note directly through DTC, Euroclear, Clearstream or LatinClear, if they are participants in those systems, or indirectly through organizations that are participants in those systems.

Beneficial interests in a Global Note may not be exchanged for Notes in physical, certificated form except in the limited circumstances described below.

Book-Entry Procedures for the Global Notes

All interests in the Global Notes will be subject to the operations and procedures of DTC, Euroclear, Clearstream and LatinClear. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer, the Indenture Trustee, the registrar, the paying agents nor the transfer agents are responsible for those operations or procedures.

DTC has advised that it is:

- (a) a limited purpose trust company organized under the New York State Banking Law;
- (b) a "banking organization" within the meaning of the New York State Banking Law;
- (c) a member of the U.S. Federal Reserve System;
- (d) a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- (e) a "clearing agency" registered under Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC's participants include securities brokers and dealers, including the Initial Purchasers; banks and trust companies; clearing corporations; and certain other organizations.

Indirect access to DTC's system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC or its nominee is the registered owner of a Global Note, DTC or its nominee will be considered the sole owner or holder of the Notes represented by that Global Note for all purposes under the Indenture. Except as provided below, owners of beneficial interests in a Global Note:

- (a) will not be entitled to have Notes represented by the Global Note registered in their names;
- (b) will not receive or be entitled to receive physical, certificated Notes; and
- (c) will not be considered the registered owners or holders of the Notes under the Indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the Indenture Trustee under the Indenture.

As a result, each investor who owns a beneficial interest in a Global Note must rely on the procedures of DTC to exercise any rights of a holder of Notes under the Indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest).

Payments of principal, premium, if any, and interest with respect to the Notes represented by a Global Note will be made by the Indenture Trustee to DTC's nominee as the registered holder of the Global Note. Neither the Issuer, the Indenture Trustee, the registrar nor the paying agents or transfer agents will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a Global Note, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a Global Note will be governed by standing instructions and customary practices and will be the responsibility of those participants or indirect participants and not of DTC, its nominee or the Issuer.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds. Transfers between participants in Euroclear, Clearstream or LatinClear will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers between DTC participants, on the one hand, and Euroclear, Clearstream, or LatinClear participants, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear, Clearstream and LatinClear. To deliver or receive an interest in a Global Note held in a Euroclear, Clearstream or LatinClear account, an investor must send transfer instructions to Euroclear, Clearstream or LatinClear, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Euroclear, Clearstream or LatinClear, as the case may be, will send instructions to its DTC depositary to take action to effect final settlement by delivering or receiving interests in the relevant Global Notes in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC. Euroclear, Clearstream and LatinClear participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear, Clearstream or LatinClear.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant that purchases an interest in a Global Note from a DTC participant will be credited on the business day for Euroclear or Clearstream immediately following the DTC settlement date. Cash received in Euroclear or Clearstream from the sale of an interest in a Global Note to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account as of the business day for Euroclear or Clearstream following the DTC settlement date.

DTC, Euroclear, Clearstream and LatinClear have agreed to the above procedures to facilitate transfers of interests in the Global Notes among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. Neither the Issuer nor the Indenture Trustee will have any responsibility for the performance by DTC, Euroclear, Clearstream or LatinClear or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

Certificated Notes

Beneficial interests in a Global Note may not be exchanged for Notes in physical, certificated form unless:

- (a) DTC notifies the Issuer at any time that it is unwilling or unable to continue as depositary for the Global Note and a successor depositary is not appointed within 90 days;
- (b) DTC ceases to be registered as a clearing agency under the Exchange Act and a successor depositary is not appointed within 90 days;
- (c) The Issuer, at its option, notifies the Indenture Trustee in writing that it elects to cause the issuance of certificated Notes; or
- (d) certain other events provided in the Indenture should occur, including the occurrence and continuation of an Indenture Event of Default with respect to the Notes.

In all cases, certificated Notes delivered in exchange for a Global Note will be registered in the names, and issued in any approved denominations, requested by the depositary. *Mutilated, Destroyed and Lost Notes*

In case any certificated Note becomes mutilated, defaced, destroyed, lost or stolen, the Issuer will execute and, upon the written request of the Issuer, the Indenture Trustee will authenticate and deliver a new certificated Note of like tenor (including the same date of issuance) and equal principal or liquidation preference amount, registered in the same manner and dated the date of its authentication in exchange and substitution for the certificated Note (upon surrender and cancellation thereof), as the case may be, or in lieu of and substitution for such certificated Note. In case such certificated Note is destroyed, lost or stolen, the applicant for a substituted certificated Note will furnish to the Issuer, the Indenture Trustee, the paying agent and the registrar, as applicable, security and/or indemnity as may

be required by them to save each of them harmless, and, in every case of destruction, loss or theft of the Note, the applicant will also furnish to the Issuer satisfactory evidence of the destruction, loss or theft of such certificated Note, as the case may be, and of the ownership thereof. Upon the issuance of any such certificated Note, the Issuer, the Indenture Trustee, the paying agent and the registrar, as applicable, may require the payment by the registered holder thereof of a sum sufficient to cover fees and expenses connected therewith.

Indenture Trustee

Citibank, N.A. will act as the Indenture Trustee under the Indenture and its corporate trust office for (i) transfers, exchanges or surrender of the Notes is 480 Washington Boulevard, 30th Floor, Jersey City, New Jersey 07310, Facsimile: (973) 461-7191 or (973) 461-7192, Attention: Agency & Trust - AES Global Power Holdings, B.V.; and (ii) all other purposes, 388 Greenwich Street, New York, New York 10013, Facsimile: (212) 816-5527, Attention: Agency & Trust - AES Global Power Holdings, B.V., or such other address as the Indenture Trustee may designate from time to time by notice to the holders and the Issuer.

The Indenture contains provisions for the immunities, indemnities, privileges, protections and rights of the Indenture Trustee under the Indenture, for which reference is made to the Indenture. The obligations of the Indenture Trustee to the holders of the Notes are subject to such immunities, indemnities, privileges, protections and rights as set forth therein. In addition, the Indenture will contain provision permitting the holders of specified percentages in principal amount of the Notes of a series at the time then outstanding, on behalf of the holders of all Notes of such series, to direct the Indenture Trustee in connection with actions to be taken, or rights to be exercised, under the Indenture and the other Financing Documents, including without limitation in connection with the exercise of rights and remedies following the occurrence and during the continuation of an Indenture Event of Default with respect to such series, in each case on and subject to the terms and conditions set forth in the Indenture.

Citibank, N.A. in each of its capacities under the Indenture will be responsible for (among other things): (a) maintaining a record of the aggregate holdings of Notes and accepting Notes for exchange and registration of transfer, (b) making payments in respect of the Notes to the holders of the Notes to the extent funds are available therefor and (c) transmitting notices to the holders and from such holders to the Issuer (in each case, as contemplated by the Indenture). In the event of a transfer of a Note, new Notes will be obtainable at the specified corporate office of the Indenture Trustee in connection with such transfer.

Collateral Agents and Other Agents

Each of BG Trust, Inc. and Citibank, N.A. will be appointed to act as a Collateral Agent on behalf of the holders of the Notes and the other Secured Parties pursuant to the Security Documents. The Collateral Agents will: (a) accept delivery of the Security Documents and execute and deliver such agreement on behalf of and for the benefit of the Secured Parties and (b) hold, for the benefit of the Secured Parties, the Liens intended to be created by the Security Documents as valid, perfected, first priority Liens over the Collateral.

Citibank, N.A. will act as the Intercreditor Agent under the Intercreditor Agreement. The rights, duties, protections and obligations of the Intercreditor Agent will be set forth in the Intercreditor Agreement.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, if a global Note is exchanged for certificated Notes, the Issuer will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, and make an announcement of such exchange through the SGX-ST that will include all material information with respect to the delivery of the certificated Notes, including details of the paying agent in Singapore.

Certain Definitions

"Additional Amounts" has the meaning set forth in "—Additional Amounts."

"Additional Intercreditor Agreement" has the meaning set forth in "—Additional Intercreditor Agreements."

"Additional Notes" has the meaning set forth in "—Further Issuances."

"Additional Secured Debt" has the meaning set forth in "—Collateral Arrangements—General."

"Additional Secured Debt Document" means any credit agreement, purchase agreement, indenture, notes or similar contract or instrument providing for the issuance or incurrence of, or evidencing, any Additional Secured Debt, and any related fee letters and any other documents entered into in connection therewith.

"Additional Secured Debt Obligations" means all obligations and liabilities of the Credit Parties arising under or in connection with Additional Secured Debt Documents.

"Additional Secured Debtholder" means any Person that enters into an Additional Secured Debt Document with the Issuer (including any holders of bonds or other securities that are represented by a Designated Voting Party).

"Administrative Agent" means The Bank of Nova Scotia (Panama), S.A. and any successor administrative agent appointed from time to time pursuant to the Credit Agreement.

"AES" means The AES Corporation, a company organized and existing under the laws of Delaware.

"AES Bocas" has the meaning set forth in "—Collateral Arrangements—General."

"AES Changuinola" means AES Changuinola S.R.L., previously AES Changuinola, S.A.

"AES Changuinola 2023 Bonds" means, collectively, the U.S.\$200,000,000 aggregate principal amount of Series A 6.25% Notes due 2023, and the U.S.\$220,000,000 aggregate principal amount of Series B 6.75% Notes due 2023, both as issued by AES Changuinola on November 13, 2013, and as authorized by Resolution No. 468-13 of November 13, 2013 of the Superintendencia of Capital Markets (*Superintendencia del Mercado de Valores*) of Panama.

"AES Changuinola Collateral Trustee" means BG Trust, Inc.

"AES Changuinola Dividend Collection Account" means the account designated "AESC Dividend Collection Account", and maintained by GPH with Citibank Europe plc, NL Branch.

"AES Panama" means AES Panama S.R.L.

"AES Panamá Quota Pledge Agreement" has the meaning set forth in "—Collateral Arrangements—Onshore Pledge Agreement."

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with, such Person or is a director or officer of such Person; provided that, for purposes of this definition, the term "control" means the power to direct the management or policies of a Person, directly or indirectly, whether through the ownership of shares or other securities, by contract or otherwise; and "controlling" and "controlled" have corresponding meanings; provided, further, that with respect to any Operating Company, "Affiliate" as used herein shall not include any Governmental Authority or Person majority-owned or controlled by any Panamanian Governmental Authority.

"Agents" means the Collateral Agents, the Intercreditor Agent, the Indenture Trustee, the NY Account Bank, the Dutch Account Bank, the Changuinola Administrative and Paying Agent, the Administrative Agent and each other Designated Voting Party.

"Amortization Table" has the meaning set out under "—Principal, Maturity and Interest."

"Applicable Designated Voting Party" means (a) with respect to the Changuinola Collateral, the Changuinola Security Documents and the Changuinola Collateral Trustee, all Designated Voting Parties with voting rights as set forth in the Intercreditor Agreement and (b) in all other cases, the Designated Voting Parties other than the Changuinola Administrative and Paying Agent with voting rights as set forth in the Intercreditor Agreement.

"Applicable Laws" means any applicable law, constitutional law, any statute, regulation, resolution, rule, ordinance, communiqué, enactment, judgment, order, code, decree, directive, requirement or other governmental restriction and any form or decision of or determination by or interpretation of any of the foregoing by any Governmental Authority, now or hereafter in effect, in each case as amended, re-enacted or replaced.

"Asset Sale" means any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) by the Issuer, including any disposition by means of a merger, consolidation, or similar transaction (each referred to for the purposes of this definition as a "disposition"), of:

- (1) any shares of capital stock (other than or directors' qualifying shares or shares required by applicable law to be held by a Person other than the Issuer); or
- (2) any other assets of the Issuer outside of the ordinary course of business of the Issuer;

provided, however, that Asset Sale will not include any of (a) through (b) below; provided, further, that the Net Available Proceeds from any of (a) through (b) must be deposited in the Issuer Collection Account:

- (a) an expenditure of cash or liquidation of Permitted Investments or other marketable securities disposed of in the open market; and
- (b) the Incurrence or disposition of any Lien permitted by the covenant described under "—Negative Covenants of the Issuer—Limitation on Liens."

"Asset Sale Repurchase Event" means the occurrence, under an Operating Company Loan, of an asset sale yielding Excess Proceeds of at least U.S.\$20,000,000.

"Asset Sale Repurchase Offer" has the meaning set forth in "—Repurchase Upon Asset Sale Repurchase Event."

"Authorized Officer" means: (a) with respect to the Issuer, any of the Issuer's Chairman of the Board, Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer, Treasurer, Assistant Treasurer, Controller, Secretary, Vice President or attorney-in-fact with sufficient authority of the Issuer from time to time and (b) with respect to any other Person, the general director, the president, any vice president, secretary, chief accountant, treasurer, attorney-in-fact with sufficient authority or any other officer of such Person: (i) to whom a matter is referred because of such officer's responsibility for overseeing the administration of, and reviewing compliance with such matter or (ii) and with respect to any financial matters, the chief financial officer or treasurer of such Person, as the context may require.

"Balboa" means the lawful currency of Panama.

"Balboa Permitted Investment" means any (a) Balboa-denominated and readily marketable obligations issued or directly and fully guaranteed or insured by Panama or any agency or instrumentality thereof and maturing not more than 180 days after the acquisition thereof; provided that, the full faith and credit of Panama is pledged in support thereof; and (b) demand deposit accounts with, and Balboa-denominated time deposits with, or insured certificates of deposit or bankers' acceptances, maturing not more than 90 days after the acquisition thereof and issued or guaranteed by, any bank in Panama that (i) is supervised by, and is not under intervention or controlled by, the SBP and (ii) has no less than an Investment Grade Rating or higher on the international scale by at least one nationally recognized statistical rating organization or an A- rating or higher on the local scale.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized or required to close under the laws of New York, New York, United States of America, or Panama City, Panama.

"Capitalized Leases" means all leases that have been or should be, in accordance with IFRS, recorded as capitalized leases.

"Catch-Up Amount" means any amounts on deposit in a GPH Dividend Collection Account on any Scheduled Payment Date that is not transferred from such GPH Dividend Collection Account to GPH within 45 days thereafter in accordance with "—Offshore Collateral Agent Transfer of Funds on Deposit in the GPH Dividend Collection Accounts" solely as a result of the failure to satisfy sub-clause (i) of clause (b) thereof due to the existence of any Default or Event of Default.

"Change of Control" means the occurrence of one or more of the following events:

- (a) the Permitted Holders collectively at any time cease to own, directly or indirectly, more than 50% of the Equity Interests entitled to vote at meetings of shareholders of the Issuer or GPH;
- (b) the Permitted Holders (including through one or more Affiliates thereof) at any time cease to have the power to direct the management and/or the policies of the Issuer or GPH;
- (c) GPH (including through one or more Affiliates thereof) (on an aggregate basis) at any time ceases to own directly or indirectly, the percentage of Equity Interests in each of the Operating Companies that it owned at the time of initial issuance of the Notes or the Permitted Holders (including through an Affiliate thereof) cease to have the power to direct the management and/or the policies of each of the Operating Companies; or
- (d) the adoption of a plan relating to the liquidation or dissolution of the Issuer.

"Change of Control Notice" has the meaning set forth in "—Repurchase Upon Change of Control Repurchase Event."

"Change of Control Offer" has the meaning set forth in "—Repurchase Upon Change of Control Repurchase Event."

"Change of Control Repurchase Event" means the occurrence of both a Change of Control and a Ratings Decline.

"Changuinola Administrative and Paying Agent" means BG Trust, Inc. and any successor trustee appointed from time to time pursuant to the AES Changuinola 2023 Bonds.

"Changuinola Bond Documents" means the Changuinola Paying Agency Agreement, the Changuinola Security Documents and the AES Changuinola Bonds.

"Changuinola Bond Obligation" means (a) all principal of, and interest (including any interest which accrues after the commencement of any Insolvency Proceeding or related proceeding with respect to AES Changuinola, whether or not allowed or allowable as a claim in any such proceeding), premium (if any), and Make-Whole Amounts (as such amounts are calculated pursuant to the terms of the AES Changuinola 2023 Bonds) (if any), payable with respect to the AES Changuinola 2023 Bonds and the other Changuinola Bond Documents and including interest that would accrue on any of the foregoing during the pendency of any Insolvency or Liquidation Proceeding or related proceeding with respect to AES Changuinola; and (b) all other amounts payable to the Changuinola Bond Secured Parties under the Changuinola Bond Documents.

"Changuinola Bond Payoff Date" means the date all Changuinola Bond Obligations (excluding any contingent liabilities unasserted as of such date in favor of any Changuinola Bond Secured Party) owed to holders of

AES Changuinola 2023 Bonds and any other Changuinola Bond Secured Party under the AES Changuinola 2023 Bonds and the other Changuinola Bond Documents have been paid in full in cash.

"Changuinola Bond Secured Parties" means the Changuinola Administrative and Paying Agent, the Changuinola Administrative and Paying Agent, the Changuinola Collateral Trustee, the Onshore Collateral Trustee, the Custodian and the holders at any time and from time to time of the AES Changuinola 2023 Bonds.

"Changuinola Collateral" has the meaning set forth in "—Collateral Arrangements—General."

"Changuinola Collateral Trustee" has the meaning set forth in "—Collateral Arrangements—General."

"Changuinola Enforcement Account" has the meaning set forth in "—Collateral Arrangements—General."

"Changuinola Paying Agency Agreement" means the Paying, Registrar and Transfer Agency Agreement, dated November 15, 2013, among the Issuer, the Changuinola Administrative and Paying Agent and each of the purchasers of the AES Changuinola 2023 Bonds.

"Changuinola Pledge Agreement" has the meaning set forth in "—Collateral Arrangements—General."

"Changuinola Security Documents" means (a) the Changuinola Trust Agreement, (b) the Changuinola Pledge Agreement and (c) solely with respect to the AES Changuinola Dividend Collection Account, the Dutch Security Agreement.

"Changuinola Trust" has the meaning set forth in "—Collateral Arrangements—General."

"Changuinola Trust Agreement" has the meaning set forth in "—Collateral Arrangements—General."

"Changuinola/Issuer Secured Obligations" means Secured Obligations and, solely prior to (but not on or after) the Changuinola Bond Payoff Date, the Changuinola Bond Obligations.

"Changuinola/Issuer Secured Parties" means the Secured Parties and, solely prior to (but not on or after) the Changuinola Bond Payoff Date, the Changuinola Bond Secured Parties.

"Clearstream" means Clearstream Banking, société anonyme, Luxembourg.

"Code" has the meaning set forth in "—Additional Amounts."

"Collateral" has the meaning set forth in "—Collateral Arrangements—General."

"Collateral Accounts" means collectively, the GPH Dividend Collection Accounts, the Issuer Operating Account and the Onshore Collateral Accounts.

"Collateral Agents" means the Changuinola Collateral Trustee, the Onshore Collateral Trustee and the Offshore Collateral Agent.

"Collection Expenses" means, with respect to any proceeds, all reasonable and documented out-of-pocket costs or expenses (if any), taxes and, if applicable, reasonable and documented transaction costs, including indemnities of the Indenture Trustee or the applicable agents, incurred by the Issuer, the Indenture Trustee or any agent in connection with the collection, enforcement, negotiation, consummation, settlement, proceedings, administration or other activity related to the receipt or collection of such proceeds.

"Combined Exposure" means, as of any date of calculation, the sum (calculated without duplication) of the following: (a) the aggregate outstanding principal amount of loans under the Credit Agreement, and the available undrawn commitments thereunder; (b) the aggregate outstanding principal amount of the Notes; (c) the termination payments owed to all Secured Hedge Banks under any Secured Hedge Agreement minus any amounts received (or

to be received) under ordinary course payment netting arrangements set forth in the relevant Secured Hedge Agreement; (d) other than to the extent set forth in the foregoing clause (c), the aggregate outstanding principal amount of any Additional Secured Debt, and the available undrawn commitments thereunder; and (e) solely with respect to the Changuinola/Issuer Secured Obligations or Changuinola/Issuer Secured Parties only, "Combined Exposure" will include the aggregate outstanding principal amount of the Changuinola 2023 Bonds.

"CONO/GNA Quota Pledge Agreement" has the meaning set forth in "—Collateral Arrangements—Onshore Pledge Agreement."

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Costa Norte" means Costa Norte LNG Terminal S. de R.L.

"covenant defeasance" has the meaning set forth in "—Defeasance."

"Credit Agreement" means the credit agreement, to be dated on or before the Issue Date among the Issuer, The Bank of Nova Scotia (Panama), S.A., acting as Administrative Agent, the lenders party thereto and the issuing banks signatory thereto or who subsequently become party thereto pursuant to the terms thereof, and each other Person that may become party thereto from time to time.

"Credit Parties" mean the Issuer and GPH.

"Current Assets" means, with respect to any Person, all assets of such Person that, in accordance with IFRS, would be classified as current assets on the balance sheet of a company conducting a business the same as or similar to that of such Person, after deducting appropriate and adequate reserves therefrom in each case in which a reserve is proper in accordance with IFRS.

"Custodian" means BG Trust, Inc., as custodian for the Changuinola Collateral Trustee and the Onshore Collateral Trustee, as pledgees, under the Changuinola Pledge Agreement.

"Debtor Relief Laws" means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States, Panama, The Netherlands or other applicable jurisdictions from time to time in effect (including the Third Book of the Commerce Code of the Republic of Panama, as amended, supplemented or replaced in its entirety).

"Decision" has the meaning set forth in "—Collateral Arrangements—Intercreditor Agreement—Direction of the Intercreditor Agent."

"Decision Period" means the period of time designated in any "Intercreditor Vote Notice" delivered by the Intercreditor Agent to the Applicable Designated Voting Parties to make any decision thereunder, which Decision Period will end not earlier than 45 days after the date of such notice nor later than 60 days after the date of such notice; provided that, except in case of any Decision Period with respect to which (a) a decision has already been determined by the Required Secured Parties, any such period of time may be extended by any Designated Voting Party for a period not to exceed 60 days on an 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 75 days; provided, further, that, in each case, the Intercreditor Agent shall not, if so instructed by any Designated Voting Party, designate any such extension period in excess of 10 Business Days and (b) a Decision with respect to any Modification of any Operating Company Loan Agreement, such shorter period as the Applicable Designated Voting Party representing the holders of the Secured Obligations who are directly affected by such Decision has determined from time to time.

"Default Notice" has the meaning set forth in "—Collateral Arrangements—Intercreditor Agreement—Defaults and Remedies."

"Default or Event of Default" means any event, circumstance or condition that would, with the lapse of time, the making of a determination or the giving of notice, or any combination thereof, would become a Default or Event of Default.

"defeasance" has the meaning set forth in "—Defeasance."

"Derivative Transaction" means: (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement; (b) any and all commodity swaps, commodity options, forward commodity contracts or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (c) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

"Designated Voting Party" means (a) in the case of any holder of Notes, the Indenture Trustee; (b) in the case of any Loan Obligations or the Loan Secured Parties, the Administrative Agent; (c) in the case of each Secured Hedge Agreement, the Secured Hedge Bank party thereto; (d) solely prior to (but not on or after) the Changuinola Bond Payoff Date, in the case of any Changuinola Bond Obligations or the Changuinola Bond Secured Parties, the Changuinola Administrative and Paying Agent, (e) in the case of any other Additional Secured Debtholder(s), any agent, trustee or other representative acting on its or their behalf that accedes to the Intercreditor Agreement.

"Dollar" or "U.S.\$ " means the lawful currency of the United States.

"Dollar Permitted Investments" means investments free and clear of all Liens (other than Liens created under the Security Documents):

- (a) readily marketable obligations issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof having maturities of not more than 90 days from the date of acquisition thereof; provided that, the full faith and credit of the United States is pledged in support thereof;
- (b) time deposits with, demand deposits of, or insured certificates of deposit or bankers' acceptances of, any commercial bank that (i) (A) is a Lender or (B) is organized under the laws of the United States, any state thereof or the District of Columbia or is the principal banking subsidiary of a bank holding company organized under the laws of the United States, any state thereof or the District of Columbia, and is a member of the Federal Reserve System of the United States, (ii) issues (or the parent of which issues) commercial paper rated as described in clause (e) of this definition and (iii) has combined capital and surplus of at least U.S.\$500,000,000, in each case with maturities of not more than 90 days from the date of acquisition thereof;
- (c) readily marketable Dollar-denominated obligations issued or directly and fully guaranteed or insured by Panama or any agency or instrumentality thereof having maturities of not more than 90 days from the date of acquisition thereof; provided that, the full faith and credit of Panama is pledged in support thereof;

- (d) Dollar-denominated time deposits with, or insured certificates of deposit or bankers' acceptances maturing not more than 90 days after the acquisition thereof and issued or guaranteed by any bank that (i) is organized under the laws of Panama or is the principal banking subsidiary of a bank holding company organized under the laws of Panama, and is supervised by, and is not under intervention or controlled by, the SBP, and (ii) either (A) issues (or the parent of which issues) commercial paper at least "Prime-1" (or the then equivalent grade) by Moody's or at least "A-1" (or the then equivalent grade) by S&P or (B) has no less than an Investment Grade Rating or higher on the international scale by at least one nationally recognized statistical rating organization or an A- rating or higher on the local scale;
- (e) commercial paper issued by any Person organized under the laws of any state of the United States and rated at least "Prime-1" (or the then equivalent grade) by Moody's or at least "A-1" (or the then equivalent grade) by S&P, in each case with maturities of not more than 90 days from the date of acquisition thereof;
- (f) Investments, classified in accordance with IFRS as Current Assets of the Issuer, in money market investment programs registered under the United States Investment Issuer Act of 1940, which are administered by financial institutions that have the highest rating obtainable from either Moody's or S&P, and the portfolios of which are limited solely to Investments of the character, quality and maturity described in clauses (a), (b), (c), (d) and (e) of this definition; and
- (g) money market funds having a rating in the highest investment category granted thereby by a recognized credit rating agency at the time of acquisition.

"DTC" has the meaning set forth in "—Form, Denomination and Registration."

"DTC Participants" has the meaning set forth in "—Settlement, Clearing and Registration of the Notes—Global Notes."

"Dutch Account Bank" means Citibank Europe PLC, NL Branch and any successor account bank appointed from time to time pursuant to the Dutch Account Security Agreement.

"Dutch Account Security Agreement" has the meaning set forth in "—Collateral Arrangements—Dutch Account Security Agreement."

"Dutch Event of Default" means (a) any default (*verzuim*) in the proper performance of the Secured Obligations or any part thereof, or any equivalent thereof, that permits the holders of such debt to declare all or part of principal amounts outstanding under any Secured Debt Document to be immediately due and payable; provided, it is also an Event of Default which is continuing; and (b) the Dutch Account Bank has received an Enforcement Notice from the Intercreditor Agent.

"Eligible Agent" means any entity that (a) is authorized under all applicable laws to exercise corporate trust powers, (b) has a combined capital and surplus aggregating in excess of U.S.\$500,000,000 (or its equivalent in any other currency) and (c) is a bank or trust company with an office in New York, New York, or an affiliate of any such bank or trust company with an office in New York, New York, U.S.A.

"Enforcement Action" means: (a) the taking of any steps (including directing a Collateral Agent through the Intercreditor Agent) to enforce or require the enforcement against any of the Collateral in accordance with any Security Document or otherwise; (b) the exercise of any right of setoff against any Credit Party or AES Changuinola in respect of any Changuinola/Issuer Secured Obligation; or (c) the suing for, commencing or joining of any legal or arbitral proceedings against any Credit Party, AES Changuinola or any other party to the Security Documents to recover or otherwise in respect of any Changuinola/Issuer Secured Obligation; or (d) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any trustee, liquidator, receiver, administrator or similar officer) in relation to any proceeding against any Credit Party or AES Changuinola or any suspension of payments or moratorium of any debt of any Credit Party or AES Changuinola or any analogous procedure or step in

any jurisdiction; provided that, no acceleration in respect of an Event of Default or termination or suspension of a commitment under a Secured Debt Document will be deemed to be an Enforcement Action for any purposes of the Intercreditor Agreement.

"Enforcement Notice" means a notification from any Designated Voting Party to the Intercreditor Agent pursuant to the Intercreditor Agreement that it has obtained actual knowledge (as and to the extent provided in the relevant Secured Debt Document to which it is a party, if applicable) of either (i) the occurrence of any Event of Default under any Secured Debt Document to which it is a party that is continuing and has not been waived or rescinded, or (ii) that any Event of Default under any Secured Debt Document to which it is a party is not continuing.

"Equity Interests" means as to any Person (other than a natural person), all of the shares of capital stock of (or other ownership or profit interests in) such Person (including (i) the percentage ownership interest in an entity (which must include the right to receive a proportionate share of dividends, profits, repayment of subordinated loans and similar amounts distributed by such entity) held by a Person or Persons, directly or indirectly, on a fully-diluted basis and (ii) the rights to vote on or cause the direction of the management and policies of such Person through the ownership of voting securities in ordinary and extraordinary matters in such Person), all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

"Euroclear" Euroclear Bank S.A./N.V

"Event of Default" means any event of default or equivalent thereof that permits the holders of the debt to declare all principal amounts outstanding thereunder to be immediately due and payable under any Secured Debt Document.

"Event of Default Notice" has the meaning set forth in "—Collateral Arrangements— Intercreditor Agreement—Defaults and Remedies."

"Event of Loss Mandatory Redemption" has the meaning set forth in "Mandatory Redemption—General."

"Excess Proceeds" any portion of the net cash proceeds received by an Operating Company from asset sales that is not applied (or committed to be applied) as required under the applicable Operating Company Loan Agreement by the end of the 365 day period following the receipt of such net cash proceeds.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"FATCA" has the meaning set forth in "—Additional Amounts."

"Final Voting Date" has the meaning set forth in "—Collateral Arrangements—Intercreditor Agreement—Direction of the Intercreditor Agent."

"Financial Quarter" means each period commencing on the day after a Financial Quarter Date and ending on the next succeeding Financial Quarter Date.

"Financial Quarter Date" means each March 31, June 30, September 30 and December 31.

"Financial Year" means the period commencing on January 1 in any Year and ending on the next succeeding December 31.

"Financing Documents" means the Notes, the Indenture, the Credit Agreement, the other Secured Debt Documents, the Security Documents and any other documentation otherwise specified as a "Financing Document" in any Financing Document.

"Fitch" means Fitch Ratings, Inc. and any successor to its rating agency business.

"Gas Natural Atlántico" means Gas Natural Atlántico S. de R.L.

"Global Note" has the meaning set forth in "—Settlement, Clearing and Registration of the Notes—Global Notes."

"Governmental Authority" means any national, supranational, state, regional, municipal or local government or governmental, administrative, fiscal, judicial, or government-owned body, instrumentality, political subdivision, department, commission, authority, tribunal, agency, entity, central bank (or any Person, whether or not government owned and howsoever constituted or called, that exercises the functions of a central bank) or officer exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions for any governmental, judicial, investigative, regulatory or self-regulatory authority.

"Governmental Authorization" means any consent, authorization, registration, filing, agreement, notarization, certificate, license, approval, permit, authority, order, ruling, identification number, exemption, notice, declaration or similar right, undertaking or other action of, to or by, or any filing, qualification or registration with, any Governmental Authority, whether given by express action or deemed given by failure to act within any specified time period.

"GPH" means the entity set forth in "—General" or any successor entity that assumes all the obligations of GPH under the Financing Documents to which GPH is a party upon satisfaction in full of the conditions set forth in the Dutch Account Security Agreement.

"GPH Subordinated Loans" means loans made and held by GPH to the Issuer that (1) will not have the benefit of any negative pledge covenant, collateral or security interest, (2) will not bear interest or be subject to the payment of fees, premiums, charges or any other amounts, (3) the terms of which provide that, in the event that the principal of any such Indebtedness is not paid on the stated maturity or other date set for redemption, then the obligation to make such payment on such maturity date or other redemption date will not be a default under such Indebtedness until after the maturity date of the Notes, and (4) the terms of which provide that no amount will be payable in bankruptcy, liquidation or any similar proceeding with respect to the Issuer until all claims of senior creditors of the Issuer, including, without limitation, the holders of the Notes, admitted in such proceeding have been satisfied.

"GPH Subrogation Claims" means any right to reimbursement that GPH may have against the Issuer in respect of transfers of moneys on deposit in the GPH Dividend Collection Account to the Issuer Collection Account as described in clause (b) under "—Collateral Arrangements—Offshore Collateral Agent Transfer of Funds on Deposit in the GPH Dividend Collection Account."

"Gradation" means a gradation within a Rating Category or a change to another Rating Category, which will include: (i) "+" and "-" in the case of Fitch's and S&P's current Rating Categories (e.g., a decline from BB+ to BB would constitute a decrease of one Gradation), (ii) 1, 2 and 3 in the case of Moody's current Rating Categories (e.g., a decline from Ba1 to Ba2 would constitute a decrease of one Gradation), or (iii) the equivalent in respect of successor Rating Categories of Fitch, S&P or Moody's or Rating Categories used by Rating Agencies other than Fitch, S&P and Moody's.

"Guarantee" means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the

purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien) ; provided that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The amount of any Guarantee will be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term "Guarantee" as a verb has a corresponding meaning.

"Guarantee Fee" means a fee not to exceed 0.75% per annum on the principal amount of the Notes and under any other Holdings Secured Debt Document, to be paid by the Issuer (by transfer from the Issuer Collection Account to the GPH Dividend Collection Accounts) to GPH in accordance with the Guarantee Fee Agreement and the Onshore Trust and Assignment Agreement.

"Guarantee Fee Agreement" means the guarantee fee agreement to be entered into between the Issuer and GPH with respect to the Guarantee Fee, which guarantee fee agreement will provide that (1) the guarantee fee will be an unsecured obligation of the Issuer and will be subordinated to the Issuer's obligations in respect of its Secured Debt, (2) will not bear interest or be subject to the payment of fees, premiums, charges or any other amounts, (3) the terms of which provide that, in the event that the Guarantee Fee is not paid when due, then the obligation to make such payment on such date will not be a default under the Guarantee Fee Agreement until after the maturity date of the Notes, and (4) the terms of which provide that no amount will be payable in bankruptcy, liquidation or any similar proceeding with respect to the Issuer until all claims of senior creditors of the Issuer, including, without limitation, the holders of the Notes, admitted in such proceeding have been satisfied.

"GPH Dividend Collection Accounts" has the meaning set forth in "—Collateral Arrangements—General."

"Holdings Collateral" means the Collateral other than the Changuinola Collateral.

"Holdings Collateral Agents" means the Onshore Collateral Trustee and the Offshore Collateral Agent.

"Holdings Secured Debt Documents" means Secured Debt Documents other than the Changuinola Bond Documents.

"IFRS" means International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency, consistently applied.

"Incur" means, with respect to any Indebtedness, to incur, create, issue, assume, guarantee or otherwise, contingently or otherwise, become liable, directly or indirectly, for or with respect to, or to extend the maturity of, or become responsible for, the payment of such Indebtedness; provided, however, that neither (a) the accrual of interest, (b) the accretion of original issue discount nor (c) an increase in the outstanding amount of Indebtedness caused solely by fluctuations in the exchange rates of currencies will be considered an Incurrence of Indebtedness. The terms "Incurrence" and "Incurring" have corresponding meanings.

"Indebtedness" means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with IFRS:

- (a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, indentures, loan agreements or other similar instruments;

- (b) all obligations of all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds and similar instruments issued or created by or for the account of such Person;
- (c) net obligations of such Person under any Derivative Transaction;
- (d) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business and not past due for more than 60 days after the date on which each such trade payable or account payable was created);
- (e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness will have been assumed by such Person or is limited in recourse;
- (f) all Financial Leases;
- (g) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interests in such Person or any other Person or any warrants, rights or options to acquire such Equity Interests, valued, in the case of redeemable preferred interests, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; and
- (h) all Guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person will include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. The amount of any net obligation under any Derivative Transaction on any date will be deemed to be the Swap Termination Value thereof as of such date. The amount of any Indebtedness of any Person for purposes of clause (e) that is expressly made non-recourse or limited-recourse (limited solely to the assets securing such Indebtedness) to such Person will be deemed to be equal to the lesser of (i) the aggregate principal amount of such Indebtedness and (ii) the fair market value of the Property encumbered thereby as determined by such Person in good faith.

"Indenture" has the meaning set forth in "—General."

"Indenture Documents" means the Indenture, the Security Documents and the Notes.

"Indenture Default" has the meaning set forth in "—Indenture Events of Default."

"Indenture Event of Default" has the meaning set forth in "—Indenture Events of Default."

"Indenture Secured Parties" means the Indenture Trustee, the Collateral Agents, the NY Account Bank, the Dutch Account Bank, the Intercreditor Agent and the holders at any time and from time to time of the Notes.

"Indenture Trustee" has the meaning set forth in "—General."

"Independent Accountants" means Ernst & Young Limited Corp. (Panama) or such other independent auditor of recognized international standing having no affiliation with the Issuer, the Permitted Holders or any of their Affiliates.

"Independent Investment Bank" has the meaning set forth in "—Optional Redemption."

"Initial Liquidity Facility" means the U.S.\$50,000,000 revolving loan facility available to the Issuer pursuant to the Credit Agreement.

"Insolvency Proceeding", with respect to any Person, (a) any voluntary or involuntary case or proceeding under any Debtor Relief Laws with respect to such Person, (b) any other 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 such Person or with respect to any of its assets, (c) any liquidation, dissolution, reorganization or winding up of such Person, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, (d) any assignment for the benefit of creditors or any other marshaling of assets and liabilities of such Person, or (e) the appointment of a receiver with respect to such Person.

"Intercreditor Agent" means Citibank, N.A., as the intercreditor agent appointed pursuant to the Intercreditor Agreement.

"Intercreditor Agreement" means the Intercreditor Agreement, to be dated as of the Issue Date (as amended, supplemented or otherwise modified from time to time), among the Issuer, the Administrative Agent for the Loan Secured Parties, the Indenture Trustee for the Indenture Secured Parties, the Changuinola Administrative and Paying Agent for the Changuinola Secured Parties, the Intercreditor Agent, the Offshore Collateral Agent, the Onshore Collateral Trustee, the Changuinola Collateral Trustee and each other Person that may become party thereto from time to time.

"Intercreditor Vote" means, at any time, a vote conducted in accordance with the procedures set forth in the Intercreditor Agreement among the Applicable Designated Voting Parties with respect to the particular Decision at issue at such time.

"Intercreditor Vote Notice" has the meaning given to the term "Intercreditor Vote Notice" in the Intercreditor Agreement.

"Investment" means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of Equity Interests or debt of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person and any arrangement pursuant to which the investor Incurs debt of the type referred to in clause (h) of the definition of "Indebtedness" in respect of such Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit or all or a substantial part of the business of, such Person.

"Investment Grade Rating" means a rating equal to or higher than BBB- (or the equivalent) by Fitch, Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P.

"Issue Date" means the first date of issuance of Notes under the Indenture.

"Issuer" has the meaning set forth in "—General."

"Issuer Collection Account" means has the meaning given to the term, in Spanish, "*Cuenta de Colección*" in the Onshore Trust and Assignment Agreement.

"Issuer Local Account" means the account of the Issuer with Citibank, N.A., Panama branch.

"Issuer Operating Account" means the account of the Issuer with Citibank, N.A.

"Knowledge" means, with respect to the Issuer, the actual knowledge of any of its Authorized Officers and, with respect to the Indenture Trustee, the actual knowledge of any of its Responsible Officers.

"LatinClear" means Central Latinoamericana de Valores S.A.

"Lender" means each of Banco General, S.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch, JPMorgan Chase Bank, N.A. and The Bank of Nova Scotia as initial lenders under the Credit Agreement and each Person that will become a Lender under the Credit Agreement for so long as such initial lender or Person, as the case may be, will be a party to the Credit Agreement.

"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).

"Liquidity Facility" means the Initial Liquidity Facility and any subsequent revolving loan made available to the Issuer facility having a principal amount of at least U.S.\$50 million and similar terms as the Initial Liquidity Facility.

"Loan" means the loan provided by the Lenders under the Credit Agreement.

"Loan Documents" means the Credit Agreement and the agreements designated as "Financing Documents" thereunder.

"Loan Facility" means the U.S.\$105 million senior secured loan facility under the Credit Agreement.

"Loan Obligations" means all obligations and liabilities of the Credit Parties arising under or in connection with the Loan Documents (other than the Operating Company Loan Agreements), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter arising, in respect of: (a) the principal of and interest (including any interest which accrues after the commencement of any Insolvency Proceeding or related proceeding with respect to the Issuer, whether or not allowed or allowable as a claim in any such proceeding) on all loans under the Credit Agreement, (b) fees payable under any Loan Document, (c) all other amounts payable by any Credit Party to any Loan Secured Party pursuant to any Loan Document, including any premium, reimbursements, damages, expenses, fees, costs, charges, disbursements, indemnities, and other liabilities (including all fees, charges, expenses and disbursements of counsel to any Loan Secured Party) due and payable to any Loan Secured Party and including interest that would accrue on any of the foregoing during the pendency of any Insolvency Proceeding or related proceeding with respect to the Issuer, and (d) any renewals or extensions of the foregoing.

"Loan Secured Parties" means the Administrative Agent, the Collateral Agents, the NY Account Bank, the Dutch Account Bank, the Intercreditor Agent and the Lenders.

"Local Trading Date" has the meaning set forth in "—Settlement, Clearing and Registration of the Notes—Global Notes".

"Make-Whole Mandatory Redemption" has the meaning set forth in "Mandatory Redemption—General."

"Mandatory Redemption" has the meaning set forth in "Mandatory Redemption—General."

"Material Adverse Effect" means a material adverse effect on:

- (a) the operations, business, condition (financial or otherwise), properties or prospects of the Issuer;
- (b) the Issuer's ability to perform its payment obligations under the Financing Documents to which it is a party;
- (c) the legality, validity, effectiveness or enforceability of any Financing Document; or

- (d) the validity or priority of any security interest purported to be granted to any agent or any of the Secured Parties under any of the Financing Documents, the rights or remedies available to any agent or any of the Secured Parties under the Financing Documents or the ability of any agent or any of the Secured Parties under the Financing Documents to enforce its rights or remedies under any Financing Document

provided that, for purposes of determining the existence of a Material Adverse Effect as a result of any of the foregoing clauses (a) through (d), prior to the one-year anniversary of the closing date of the Operating Company Loan Agreement, any actual or potential impact, direct or indirect, arising as a result of or related to (or that could reasonably be expected to arise out of or result from) the COVID-19 pandemic will be excluded from and will not constitute, result in or otherwise have (or reasonably be expected to constitute, result in or otherwise have) a Material Adverse Effect.

"Modifications" means (a) with respect to the Intercreditor Agreement, any amendment, supplement, waiver, consent or other modification of any of the terms and provisions hereof and (b) with respect to any other Security Document, any amendment, supplement, waiver, consent, acknowledgement, ratification, confirmation or other modification of the terms and provisions thereof.

"Moody's" means Moody's Investors Service, Inc. and any successor to its rating agency business.

"Net Available Proceeds" means, with respect to any proceeds, such proceeds net of the related Collection Expenses.

"Non-Controlling Party Enforcement Date" has the meaning set forth in "—Collateral Arrangements—Intercreditor Agreement—Defaults and Remedies."

"Notes" has the meaning set forth in "—General."

"NY Account Bank" means Citibank, N.A. and any successor NY Account Bank appointed from time to time pursuant to the Security Agreement.

"Obligations" means, with respect to any Person, any payment, performance or other obligation of such Person of any kind, including any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed or otherwise affected by any Insolvency Proceeding.

"Officer's Certificate" means a certificate signed on behalf of the Issuer by its principal executive officer or the principal financial officer or the principal accounting officer of the Issuer, that meets the requirements of the Indenture.

"Offshore Collateral Agent" has the meaning set forth in "—Collateral Arrangements—General."

"Offshore Security Documents" means the Dutch Account Security Agreement, the Dutch Assignment Agreement and the Security Agreement.

"Onshore Collateral Accounts" has the meaning assigned to the term, in Spanish, "*Cuentas Fiduciarias*" in the Onshore Trust and Assignment Agreement.

"Onshore Collateral Trustee" has the meaning set forth in "—Collateral Arrangements—General."

"Onshore Pledge Agreements" has the meaning set forth in "—Collateral Arrangements—Onshore Pledge Agreement."

"Onshore Security Documents" means, individually or collectively, as the context may require, each of the following: (a) the Onshore Trust and Assignment Agreement and (b) the Onshore Pledge Agreements.

"Onshore Trust" has the meaning set forth in "—Collateral Arrangements—General."

"Onshore Trust and Assignment Agreement" has the meaning set forth in "—Collateral Arrangements—General."

"OpCo Blocking Event of Default" means, with respect to each Operating Company, an OpCo Event of Default listed below under the Operating Company Loan Agreement to which another Operating Company is a party and has occurred or has been continuing for the period specified below; provided that there shall not be any OpCo Blocking Event of Default with respect to any Operating Company if there is a Liquidity Facility available to the Issuer.

OpCo Event of Default	Sections of Each Operating Company Loan Agreement	OpCo Blocking Event of Default
OpCo Event of Default arising from breach of certain covenants	7.01(b)(i) (<i>Failure to Comply with Certain Obligations</i>) (but only in respect of the covenants contained in Sections 5.02 (<i>Corporate Existence; Conduct of Business</i>), 5.03 (<i>Use of Proceeds</i>), 5.09 (<i>Pari Passu</i>), 5.13(f) (<i>Reporting Requirements—Default; Change of Control</i>) and Article VI (<i>Negative Covenants</i>))	If such OpCo Event of Default is continuing for more than 90 days
OpCo Event of Default arising from expropriation or nationalization	7.01(d) (Expropriation, Nationalization, Etc)	Immediately
OpCo Event of Default arising from insolvency proceedings and analogous events	7.01(e) (Involuntary Proceedings), 7.01(f) (Voluntary Proceedings) and 7.01 (g) (Analogous Events)	Immediately
OpCo Event of Default arising from attachment	7.01(h) (Attachment)	If such OpCo Event of Default is continuing for more than 90 days
OpCo Event of Default arising from judgment default	7.01(i) (Judgments)	If such OpCo Event of Default is continuing for more than 90 days
OpCo Event of Default arising from cross-default	7.01(j) (Cross-Default)	If such OpCo Event of Default is continuing for more than 90 days
OpCo Event of Default arising from loan document invalidity	7.01(k) (Revocation, Etc., of OpCo Loan Documents)	If such OpCo Event of Default is continuing for more than 90 days
OpCo Event of Default arising from loan document invalidity	7.01(l) (Cessation of Business)	If such OpCo Event of Default is continuing for more than 90 days

OpCo Event of Default arising from moratorium invalidity	Section 7.01(m) (Moratorium)	Immediately
OpCo Event of Default arising from Additional Events of Default	7.01(n) (<i>Additional Events of Default</i>) (but only to the extent such Additional Event of Default is specified to be an "OpCo Fundamental Event of Default" in any Promissory Note (as defined in such Operating Company Loan Agreement) issued under such Operating Company Loan Agreement)	If such OpCo Event of Default is continuing for more than 90 days

"OpCo Event of Default" means, with respect to any Operating Company, any Event of Default (as defined therein) under any Operating Company Loan Agreement to which it is a party, other than during a Suspension Period under such Operating Company Loan Agreement.

"OpCo Fundamental Event of Default" means, with respect to any Operating Company, any Event of Default (as defined therein) under any Operating Company Loan Agreement to which it is a party described in Sections 7.01(b)(i) (Events of Default—Failure to Comply with Certain Obligations) (but only in respect of the Affirmative Covenants contained in Sections 5.02 (Corporate Existence; Conduct of Business), 5.03 (Use of Proceeds), 5.09 (Pari Passu), 5.13(f) (Reporting Requirements—Default; Change of Control) and Article VI (Negative Covenants)), 7.01(d) (Events of Default—Expropriation, Nationalization, Etc.), 7.01(e) (Events of Default—Involuntary Proceedings), 7.01(f) (Events of Default—Voluntary Proceedings), 7.01(g) (Events of Default—Analogous Events), 7.01(h) (Events of Default—Attachment), 7.01(i) (Events of Default—Judgments), 7.01(j) (Events of Default—Cross-Default), 7.01(k) (Events of Default—Revocation, Etc., of OpCo Loan Documents), 7.01(l) (Events of Default—Cessation of Business), 7.01(m) (Events of Default—Moratorium) and 7.01(n) (Events of Default—Additional Events of Default) (but only to the extent such Additional Event of Default is specified to be an "OpCo Fundamental Event of Default" in the promissory note issued in connection with the Operating Company Loan for which such promissory note was issued).

"Operating Companies" means AES Changuinola, AES Panama, Costa Norte and Gas Natural Atlántico.

"Operating Company Acceleration Mandatory Redemption" has the meaning set forth in "Mandatory Redemption—General."

"Operating Company Loan" means all advances and loans made by the Issuer to an Operating Company pursuant to the Operating Company Loan Agreement between the Issuer and such Operating Company.

"Operating Company Loan Agreement" means, collectively, (a) the Operating Company Loan Agreement, to be dated as of the Issue Date, between AES Panama and the Issuer; (b) the AES Changuinola Operating Company Loan Agreement, to be dated as of the Issue Date, between AES Changuinola and the Issuer; and (c) the Operating Company Loan Agreement, to be dated as of the Issue Date, between Costa Norte, Gas Natural Atlántico and the Issuer; which, in each case, will be substantially in the form of an exhibit to the Indenture.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Indenture Trustee that meets the requirements of the Indenture. Except as otherwise specified in the Indenture, the counsel may be counsel to the Issuer and/or the Operating Companies.

"Par Call Date" has the meaning set forth in "—Optional Redemption."

"Permitted Indebtedness" has the meaning set forth in "Negative Covenants of the Issuer—Limitation on Indebtedness."

"Permitted Holder" means (a) AES and (b) any one or more Persons, together with such Persons' Affiliates, whose beneficial ownership constitutes or results in a Change of Control and in respect of which a Change of Control Offer is made if required in accordance with the requirements of the Indenture.

"Permitted Investments" means Dollar Permitted Investments and Balboa Permitted Investments.

"Permitted Liens" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding will have been commenced:

- (a) Liens for taxes, not yet due or which are subject to contest;
- (b) Liens securing judgments for the payment of money not constituting an Indenture Event of Default under clause (e) of "— Indenture Event of Default" or securing appeal or other surety bonds related to such judgments;
- (c) defects, easements, rights of way, restrictions, irregularities, encumbrances (other than for borrowed money) and clouds on title and statutory Liens that do not materially impair the value or use of the property affected and that do not individually or in the aggregate materially impair the validity, perfection or priority of the Liens granted under the Security Documents;
- (d) any Liens created in favor of any of the Secured Parties under or pursuant to any Financing Document;
- (e) Liens on any property of the Issuer that does not constitute Collateral;
- (f) Liens created by or resulting from any litigation or legal proceeding as to which the execution thereof has been effectively stayed while the underlying claims are being contested in good faith by appropriate proceedings or means;
- (g) any interest or title of a lessor under any lease entered into by the Issuer in the ordinary course of business and covering only the assets so leased; and
- (h) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien referred to in the foregoing clauses (a) through (g) or of any Indebtedness secured thereby, *provided* that the principal amount of Indebtedness so secured thereby will not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement (plus reasonable expenses incurred in connection therewith), and that such extension, renewal or replacement Lien will be limited to all or part of the property which secured the Lien extended, renewed or replaced (plus improvements on or additions to such property).

"Permitted Supplemental Agreements" has the meaning set forth in "—Amendment, Supplement, Waiver."

"Person" means any natural person, corporation, company, partnership, firm, voluntary association, joint venture, trust, unincorporated organization, Governmental Authority or any other entity whether acting in an individual, fiduciary or other capacity.

"Proposed Remedies" has the meaning set forth in "—Collateral Arrangements—Intercreditor Agreement—Defaults and Remedies."

"PSE" means the Panama Stock Exchange (*Bolsa de Valores de Panamá*).

"Quotas" means the Equity Interests in the Operating Companies.

"Rating" means the then current credit rating of the Notes by a Rating Agency.

"Rating Agency" means Fitch, S&P, Moody's or any other nationally recognized United States rating agency.

"Rating Category" means (i) with respect to Fitch and S&P, any of the following categories (any of which may include a "+" or "-"): AAA, AA, A, BBB, BB, B, CCC, CC, C, R, SD and D (or equivalent successor categories); (ii) with respect to Moody's, any of the following categories (any of which may include a "1," "2" or "3"): Aaa, Aa, A, Baa, Ba, B, Caa, Ca, and C (or equivalent successor categories), and (iii) the equivalent of any such categories of Fitch, S&P or Moody's used by another Rating Agency, if applicable.

"Ratings Affirmation" means, in the case of any event or proposed event, an affirmation by each Rating Agency then rating the Notes (unless less than all the Rating Agencies then rating the Notes is specified in the applicable condition), that its Rating of the Notes will not be lower immediately after giving effect to the event or proposed event than it was before giving effect to such event or proposed event.

"Ratings Decline" will be deemed to have occurred with respect to a series of Notes if at any time from the earlier of the date of public notice of (i) a Change of Control or (ii) the Issuer's intention or the intention of any Person to effect a Change of Control until the end of the 90 day period following the occurrence of a Change of Control (which period will in either event be extended so long as the rating of such series of the Notes is under publicly announced consideration for possible downgrade by a Rating Agency), the rating of the Notes of such series is decreased by at least two Rating Agencies by one or more Gradations, provided, however, that any such Ratings Decline will not be considered to be attributable to a Change of Control if, before such Ratings Decline, the Issuer has obtained a Ratings Affirmation stating that such Change of Control will not cause a Ratings Decline.

"Redemption Amount" has the meaning set forth in "Mandatory Redemption—General."

"Reference Treasury Dealer" has the meaning set forth in "—Optional Redemption."

"Reference Treasury Dealer Quotation" has the meaning set forth in "—Optional Redemption."

"Refinancing Indebtedness" means any renewals, extensions, substitutions, defeasances, discharges, refinancings or replacements of any Indebtedness of the Issuer, as long as:

- (i) such Refinancing Indebtedness is in an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) not in excess of the sum of: (a) the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value plus all accrued interest) then outstanding of the Indebtedness being refinanced; and (b) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, related to such refinancing;
- (ii) such Refinancing Indebtedness has (a) a final maturity that is equal or later than the final maturity of the Indebtedness being refinanced and (b) a weighted average life to maturity that is equal to or greater than the weighted average life to maturity of the Indebtedness being refinanced; and
- (iii) if the Indebtedness being refinanced is a GPH Subordinated Loan, such refinancing indebtedness is another GPH Subordinated Loan.

"Regular Record Date" has the meaning set forth in "—Principal, Maturity and Interest."

"Regulation S Global Notes" has the meaning set forth in "—Settlement, Clearing, and Registration of the Notes—Global Notes."

"Release Notice" means a notice from GPH to the Dutch Account Bank requesting a transfer of funds from the GPH Dividend Collection Accounts to GPH and certifying as to the compliance with all the conditions required for such transfer, delivered at least five (5) Business Days before the requested transfer date.

"Release Objection Notice" has the meaning set forth in "—Offshore Collateral Agent Transfer of Funds on Deposit in the GPH Dividend Collection Accounts."

"Relevant Jurisdiction" has the meaning set forth in "—Additional Amounts."

"Remedies Commencement Date" has the meaning set forth in "—Collateral Arrangements—Intercreditor Agreement—Defaults and Remedies."

"Remedies Directions" means a written notice and instruction to a Collateral Agent from the Intercreditor Agent (acting at the direction of the Required Secured Parties) pursuant to the Intercreditor Agreement and in accordance with a Remedies Instruction), instructing such Collateral Agent to take the actions specified therein with respect to an Event of Default that has occurred and is continuing.

"Remedies Instruction" has the meaning set forth in "—Collateral Arrangements—Intercreditor Agreement—Defaults and Remedies."

"Remedies Notice" has the meaning set forth in "—Collateral Arrangements—Intercreditor Agreement—Defaults and Remedies."

"Request for Waiver/Modification" has the meaning set forth in "—Collateral Arrangements—Intercreditor Agreement—Defaults and Remedies."

"Required Secured Parties" means at any time, (a) with respect to any Decision other than a Unanimous Decision, (i) the Designated Voting Parties representing holders of Secured Obligations that at such time hold (or represent) more than 50% of the Combined Exposure or (ii) solely prior to the Changuinola Bond Payoff Date (but not on or after) with respect to the Changuinola Collateral, the Changuinola Security Documents, the Offshore Collateral Agent and the Changuinola Collateral Trustee, the Required Changuinola/Issuer Secured Parties, or (iii) solely with respect to any Modification of any Operating Company Loan Agreement which directly affects one or more (but not all) series of Secured Obligations, more than 50% of the Combined Exposure of all such directly affected Series of Secured Obligations; and (b) with respect to any Unanimous Decision, all of the Designated Voting Parties and any other Secured Party entitled to vote under the Intercreditor Agreement.

"Responsible Officer" means (a) with respect to any agent, any officer within the corporate trust or agency department of such agent including any vice president, assistant vice president, treasurer, assistant treasurer, trust officer or any other officer of such agent who (i) customarily performs functions similar to those performed by the persons who at the time will be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and (ii) will have direct responsibility for the administration of the Financing Documents to which such agent is a party, and (b) with respect to any other Person, the chief executive officer, the president, chief financial officer, general counsel, treasurer or assistant treasurer of a Person. Any document delivered hereunder that is signed by a Responsible Officer of any Person will be conclusively presumed to have been authorized by all necessary corporate, trust, partnership and/or other action on the part of such Person and such Responsible Officer will be conclusively presumed to have acted on behalf of such Person.

"Rule 144A Global Notes" has the meaning set forth in "—Settlement, Clearing, and Registration of the Notes—Global Notes."

"S&P" means S&P Global Ratings, a division of S&P Global Inc., and any successor to its rating agency business.

"SBP" means the Panamanian Superintendency of Banks (*Superintendencia de Bancos de Panamá*) or any successor thereto.

"Scheduled Payment Date" means May 31 and November 30 of each Year, in each case following the Issue Date; provided that, if any such date is not a Business Day, then such day will not be a payment date and such Scheduled Payment Date will be the next succeeding Business Day.

"Secured Debt" means the Notes, the Loan Facility, the Liquidity Facility and any Additional Secured Debt.

"Secured Debt Documents" means each of (a) the Indenture Documents; (b) the Loan Documents; (c) the Secured Hedge Agreements; (d) the Additional Secured Debt Document and (e) the Changuinola Bond Documents.

"Secured Hedge Agreement" means (a) the agreement between the Issuer and a Secured Hedge Bank evidencing the terms of any Derivative Transaction entered into by the Issuer and a Secured Hedge Bank in accordance with the Secured Debt Documents and (b) the related confirmations, that are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc. or any International Foreign Exchange Master Agreement (any such master agreement, together with any related schedules, an "ISDA Master Agreement"), including any such obligations or liabilities under any ISDA Master Agreement.

"Secured Hedge Bank" means, at any time, any Person (other than an Affiliate of the Issuer) that is party to a Derivative Transaction entered into with the Issuer in accordance with the Holdings Secured Debt Documents and that has executed the Intercreditor Agreement or acceded to the Intercreditor Agreement pursuant to a joinder agreement.

"Secured Hedge Obligations" means all obligations and liabilities of the Issuer arising under or in connection with a Secured Hedge Agreement with respect to Derivative Transactions, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter arising, in respect of: (a) ordinary course settlement payments and termination payments under any Secured Hedge Agreement, (b) fees payable under any Secured Hedge Agreement, (c) all other amounts payable by the Issuer to any Secured Hedge Bank pursuant to any Secured Hedge Agreement, including any premium, reimbursements, damages, expenses, fees, costs, charges, disbursements, indemnities, and other liabilities (including all fees, charges, expenses and disbursements of counsel to any Secured Hedge Bank) due and payable to any Secured Hedge Bank and including interest that would accrue on any of the foregoing during the pendency of any Insolvency Proceeding or related proceeding with respect to the Issuer, and (d) any renewals or extensions of the foregoing; provided that, the Secured Hedge Obligations will not include any excluded swap obligations.

"Secured Obligations" means, collectively: (a) the Notes; (b) the Loan Obligations; (c) the Secured Hedge Obligations; and (d) the Additional Secured Debt Obligations.

"Secured Parties" means each of (a) the Loan Secured Parties; (b) the Indenture Secured Parties; (c) the Secured Hedge Banks; and (e) the Additional Secured Debtholders.

"Securities Act" means the Securities Act of 1933, as amended.

"Security Agreement" has the meaning set forth in "—Collateral Arrangements—Security Agreement."

"Security Documents" means, individually or collectively, the Intercreditor Agreement, the Onshore Security Documents, the Changuinola Security Documents, and the Offshore Security Documents.

"SGX-ST" means the Singapore Exchange Securities Trading Limited.

"SMV" means the Panamanian Superintendency of Capital Markets (*Superintendencia del Mercado de Valores de Panamá*).

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"Standstill Period" has the meaning set forth in "—Collateral Arrangements—Intercreditor Agreement—Defaults and Remedies."

"Subsidiary" means, with respect to any Person:

- (1) a corporation a majority of whose Voting Interests is at the time owned or controlled, directly or indirectly, by such Person, one or more Subsidiaries thereof or such Person and one or more Subsidiaries thereof; and
- (2) any other Person (other than a corporation), including, without limitation, a partnership, limited liability company, business trust or joint venture, in which such Person, one or more Subsidiaries thereof or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, has at least majority ownership interest entitled to vote in the election of directors, managers or trustees thereof (or other Person performing similar functions).

"Successor Onshore Collateral Trustee" has the meaning set forth in "—Collateral Arrangements—Resignation and Removal of the Onshore Collateral Trustee."

"Suspension Period" means, with respect to any Operating Company, the period commencing on any date on which (i) all Operating Company Loans (including principal, interest, fees, costs, indemnities or other amounts) to such Operating have been paid in full and (ii) such Operating Company has no remaining commitments available under the corresponding Operating Company Loan Agreement, and ending on the date, if any, thereafter that any new Operating Company Loan is made by the Issuer to such Operating Company pursuant to the corresponding Operating Company Loan Agreement

"Swap Termination Value" means, as to any one or more Derivative Transactions, after taking into account the effect of any legally enforceable netting agreement relating to such Derivative Transactions, (a) for any date on or after the date such Derivative Transactions have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Derivative Transactions, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Derivative Transactions.

"Taxes" has the meaning set forth in "—Additional Amounts."

"Temporary Notes" has the meaning set forth in "—Settlement, Clearing, and Registration of the Notes—Global Notes."

"Treasury Rate" has the meaning set forth in "—Optional Redemption."

"Trust Agreements" has the meaning set forth in "—Collateral Arrangements—General."

"Trust Indenture Act" means the U.S. Trust Indenture Act of 1939, as amended.

"Trusts" has the meaning set forth in "—Collateral Arrangements—General."

"UCC" means the Uniform Commercial Code as the same may, from time to time, be in effect in the State of New York; provided that in the event that, by reason of mandatory provisions of law, any or all of the perfection or priority of, or remedies with respect to, any security interest is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term "UCC" will mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions of this Agreement relating to such perfection, priority or remedies.

"Unanimous Decision" has the meaning given to the term "Unanimous Decision" in the Intercreditor Agreement."

"Unilateral Decision" has the meaning given to the term "Unilateral Decision" in the Intercreditor Agreement.

"US Government Securities" means securities that are direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged.

"Vote Amount" has the meaning set forth in "'—Collateral Arrangements—Intercreditor Agreement—Direction of the Intercreditor Agent."

"Voting Calculation Date" has the meaning given to the term "Voting Calculation Date" in the Intercreditor Agreement.

"Voting Certificate" has the meaning given to the term "Voting Certificate" in the Intercreditor Agreement.

"Voting Party Percentage" means, in connection with any proposed Decision or action hereunder, the actual percentage, as determined pursuant to the terms of the Intercreditor Agreement, of allotted votes of the Changuinola/Issuer Secured Parties entitled to vote with respect to such Decision or action cast in favor of such Decision or action by each Applicable Designated Voting Party (on its own behalf or on behalf of each of the Changuinola/Issuer Secured Parties that it represents, as applicable).

"Vote Result Notice" has the meaning given to the term "Vote Result Notice" in the Intercreditor Agreement.

"Voting Interests" means shares of capital stock issued by a corporation, or equivalent Equity Interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

"Year" means each period commencing on January 1 in any calendar year and ending on the next succeeding December 31.

TAXATION

Material Panamanian Tax Consequences

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, Law Decree No. 1 of 1999 (Restated and amended from time to time) ("Panama Securities Law") and decrees and regulations promulgated thereunder, 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, 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 listed on the PSE. 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 the PSE 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 the PSE. 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 N° 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) (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 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, 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, the Issuer has 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.

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.

Certain U.S. Federal Income Tax Considerations

The following summary discusses certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes. This discussion applies only to Notes purchased on original issuance at their issue price which are held as capital assets for U.S. federal income tax purposes (generally, property held for investment) by U.S. Holders (as defined below).

This discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances or to U.S. Holders subject to special rules, such as:

- financial institutions;
- insurance companies;
- dealers in securities or foreign currencies;
- persons holding the Notes as part of a hedging transaction, "straddle," conversion transaction or other integrated transaction;
- persons engaging in a different transaction with AES Panama and AES Changuinola contemporaneously or in connection with their acquisition of the Notes;
- persons required for U.S. federal income tax purposes to accelerate the recognition of any item of gross income with respect to the Notes as a result of such income being recognized on an applicable financial statement;
- certain former citizens and residents of the United States;
- tax-exempt entities;
- U.S. Holders whose functional currency is not the U.S. dollar; or
- partnerships or other entities or arrangements classified as partnerships for U.S. federal income tax purposes.

This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations, changes to any of which subsequent to the date of this offering memorandum may affect the tax consequences described below, possibly on a retroactive basis. No rulings have been requested from the U.S. Internal Revenue Service (the "IRS") and there can be no guarantee that the IRS would not challenge, possibly successfully, the treatment described below. This discussion does not address any other U.S. federal income tax laws (such as the alternative minimum tax or the Medicare contribution tax on net investment income). Persons considering the

purchase of the Notes should consult their own tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a Note that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state thereof, or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes invests in the Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partnerships investing in the Notes should consult their own tax advisors regarding the tax consequences of their investment.

Characterization of the Notes

The Issuer generally intends to treat the Notes as indebtedness for U.S. federal income tax purposes. This position is binding on a U.S. Holder under the Code unless such holder discloses its contrary position in a manner required by applicable U.S. Treasury Regulations. However, this position is not binding on the IRS, and if the IRS were successfully to take a different position, then the timing and character of a U.S. Holder's income inclusions with respect to the Notes may be different than those described herein. In such a case, depending on (among other things), whether the Issuer is classified as a "passive foreign investment company" for U.S. federal income tax consequences, U.S. Holders may be subject to adverse U.S. federal income tax consequences, potentially including additional taxes on gain from the sale of the Notes, and certain additional information reporting obligations. U.S. Holders should consult their tax advisors regarding the potential consequences if the Notes are characterized for U.S. federal income tax purposes as other than debt of the Issuer. The remainder of this discussion assumes that the Notes are properly treated as indebtedness of the Issuer.

Payments of Interest

Generally, interest on a Note will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes. Interest paid by the Issuer on the Notes and original issue discount ("OID"), if any, accrued with respect to the Notes (as described below under "*Original Issue Discount*") generally will constitute income from sources outside the United States for the purposes of the rules regarding foreign tax credits allowable to a U.S. Holder (and the limitations imposed thereon). The U.S. foreign tax credit rules are complex. Prospective investors should consult their own tax advisors concerning the foreign tax credit rules to their particular circumstances.

Original Issue Discount

Generally, if the difference between a Note's stated redemption price at maturity and its issue price is equal to or greater 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity, the Note will be treated as issued with OID. If the Notes are issued with OID, a U.S. Holder generally will be required to include the OID in income (as ordinary income) for U.S. federal income tax purposes as it accrues (regardless of the U.S. Holder's accounting method for U.S. federal income tax purposes), in accordance with a constant-yield method based on a compounding of interest, before the receipt of cash payments attributable to this income. U.S. Holders should consult their tax advisors concerning how to account for any OID that may accrue on the Notes.

Sale, Exchange or Retirement of the Notes

A U.S. Holder will generally recognize gain or loss on the sale, exchange or retirement of a Note equal to the difference between the amount realized on the sale, exchange or retirement and the U.S. Holder's basis in the Note.

The amount realized does not include the amount attributable to accrued but unpaid interest, which will be treated like a payment of interest as described under "*Payments of Interest*." A U.S. Holder's basis in a Note will generally be the acquisition cost of the Note, increased by the amount of OID included in the U.S. Holder's gross income and decreased by any payment received from the Issuer other than a payment of interest, in each case, with respect to the Note.

Any gain or loss that a U.S. Holder recognizes upon the sale, exchange or retirement at maturity or other taxable disposition of a Note generally will be U.S. source capital gain or loss and will be long-term capital gain or loss if, at the time of the disposition, the U.S. Holder's holding period for the Note is more than one year. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

Information returns may be filed with the IRS in connection with payments of principal and interest in respect of, and the proceeds from sales of, Notes held by a U.S. Holder unless the U.S. Holder establishes, if required, that it is exempt from the information reporting rules. If the U.S. Holder does not establish that it is exempt from these rules, the U.S. Holder may be subject to backup withholding on these payments if it fails to provide a taxpayer identification number or otherwise comply with the backup withholding rules. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

U.S. Holders should consult their advisors regarding any additional tax reporting or filing requirements they may have as a result of the acquisition, ownership or disposition of the Notes. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

PROHIBITION ON ERISA AND SIMILAR PLAN INVESTORS

ERISA imposes requirements on "employee benefit plans" within the meaning of Section 3(3) of ERISA that are subject to Title I of ERISA, such as pension plans, profit-sharing plans, collective investment funds and separate accounts whose underlying assets include the assets of such employee benefit plans (each, an "**ERISA Plan**"), and on those persons who are fiduciaries with respect to ERISA Plans. ERISA and the Code also impose limits on transactions between ERISA Plans, as well as other "plans" and arrangements within the meaning of Section 4975(e)(1) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), that are subject to Section 4975 of the Code (together with ERISA Plans, "**Plans**") and persons and their affiliates that have certain relationships to the Plan, including the Plan's fiduciaries and other service providers (referred to as "parties in interest" under Section 3(14) of ERISA and "disqualified persons" under Section 4975 of the Code).

"Governmental plans" within the meaning of Section 3(32) of ERISA, "church plans" within the meaning of Section 3(33) of ERISA that have made no election under Section 410(d) of the Code, non-U.S. plans described in Section 4(b)(4) of ERISA and other plans that are not Benefit Plan Investors ("**Similar Plan**"), while not subject to the fiduciary responsibility and prohibited transaction provisions of Title I of ERISA and Section 4975 of the Code, may nevertheless be subject to a U.S. federal, state, local, non-U.S. or other law or regulation that contains one or more provisions that are substantially similar to the foregoing provisions of ERISA and the Code ("**Similar Law**").

No interest in the Notes will be sold to investors that have represented that they are Benefit Plan Investors or Similar Plans subject to Similar Law. A "**Benefit Plan Investor**" means (i) a Plan or (ii) any person or entity whose underlying assets include, or are deemed to include under the U.S. Department of Labor regulation at 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA or otherwise for purposes of Title I of ERISA or Section 4975 of the Code, "plan assets" by reason of a Plan's investment in the person or entity. By its investment in the Notes, each prospective investor will be required to represent, warrant and agree (or will be deemed to have represented, warranted and agreed) that it is neither (a) a Benefit Plan Investor, nor (b) a Similar Plan subject to Similar Law.

PLAN OF DISTRIBUTION

Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Scotia Capital (USA) Inc. are acting as global coordinators and joint book-running managers for the offering and as representatives of the Initial Purchasers for the offering. Credit Suisse Securities (USA) LLC is acting as joint book-running manager for the offering and Banco General, S.A. is acting as local coordinator and joint book-running manager for the offering. Subject to the terms and conditions stated in the purchase agreement, each Initial Purchaser named below has severally agreed to purchase, and the Issuer has agreed to sell to that Initial Purchaser, the principal amount of the Notes set forth opposite the Initial Purchaser's name below.

Initial Purchasers	Principal Amount of Notes
	<i>U.S.\$</i>
Citigroup Global Markets Inc.	341,412,000
J.P. Morgan Securities LLC	341,412,000
Scotia Capital (USA) Inc.	341,412,000
Credit Suisse Securities (USA) LLC.....	177,882,000
Banco General S.A.....	177,882,000
Total	1,380,000,000

Banco General, S.A. also acted as information agent, depositary and solicitation agent for the AES Changuinola Consent Solicitations and as dealer manager, information agent and depositary for the AES Changuinola Tender Offer. Banco General S.A. is not a broker-dealer registered with the SEC, and therefore may not make sales of any Notes or conduct consent solicitations in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco General, S.A. intends to sell the Notes or conduct consent solicitations in the United States, it will do so only through one or more U.S.-registered broker-dealers, or otherwise as permitted by applicable U.S. law.

Subject to the terms and conditions set forth in the purchase agreement, the Initial Purchasers have agreed, severally and not jointly, to purchase all of the Notes sold under the purchase agreement if any of these Notes are purchased. The Initial Purchasers may offer and sell the Notes through any of their affiliates.

The obligations of the Initial Purchasers under the purchase agreement, including their agreement to purchase Notes from the Issuer, are several and not joint. Those obligations are also subject to various conditions in the purchase agreement being satisfied or waived on or prior to the settlement date. 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.

The Issuer has agreed to indemnify the Initial Purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The Issuer has been advised that 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 in reliance on Rule 144A and outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S. The price at which the Notes are offered may be changed at any time without notice. The resale of the Notes by the Initial Purchasers is subject to receipt and acceptance of orders and subject to the Initial Purchasers' right to reject any order in whole or in part.

The Notes have not been and will not be registered under the Securities Act or any applicable U.S. federal or state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restrictions—Purchasers' Representations and Restrictions on Resale and Transfer."

The Issuer has agreed that, during the period beginning on the date of the purchase agreement and continuing to the date that is 30 days after the closing of the offering, it will not, without the prior written consent of the Initial Purchasers, offer, sell or contract to sell, or otherwise dispose of, except as provided in the purchase agreement, any securities issued or guaranteed by the Issuer that are substantially similar to the Notes.

The Notes will constitute a new class of securities with no established trading market. Application will be made for the listing and quotation of the Notes on the SGX-ST. However, the Issuer cannot assure you that the prices at which the Notes will sell in the market after the offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after the offering.

Settlement

Panamanian Settlement Process

The Issuer has appointed BG Investment, Co., Inc., as the broker-dealer house of the Notes through the PSE and the Initial Purchasers have appointed BG Valores, S.A. as the broker-dealer house of the Initial Purchasers for the purchase of the Notes through the PSE. BG Investment, Co., Inc. has a trading post at the PSE 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 the PSE 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 the Issuer to carry out the sale of the Notes through the PSE. 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 the PSE pursuant to the rules of the PSE; 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 the PSE, 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 the PSE 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 the Issuer offers the Notes through the PSE, a trading session in respect of the Notes will be opened, on the one hand, for each person registered as a member of the PSE (each, a "Local Broker") as potential purchasers of the Notes, and, on the other hand, for the Issuer and 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 the Issuer will be permitted to present its offer to sell the Notes on the PSE. 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 an "all or none" order (AON) under PSE 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 the Issuer has 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, the Issuer will withdraw any offer to sell the Notes on the Issue Date on the PSE 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 the Panama Stock Exchange will allow any investor to submit a bid for the full principal amount of the Notes and the bidder submitting the highest, and in the case of parity 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 the Issuer 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 different from 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 the Issuer will abstain from selling and the offering will be cancelled in consideration to the liabilities that it 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 the Issuer and the Initial Purchasers mutually agree, the Initial Purchasers have the right to require the Issuer to repurchase the Notes on the settlement date by delivering a notice to it, and in that event, the Issuer will repurchase on the settlement date the Notes sold to the representative of the Initial Purchasers on the PSE. The repurchase price (and, if redemption of any of the Notes is required, the redemption price) will 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 will be payable in connection therewith. The Issuer's obligation to pay the repurchase price for the Notes acquired by the Initial Purchaser and the Issuer's obligation to pay the repurchase or redemption price for the Notes acquired by other purchasers (in the case of any redemption, to the greatest extent possible) will be set off against the Initial Purchaser's obligation (and the other purchaser's obligation, as applicable) to pay the purchase price for those Notes.

International Settlement

The settlement of the Notes will take place out of the Panamanian trading market and LatinClear system as set out in the purchase agreement. The Issuer expects that delivery of the Notes will be made to investors on or about August 14, 2020, (the "Issue Date"), which will be the fourth business day following the date of this offering memorandum (such settlement being referred to as "T+4"). 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 will be required, by virtue of the fact that the Notes initially settle in T+4, 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 the Panama Stock Exchange are complex, must be effected over the course of a short period of time on the Issue Date and depend to a significant degree on the cooperation of various public officials of the Republic of Panama, who are not within the Issuer's 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 bonds in the secondary market prior to the Issue Date as settlement is conditioned on the Initial Purchasers having the winning bid on the Panama Stock Exchange 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.

New Issue of Securities

The Notes are a new issue of securities with no established trading market. The Issuer intends to list the Notes on the SGX-ST. The Notes will be listed on the PSE. The Issuer has been advised by the Initial Purchasers that they currently intend to make a market in the Notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. The Issuer cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

In connection with the offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to

purchase in the offering. The Initial Purchasers must close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, any purchases by the Initial Purchasers to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither the Issuer nor any of the Initial Purchasers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither the Issuer nor any of the Initial Purchasers makes any representation that the representative will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Certain of the Initial Purchasers and their affiliates have provided in the past and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services to the Issuer, the Companies and their respective affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. Certain of the Initial Purchasers or their respective affiliates are agents and/or lenders to the Companies and their affiliates. Banco General, S.A. also acted as information agent, depositary and solicitation agent for the AES Changuinola Consent Solicitations and as dealer manager, information agent and depositary for the AES Changuinola Tender Offer; certain of the Initial Purchasers and their affiliates will be acting as lenders under the Loan Facility and under the Liquidity Facility. In addition, (i) Banco General, S.A., is currently acting as lender under the Changuinola Line of Credit and paying agent under the AES Changuinola Trust Agreement, (ii) BG Trust, Inc., an affiliate of Banco General, S.A., is currently acting as trustee under the AES Changuinola Trust Agreement, (iii) Banco General, S.A., Citibank, N.A., Credit Suisse AG, Cayman Islands Branch, Citibank, N.A., Panama Branch, The Bank of Nova Scotia, J.P. Morgan Securities plc, each an Initial Purchaser or affiliate of an Initial Purchaser, is currently acting as a lender under the Colón Facility Financing and (iv) The Bank of Nova Scotia (Panama) S.A., is acting as administrative agent under the Colón Facility Financing. The Colón Facility Financing will be prepaid in full with the proceeds of the Notes. From time to time, certain of the Initial Purchasers and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in the debt or equity securities or loans of the Issuer and its Affiliates, and may do so in the future. Banco General may also buy bonds issued by the Issuer and its Affiliates for its own account.

Sales Outside of the United States

Neither the Issuer nor the Initial Purchasers are making an offer to sell, or seeking offers to buy, the Notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the Notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither the Issuer nor the Initial Purchasers will have any responsibility therefor.

Notice to Prospective Investors in the European Economic Area ("EEA") and the United Kingdom and Prohibition of Sales to EEA and United Kingdom 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 (the "EEA") or in the United Kingdom. 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 (EU) 2016/97 (as amended, 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 or in the United Kingdom 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.

Any distributor subject to MiFID II 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 for the purposes of the MiFID II product governance rules under Commission Delegated Directive (EU) 2017/593 ("Delegated Directive"). Neither the Issuer nor any of the Initial Purchasers make any representations or warranties as to a Distributor's compliance with the Delegated Directive

References to Regulations or Directives include, in relation to the United Kingdom, those Regulations or Directives as they form part of the United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 or have been implemented in United Kingdom domestic law, as appropriate.

Notice to Prospective Investors in the United Kingdom

This document is for distribution only to persons who (i) 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 "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This document 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 document relates is available only to relevant persons and will be engaged in only with relevant persons.

Notice to Prospective Investors in Peru

The Notes and the information contained in this offering memorandum are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to this offering of the Notes and therefore, the disclosure obligations set forth therein will not be applicable to the Issuer or the sellers of the Notes before or after their acquisition by prospective investors. The Notes and the information contained in this offering memorandum have not been and will not be reviewed, confirmed, approved or in any way submitted to the SMV nor have they been registered under the Securities Market Law (*Ley del Mercado de Valores*) or any other Peruvian regulations. Accordingly, the Notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein.

The Notes may not be offered or sold in Peru except in compliance with the securities law thereof.

Notice to Prospective Investors in France

Neither this offering memorandum nor any other offering material relating to the Notes described in this offering memorandum has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers*. The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this offering memorandum nor any other offering material relating to the Notes has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the Notes to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with, articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code *monétaire et financier*;

- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French Code *monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l'épargne*).

The Notes may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code *monétaire et financier*.

Notice to Prospective Investors in People's Republic of China

The Notes may not be offered or sold directly or indirectly within the People's Republic of China ("PRC"). This offering memorandum or any information contained herein does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. This offering memorandum, any information contained herein or the Notes have not been, and will not be, submitted to, approved by, verified by or registered with any relevant governmental authorities in the PRC and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC. The Notes may only be invested in by PRC investors that are authorized to engage in the investment in the Notes of the type being offered or sold. Investors are responsible for obtaining all relevant governmental approvals, verifications, licenses or registrations (if any) from all relevant PRC governmental authorities, including, but not limited to, the State Administration of Foreign Exchange, the China Securities Regulatory Commission, the China Banking Regulatory Commission, the China Insurance Regulatory Commission and/or other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, any relevant foreign exchange regulations and/or overseas investment regulations.

Notice to Prospective Investors in Taiwan

The Notes will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and the Notes may not be sold, issued or offered within Taiwan through a public offering or in a circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan requiring registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the Notes in Taiwan.

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 Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) 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 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" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Japan

The Notes offered in this offering memorandum have not been registered under the Financial Instruments and Exchange Law of Japan. The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Notes have not been offered or sold or caused to be made the subject of an invitation for subscription or purchase and will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and 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, has not been circulated or distributed, nor will it be circulated or distributed, 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, as modified or amended from time to time (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, 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 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
- 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 will 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:

- 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;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the SFA; or
- as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Notice to Prospective Investors in Switzerland

This offering memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Notes. The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("FinSA") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to FinSA, and neither this offering memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Notice to Prospective Investors in Chile

Pursuant to the Chilean Securities Market Law and the CMF Rule 336, the Notes may be privately offered in Chile to certain "qualified investors" identified as such by CMF Rule 336 (which in turn are further described in Rule No. 216, dated June 12, 2008, and Rule No. 410, dated July 27, 2016, both of the CMF).

CMF Rule 336 requires the following information to be provided to prospective investors in Chile:

1. Date of commencement of the offer: August 3, 2020. The offer of the Notes is subject to Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the Chilean Financial Markets Commission (*Comisión para el Mercado Financiero*, the "CMF").
2. The subject matter of this offer are securities not registered with the Securities Registry (*Registro de Valores*) of the CMF, nor with the foreign securities registry (*Registro de Valores Extranjeros*) of the CMF, due to the Notes not being subject to the oversight of the CMF.
3. Since the Notes are not registered in Chile there is no obligation by the issuer to make publicly available information about the Notes in Chile.
4. The Notes shall not be subject to public offering in Chile unless registered with the relevant Securities Registry of the CMF.

Información a los Inversionistas Chilenos

De conformidad con la ley N° 18.045, de Mercado de Valores y la Norma de Carácter General N° 336 (la "NCG 336"), de 27 de junio de 2012, de la Comisión para el Mercado Financiero (la "CMF"), los bonos pueden ser ofrecidos privadamente a ciertos "inversionistas calificados," a los que se refiere la NCG 336 y que se definen como tales en la Norma de Carácter General N° 216, de 12 de junio de 2008, y la Norma de Carácter General N° 410 de fecha 27 de julio de 2016, ambas de la CMF.

La siguiente información se proporciona a potenciales inversionistas de conformidad con la NCG 336:

1. *La oferta de los bonos comienza el 3 de agosto de 2020, y se encuentra acogida a la Norma de Carácter General N° 336, de fecha 27 de junio de 2012, de la CMF.*
2. *La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la CMF, por lo que tales valores no están sujetos a la fiscalización de esa Superintendencia.*
3. *Por tratarse de valores no inscritos en Chile no existe la obligación por parte del emisor de entregar en Chile información pública sobre los mismos.*
4. *Estos valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente.*

Notice to Prospective Investors in Canada

No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the Notes described herein. 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, and not be an individual.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (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 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), this offering is conducted pursuant to an exemption from the requirement that Canadian investors be provided with certain underwriter conflicts of interest disclosure that would otherwise be required pursuant to subsection 2.1(1) of NI 33-105.

No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this document or on the merits of the Notes described herein and any representation to the contrary is an offence. Any resale of the Notes acquired by a Canadian investor must be made in accordance with applicable Canadian securities laws, which may require resales to be made in accordance with Canadian prospectus requirements or pursuant to exemptions therefrom. These resale restrictions may under certain circumstances apply to resales of the Notes outside of Canada.

TRANSFER RESTRICTIONS

The Notes have not been 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 Notes (other than the Initial Purchasers in connection with the initial issuance and sale of 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:

- 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;
- 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;
- it understands and agrees that Notes initially offered in the United States to qualified institutional buyers will be represented by one or more global Notes and that Notes offered outside the United States pursuant to Regulation S will also be represented by one or more global Notes;
- it will not offer, pledge, resell or otherwise transfer any of such Notes except (a) to us, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 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 an effective registration statement under the Securities Act and in accordance with all applicable securities laws of the States of the United States and other jurisdictions;
- it agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes;
- 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) the holder of such Notes may be required to provide certifications relating to the manner of such transfer as provided in the Indenture;
- it acknowledges that the Indenture Trustee, registrar or transfer agent for the Notes will not be required to accept for registration or transfer of any Notes acquired by it, except upon presentation of evidence satisfactory to the Issuer and the Indenture Trustee, registrar or transfer agent that the restrictions set forth herein have been complied with;
- it agrees that it shall not transfer the Notes to a Benefit Plan Investor, or a Similar Plan that is subject to any Similar Law;
- 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 the Issuer and the Initial Purchasers; and

- 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 which will appear on the face of the Rule 144A 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 STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF AES PANAMÁ GENERATION HOLDINGS S. R.L. (THE "COMPANY") THAT THIS NOTE OR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE COMPANY, (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.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ONLY AT THE OPTION OF THE COMPANY."

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 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 ON WHICH THE NOTES ARE OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AND (B) THE ORIGINAL ISSUE DATE OF THE NOTES."

Other Jurisdictions

The distribution of this offering memorandum and the offer and sale or resale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum comes are required by the Issuer and the Initial Purchasers to inform themselves about and to observe any such restrictions.

GENERAL INFORMATION

The issuance of the Notes was authorized by the board of administrators of the Issuer on July 6, 2020.

Copies of the Issuer's latest audited annual financial statements and unaudited interim financial statements, if any, may be obtained during normal business hours at the corporate trust offices of the Indenture Trustee and any paying agent under the Indenture. Copies of our articles of association (*pacto social*) and by-laws (*estatutos sociales*), as well as the Indenture (including forms of the Notes) the Security Agreements and the Intercreditor Agreement will be available during normal business hours free of charge at the corporate trust offices of the Indenture Trustee and any paying agent under the Indenture.

Responsibility for this Offering Memorandum

The Issuer accepts responsibility for the information contained herein. To the best of the Issuer's knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained herein is in accordance with the facts and does not omit anything likely to affect the importance of such information.

Except as disclosed in this offering memorandum, there has been no material adverse change in the Companies' financial position since December 31, 2019, the date of the Companies' audited financial statements included in this offering memorandum.

Except as disclosed in this offering memorandum, the Companies' are not involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, nor so far as the Issuer is aware is any such litigation or arbitration pending or threatened.

Governing Law

The Notes, the Indenture, the Intercreditor Agreement, the Security Agreement and the purchase agreement relating to the Notes are (or will be) each governed by the laws of the State of New York. The Collateral Trust and Assignment Agreement and the Quota Pledge Agreements, will be governed by the laws of Panama. The Dutch Account Security Agreement will be governed by Dutch law.

Clearance and Settlement

The Notes have been accepted for clearance and settlement through the facilities of DTC, Euroclear, Clearstream and, as a participant of Clearstream, Latinclear. Certain trading information with respect to the Notes is set forth below:

	CUSIP	ISIN
Rule 144A 2030 Notes	US00109AAB35	US00109AAB35
Regulation S 2030 Notes	P0608A AB2	USP0608AAB28

For further information regarding clearance and settlement of the Notes, see "Description of the Notes—Settlement, Clearing and Registration of the Notes."

VALIDITY OF THE NOTES

Certain legal matters in connection with this offering and the Notes will be passed upon for the Issuer by Clifford Chance US LLP as to certain matters of New York and United States federal law and by Alemán, Cordero, Galindo & Lee as to certain matters of Panamanian law. Certain legal matters in connection with this offering and the Notes will be passed upon for the Initial Purchasers by Shearman & Sterling LLP as to certain matters of New York and United States federal law and by Arias, Fábrega & Fábrega as to certain matters of Panamanian law.

INDEPENDENT AUDITORS

The financial statements of each of AES Panamá, AES Changuinola, Costa Norte and Gas Natural Atlántico for the years ended December 31, 2017, 2018 and 2019 and as of December 31, 2018 and 2019, included in this offering memorandum, have been audited by Ernst & Young Limited Corp. (Panama), a member firm of Ernst & Young Global Limited, independent auditors, as stated in their reports appearing herein. With respect to the Unaudited Interim Condensed Financial Statements as of March 31, 2020 and for the three month periods ended March 31, 2020 and 2019 of AES Panamá, AES Changuinola, Costa Norte and Gas Natural Atlántico, included in this offering memorandum, the independent auditor has reported that they completed review procedures in accordance with professional standards for a review of such information. Their report states that they did not audit and they do not express an opinion on the Companies Unaudited Interim Condensed Financial Statements. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

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Unaudited interim condensed financial statements

AES Panama Generation Holdings, S.R.L.

As of March 31, 2020

AES Panama Generation Holdings, S.R.L.

Statements of Financial Position

As of March 31, 2020

(Expressed in thousands of dollars of the United States of America)

ASSETS

Other account receivable		100
Total assets	\$	100

LIABILITIES AND STOCKHOLDERS' EQUITY

Stockholders' equity		
Authorized capital		100
Total liabilities and stockholders' equity	\$	100



Yessenia I. Quintero

CPA 8686

1. Organization and Nature of Operations

AES Panama Generation Holdings, S.R.L. (the Company) was incorporated on March 20, 2020 under the laws of the Republic of Panama, with its owners AES EDC Holding, LLC, established under the laws of Delaware, United State of America, with 50% of participation (50,000 shares) and AES Foreign Energy Holdings, LLC., established under the laws of Delaware, United State of America, with 50% of participation (50,000 shares) both companies indirectly owned 100% by the AES Corporation.

The objects of the Company are: Direction, administration and/or support of operations, strategic planning services, business development, personnel training, operation control and/or logistic, technical assistance, technical support, logistics and marketing, development and research, financial and/or administrative assistance, electronic processing of any activity and technical services to clients that have acquired certain products.

The main offices of the Company are located in Panama Pacifico, Arraijan, Republic of Panama, but the Company may have branches or offices in any part of the world, as established by the Administrators.

Unaudited interim condensed financial statements

AES Panamá, S.R.L.

*As of March 31, 2020 and December 31, 2019 and for the
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AES Panamá, S.R.L.**Unaudited Interim Condensed Statements of Financial Position****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America)*

<i>Notes</i>		<u>2020</u>	<u>2019</u>
		(Unaudited)	(Audited)
ASSETS			
Current Assets			
4	Cash and cash equivalents	\$ 56,551	\$ 29,608
	Accounts receivable:		
	Trade	7,146	5,859
5	Related parties	60,027	64,393
5	Affiliates	3,813	3,374
	Others	260	213
	Inventories, net	6,570	5,720
	Prepaid income tax, net	6,877	13,016
	Prepaid expenses	5,579	1,798
	Total current assets	<u>146,823</u>	<u>123,981</u>
Non-current assets			
6	Property, plant and equipment, net	475,163	482,155
	Intangible assets, net	3,630	4,514
	Advances to suppliers	1,839	1,880
7	Investment in affiliate	49,098	48,634
3	Restricted cash	2,605	2,540
8	Right-of-use asset, net	124,122	124,735
9	Other assets	72,028	28
	Total non-current assets	<u>728,485</u>	<u>664,486</u>
	TOTAL ASSETS	<u><u>\$ 875,308</u></u>	<u><u>\$ 788,467</u></u>

AES Panamá, S.R.L.**Unaudited Interim Condensed Statements of Financial Position (Continued)****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America)**Notes*

		<u>2020</u>	<u>2019</u>
		(Unaudited)	(Audited)
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable:			
	Suppliers	\$ 8,916	\$ 16,332
5	Related parties	4,653	9,264
5	Affiliates	16,985	8,860
	Interest payable	6,161	466
	Accrued expenses and other liabilities	16,740	16,292
	Total current liabilities	<u>53,455</u>	<u>51,214</u>
Non-current liabilities			
	Seniority premium	702	646
	Accounts payable	741	741
9 & 16	Loan payable, net	70,003	—
9 & 16	Bonds payable, net	373,436	373,274
15	Deferred income tax, net	71,240	81,360
10	Derivatives	31,173	—
	Asset retirement obligation	1,500	1,500
8	Other liabilities	144,380	142,430
	Total non-current liabilities	<u>693,175</u>	<u>599,951</u>
STOCKHOLDERS' EQUITY			
	Authorized capital	115,365	115,365
	Additional paid-in-capital	14,555	14,535
	Retained earnings	21,732	9,646
	Deemed tax	(161)	(161)
	Other comprehensive loss	(22,813)	(2,083)
	Total stockholders' equity	<u>128,678</u>	<u>137,302</u>
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 875,308</u>	<u>\$ 788,467</u>

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

AES Panamá, S.R.L.

Unaudited Interim Condensed Statements of Comprehensive Income

For the three months ended March 31, 2020 and 2019

(Expressed in thousands of dollars of the United States of America)

<i>Notes</i>		<u>2020</u>	<u>2019</u>
		(Unaudited)	
	Revenue		
5	Electricity sales	\$ 81,775	\$ 83,877
	Operating costs and expenses		
5	Electricity purchases	31,833	45,365
	Other costs of electricity sales	2,442	8,509
5	Transmission costs	1,534	1,870
5, 8 & 12	Operating, general and maintenance expense	12,913	12,451
	Depreciation and amortization	8,412	9,410
	Total operating costs and expenses	<u>57,134</u>	<u>77,605</u>
	Operating income	24,641	6,272
	Other (expenses) income		
8 & 13	Interest expense, net	(8,429)	(8,001)
	Accretion expense	—	(16)
14	Other income, net	341	484
7	Equity earnings (loss) in investment in affiliate	445	(2,567)
	Total other expenses, net	<u>(7,643)</u>	<u>(10,100)</u>
	Income (loss) before income tax expense	16,998	(3,828)
15	Income tax expense	4,912	378
	Net income (loss)	<u>\$ 12,086</u>	<u>\$ (4,206)</u>
	Net other comprehensive loss that will be reclassified to profit or loss in subsequent periods:		
10	Changes in the fair value of derivative instruments	(29,642)	—
	Deferred tax	8,893	—
	Other comprehensive loss of derivative instruments	(20,749)	—
	Amortization of other comprehensive income of affiliate	19	20
	Other comprehensive (loss) income	<u>(20,730)</u>	<u>20</u>
	Total other comprehensive loss	<u><u>\$ (8,644)</u></u>	<u><u>\$ (4,186)</u></u>

The accompanying notes are an integral part of these unaudited interim condensed financial statements

AES Panamá, S.R.L.

Unaudited Interim Condensed Statements of Changes in Stockholders' Equity

For the three months ended March 31, 2020 and 2019

(Expressed in thousands of dollars of the United States of America)

	<i>Notes</i>	<u>Authorized capital</u>	<u>Additional paid-in- capital</u>	<u>Retained earnings</u>	<u>Deemed tax</u>	<u>Other comprehensive loss</u>	<u>Total shareholders' equity</u>
Balance as of January 1, 2019		\$ 141,139	\$ 14,464	\$ 4,314	\$ (161)	\$ (2,161)	\$ 157,595
Net loss		—	—	(4,206)	—	—	(4,206)
Other comprehensive income of affiliate		—	—	—	—	20	20
Total other comprehensive income		—	—	(4,206)	—	20	(4,186)
Share based compensation		—	14	—	—	—	14
Balance as of March 31, 2019 (unaudited)		\$ 141,139	\$ 14,478	\$ 108	\$ (161)	\$ (2,141)	\$ 153,423
Balance as of January 1, 2020		\$ 115,365	\$ 14,535	\$ 9,646	\$ (161)	\$ (2,083)	\$ 137,302
Net income		—	—	12,086	—	—	12,086
Changes in the fair value of derivative instruments	10	—	—	—	—	(29,642)	(29,642)
Other comprehensive income of affiliate		—	—	—	—	19	19
Deferred tax		—	—	—	—	8,893	8,893
Total other comprehensive income		—	—	12,086	—	(20,730)	(8,644)
Share based compensation		—	20	—	—	—	20
Balance as of March 31, 2020 (unaudited)		\$ 115,365	\$ 14,555	\$ 21,732	\$ (161)	\$ (22,813)	\$ 128,678

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

AES Panamá, S.R.L.
Unaudited Interim Condensed Statements of Cash Flow
For the three months ended March 31, 2020 and 2019
(Expressed in thousands of dollars of the United States of America)
Notes

		<u>2020</u>	<u>2019</u>
	Cash flows from operating activities	(Unaudited)	
	Net income (loss)	\$ 12,086	\$ (4,206)
	Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
6	Depreciation	7,177	8,345
8	Right-of-use asset amortization	3,247	3,257
	Amortization	1,232	1,062
	Amortization of other comprehensive income	3	3
16	Loss on realized/unrealized derivatives	73	—
14	Loss on retirement of property, plant and equipment	14	126
	Accretion expenses	—	16
	Interest income	(144)	(236)
	Interest expense	8,411	8,214
9	Amortization of deferred financing costs	283	260
9	Amortization of bond premium	(121)	(114)
5	Amortization of account receivable discount	—	(123)
7	Equity (earnings) loss in investment in affiliate	(445)	2,567
15	Income tax expense	4,913	378
	Share-based compensation	20	14
	Cash flows before working capital movements	<u>36,749</u>	<u>19,563</u>
	Changes in operating assets and liabilities:		
	Decrease in accounts receivable	2,602	3,267
	(Increase) decrease in inventories	(850)	1,579
	Increase in prepaid expenses	(3,775)	(501)
5 & 8	Increase in other long-term assets	(71,387)	—
	(Decrease) increase in accounts payable	(3,072)	6,738
	Decrease in accrued expenses and other liabilities	(2,358)	(4,882)
	Increase in seniority premium	56	54
12	Increase in other long-term liabilities	(824)	747
	Interest received	135	233
	Net cash (used in) provided by operating activities	<u>(42,724)</u>	<u>26,798</u>
	Carried forward....	\$ (42,724)	\$ 26,798

AES Panamá, S.R.L.**Unaudited Interim Condensed Statements of Cash Flow (Continued)****For the three months ended March 31, 2020 and 2019***(Expressed in thousands of dollars of the United States of America)*

	<u>2020</u>	<u>2019</u>
	(Unaudited)	
Brought forward...	\$ (42,724)	\$ 26,798
Cash flows from investing activities		
Advance payments for the acquisition of property, plant and equipment	—	(71)
6 Acquisition of property, plant and equipment	(1,332)	(2,761)
Acquisition of intangible assets	(3)	(110)
Restricted cash	(65)	(85)
Net cash used in investing activities	<u>(1,400)</u>	<u>(3,027)</u>
Cash flows from financing activities		
Payment of loan	—	(6,000)
9 Proceeds from new loans	72,000	—
Payments of lease liabilities	(383)	(237)
6 Payment of financing for property, plant and equipment	—	(376)
Payment of financing costs	(550)	—
Net cash provided by (used in) financing activities	<u>71,067</u>	<u>(6,613)</u>
Net increase in cash and cash equivalents	26,943	17,158
Cash and cash equivalents at the beginning of the year	29,608	15,841
Cash and cash equivalents at the end of the period	<u><u>\$ 56,551</u></u>	<u><u>\$ 32,999</u></u>
Supplementary disclosure		
Property, plant and equipment purchases not paid at the end of the period	<u>\$ 812</u>	<u>\$ 419</u>

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

AES Panamá, S.R.L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

1. Organization and Nature of Operations

AES Panamá, S.R.L. (the Company) was incorporated on October 26, 1999 as a result of the merger of Empresa de Generación Eléctrica Chiriquí, S. A. (Chiriquí) and Empresa de Generación Eléctrica Bayano, S. A. (Bayano). Chiriquí and Bayano were incorporated as companies on January 19, 1998 in connection with the privatization and restructuring of the Panamanian energy industry.

The Company generates and sells electricity in the Panamanian market and the Regional Electric Market (MER), where the Panamanian electric market is regulated by the Autoridad Nacional de los Servicios Públicos (ASEP by its initials in Spanish), formerly Regulator of Public Services.

The main offices of the Company are located in Business Park II, Tower V, 11th floor, Paseo Roberto Motta, Costa del Este, Panama, Republic of Panama.

2. Basis of Preparation

The unaudited interim condensed financial statements of the three months ended March 31, 2020 and 2019 have been prepared in accordance with the IAS 34 Interim Financial Reporting.

The unaudited interim condensed financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2019.

3. Summary of Accounting Policies

The accounting policies adopted in the preparation of the unaudited interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2019.

4. Cash and cash equivalents

As of March 31, 2020 and December 31, 2019, cash and cash equivalents are composed of the following:

	<u>2020</u>	<u>2019</u>
Petty cash	\$ 10	\$ 10
Bank deposits	43,502	13,552
Time deposits	13,039	16,046
	<u><u>\$ 56,551</u></u>	<u><u>\$ 29,608</u></u>

AES Panamá, S.R.L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***4. Cash and cash equivalents (continued)**

The average interest rate for time deposits with maturities of less than 3 months is 1.24% and 1.58% for the three months ended March 31, 2020 and December 31, 2019, respectively.

5. Balances and Transactions with Affiliates and Related Parties

The balances with related parties as of March 31, 2020 and December 31, 2019, are as follows:

In the unaudited interim condensed statements of financial position:

	<u>2020</u>	<u>2019</u>
<u>Accounts receivable-related parties short-term:</u>		
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	\$ 26,789	\$ 29,425
Elektra Noreste, S.A. (ENSA)	13,436	14,945
Empresa de Transmisión Eléctrica, S.A. (ETESA)	3,083	3,149
Ministerio de Economía y Finanzas	9,580	9,580
Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI)	5,253	5,846
Caja de Seguro Social	1,572	1,126
Bahía Las Minas, Corp.	17	8
Enel Fortuna, S.A.	117	103
Electropaulo Metropolitana Electricidade de Sao Paulo S.A.	62	62
Contraloría General de la República	85	127
Autoridad del Canal de Panamá	33	22
	<u>\$ 60,027</u>	<u>\$ 64,393</u>

Accounts payable:

Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	\$ 1,597	\$ 1,065
Enel Fortuna, S. A.	641	4,422
Autoridad del Canal de Panamá	733	186
Empresa de Transmisión Eléctrica, S.A. (ETESA)	66	219
Elektra Noreste, S.A. (ENSA)	766	2,104
Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI)	81	157
Empresa de Generación Eléctrica, S.A. (EGESA)	17	51
Electropaulo Metropolitana Electricidade de Sao Paulo S.A.	22	22
Bahía Las Minas, Corp.	730	1,038
	<u>\$ 4,653</u>	<u>\$ 9,264</u>

5. Balances and Transactions with Affiliates and Related Parties (continued)

In the unaudited interim condensed statements of comprehensive income, the transactions with related parties during the three months ended March 31, 2020, and 2019, are as follows:

In the unaudited interim condensed statements of comprehensive income:

	<u>2020</u>	<u>2019</u>
<u>Electricity sales:</u>		
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	\$ 40,805	\$ 45,549
Elektra Noreste, S.A. (ENSA)	20,744	22,054
Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI)	7,981	8,638
Bahía Las Minas, Corp.	21	—
Empresa de Transmisión Eléctrica, S.A. (ETESA)	—	856
Caja de Seguro Social	651	734
Enel Fortuna, S.A.	164	37
Contraloría General de la República	94	83
Autoridad del Canal de Panamá	36	1
	<u>\$ 70,496</u>	<u>\$ 77,952</u>
<u>Transmission costs:</u>		
Empresa de Transmisión Eléctrica, S.A. (ETESA)	\$ 1,530	\$ 1,849
Bahía Las Minas, Corp.	4	21
	<u>\$ 1,534</u>	<u>\$ 1,870</u>
<u>Electricity purchases:</u>		
Enel Fortuna, S.A.	\$ 1,693	\$ 2,446
Autoridad del Canal de Panamá	3,079	2,896
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	2,425	9,244
Bahía Las Minas, Corp.	317	4,004
Empresa de Transmisión Eléctrica, S.A. (ETESA)	1,137	23
Elektra Noreste, S.A. (ENSA)	—	1,738
Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI)	—	1,676
Empresa de Generación Eléctrica (EGESA)	19	12
	<u>\$ 8,670</u>	<u>\$ 22,039</u>
<u>Other costs of electricity sales: (variable transmission costs)</u>		
Empresa de Transmisión Eléctrica, S.A. (ETESA)	\$ 556	\$ 199
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	296	193
	<u>\$ 852</u>	<u>\$ 392</u>

AES Panamá, S.R.L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***5. Balances and Transactions with Affiliates and Related Parties (continued)****In the unaudited interim condensed statements of comprehensive income:****Interest expense, net**

Ministerio de Economía y Finanzas (amortization of compensatory fund)

	<u>2020</u>	<u>2019</u>
	\$ —	\$ (123)
	<u>\$ —</u>	<u>\$ (123)</u>

The balances and transactions with affiliates as of March 31, 2020 and December 31, 2019, are as follows:

In the unaudited interim condensed statements of financial position:**Accounts receivable affiliates:**

AES Global Power Holdings B.V.
AES Changuinola, S.R.L.
Global Energy Holdings C.V.
AES Tietê Energia S.A.
AES Argentina Generacion S.A.
Gas Natural Atlántico S. de R.L.
AES Latin America S. de R.L.
The AES Corporation
Other affiliates

	<u>2020</u>	<u>2019</u>
	\$ 1,455	\$ 1,455
	1,276	1,075
	189	189
	177	177
	134	134
	310	97
	48	30
	14	14
	210	203
	<u>\$ 3,813</u>	<u>\$ 3,374</u>

Accounts payable affiliates:

Gas Natural Atlántico S. de R.L.
AES Changuinola, S.R.L.
AES Latin America S. de R.L.
The AES Corporation
Other affiliates

	\$ 2,936	\$ 3,203
	8,559	1,939
	5,275	3,517
	4	16
	211	185
	<u>\$ 16,985</u>	<u>\$ 8,860</u>

The transactions with affiliates for the three months ended March 31, 2020 and 2019 in the unaudited interim condensed statements of comprehensive income, are as follows:

In the unaudited interim condensed statements of comprehensive income:**Electricity Sales:**

AES Changuinola, S.R.L.
Gas Natural Atlántico S. de R.L.
AES CLESA y Cía, S. en C. de C.V.

	<u>2020</u>	<u>2019</u>
	\$ 931	\$ 919
	242	673
	6	—
	<u>\$ 1,179</u>	<u>\$ 1,592</u>

AES Panamá, S.R.L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***5. Balances and Transactions with Affiliates and Related Parties (continued)****In the unaudited interim condensed statements of comprehensive income:****Electricity purchases:**

	<u>2020</u>	<u>2019</u>
AES Changuinola, S.R.L.	\$ 13,590	\$ 2,119
Gas Natural Atlántico S. de R.L.	4,689	8,464
AES CLESA y Cía, S. en C. de C.V.	30	—
	<u>\$ 18,309</u>	<u>\$ 10,583</u>

Operating, general and maintenance expense (Management fee):

AES Solutions LLC	\$ —	\$ 1,758
AES Latin America S. de R.L.	1,758	—
AES Servicios América S.R.L.	31	44
	<u>\$ 1,789</u>	<u>\$ 1,802</u>

Other (expense) income, net (Administrative services income):

AES Changuinola, S.R.L.	\$ 198	\$ 198
	<u>\$ 198</u>	<u>\$ 198</u>

6. Property, Plant and Equipment, net

The activity in property, plant and equipment, net, for the three months ended March 31, 2020 and 2019 is detailed as follows:

	March 31, 2020						
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:							
Balance at January 1, 2020	\$ 5,938	\$ 249,250	\$ 712,691	\$ 7,624	\$ 2,297	\$ 8,471	\$ 986,271
Additions	—	—	—	12	—	559	571
Reclassifications and adjustments	—	38	641	—	—	(1,051)	(372)
Sales and disposals	—	—	(34)	—	—	—	(34)
Balance at March 31, 2020	5,938	249,288	713,298	7,636	2,297	7,979	986,436
Accumulated depreciation:							
Balance at January 1, 2020	—	129,780	365,803	6,706	1,827	—	504,116
Depreciation	—	762	6,261	107	47	—	7,177
Sales and disposals	—	—	(20)	—	—	—	(20)
Balance at March 31, 2020	—	130,542	372,044	6,813	1,874	—	511,273
Net balance	<u>\$ 5,938</u>	<u>\$ 118,746</u>	<u>\$ 341,254</u>	<u>\$ 823</u>	<u>\$ 423</u>	<u>\$ 7,979</u>	<u>\$ 475,163</u>

AES Panamá, S.R.L.
Notes to the Unaudited Interim Condensed Financial Statements
As of March 31, 2020 and December 31, 2019
(Expressed in thousands of dollars of the United States of America, except for the stock information)
6. Property, Plant and Equipment, net (continued)

March 31, 2019							
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:							
Balance at January 1, 2019	\$ 5,702	\$ 249,250	\$ 708,757	\$ 8,064	\$ 2,222	\$ 9,533	\$ 983,528
Additions	—	—	—	13	—	499	512
Reclassifications and adjustments	—	—	1,638	4	—	(1,642)	—
Sales and disposals	—	—	(220)	—	—	—	(220)
Balance at March 31, 2019	5,702	249,250	710,175	8,081	2,222	8,390	983,820
Accumulated depreciation:							
Balance at January 1, 2019	—	126,657	337,729	6,827	1,664	—	472,877
Depreciation	—	779	7,376	125	65	—	8,345
Sales and disposals	—	—	(94)	—	—	—	(94)
Balance at March 31, 2019	—	127,436	345,011	6,952	1,729	—	481,128
Net balance	\$ 5,702	\$ 121,814	\$ 365,164	\$ 1,129	\$ 493	\$ 8,390	\$ 502,692

For the three months ended March 31, 2020 and 2019, the Company capitalized interest of \$99 and \$112, respectively and deferred financing costs of \$5 each period.

7. Investment in affiliate

The Company has a 20% interest in its affiliate AES Changuinola, S.R.L., which owns an hydroelectric plant with an installed capacity of 223 megawatts in the Province of Bocas del Toro.

As of March 31, 2020 and December 31, 2019, the investment in affiliate is shown below:

<u>Affiliate</u>	<u>Commercial activity</u>	<u>% of equity participation</u>		<u>2020</u>	<u>2019</u>
		<u>2020</u>	<u>2019</u>		
AES Changuinola, S.R.L.	Electricity generation	20%	20%	\$ 49,098	\$48,634

For the three months ended March 31, 2020

<u>Affiliate</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Revenue</u>	<u>LTC and deemed tax</u>	<u>Net Income</u>	<u>Other comprehensive Income</u>	<u>Equity participation</u>
AES Changuinola, S.R.L.	\$ 615,985	\$ 370,496	\$ 245,489	\$ 18,133	\$ 15,909	\$ 2,224	\$ 97	\$ 445

AES Panamá, S.R.L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***7. Investment in affiliate (continued)****As of December 31, 2019 and the three months ended March 31, 2019**

<u>Affiliate</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Revenue</u>	LTC and <u>deemed</u> <u>tax</u>	Net <u>Loss</u>	Other comprehensive <u>Income</u>	Equity <u>participation</u>
AES Changuinola, S.R.L.	\$ 610,093	\$ 366,925	\$ 243,168	\$ 6,628	\$ 19,462	\$ (12,834)	\$ 97	\$ (2,567)

For the three months ended March 31, 2020 and 2019, the Company has recorded in relation to its 20% share in earnings of AES Changuinola, S.R.L., an income of \$445 and a loss of \$(2,567), respectively. These amounts are presented as equity earnings (loss) in investment in affiliate in the unaudited interim condensed statements of comprehensive income for the three months ended March 31, 2020 and 2019.

The investment is recorded in the unaudited interim condensed statements of financial position in the category of investment in affiliate.

8. Lease

Below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Land	Building	Electricity Generation facilities	Total
As of January 1, 2019	\$ 1,334	\$ 2,457	\$ 133,940	\$ 137,731
Amortization expense	(1,231)	(603)	(11,162)	(12,996)
As at December 31, 2019	<u>\$ 103</u>	<u>\$ 1,854</u>	<u>\$ 122,778</u>	<u>\$ 124,735</u>
Additions	2,250	—	384	2,634
Amortization expense	(265)	(151)	(2,831)	(3,247)
As of March 31, 2020	<u>\$ 2,088</u>	<u>\$ 1,703</u>	<u>\$ 120,331</u>	<u>\$ 124,122</u>

AES Panamá, S.R.L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***8. Lease (continued)**

Below are the carrying amounts of lease liabilities (in accrued expenses and other liabilities - short term and other liabilities - long term).

	<u>2020</u>	<u>2019</u>
Balance as of January 1	\$ 151,224	\$ 144,644
Additions	2,544	—
Accretion of interest	2,742	10,384
Payments	(2,628)	(3,804)
Balance at the end of the period	<u>\$ 153,882</u>	<u>\$ 151,224</u>
Current	<u>\$ (9,502)</u>	<u>\$ (8,794)</u>
Non-current	<u>\$ (144,380)</u>	<u>\$ (142,430)</u>

The following are the amounts recognized for the three months ended March 31, 2020 and 2019, included in the unaudited interim condensed statement of comprehensive income:

	<u>2020</u>	<u>2019</u>
Amortization expense of right-of-use assets (included in operating, general and maintenance expense)	\$ 3,247	\$ 3,257
Interest expense on lease liabilities (included in interest expense, net)	2,742	2,559
Variable lease payments (included in other cost of electricity sales)	—	30
Total amount recognized in the unaudited interim condensed statement of comprehensive income	<u>\$ 5,989</u>	<u>\$ 5,846</u>

The balances of right-of-used assets and lease liabilities correspond to the following contracts:

- Land: The Company has a lease contract with Refinería Panamá, S.R.L. for the land located in Bahía Las Mina, Province of Colón in Panamá which was used by the Company for the ground based equipment needed for installation and connection of the electric power generation Barge Estrella del Mar I. This lease was effective for five years starting in March 2015, the date of commercial operation of the Barge Estrella del Mar I. In January 2020, the lease was extended to June 2020.
- Land: The Company has two lease contracts for the installation and operation of photovoltaic panels and any infrastructure and equipment that is necessary or convenient for the expansion of solar power generation plants. A lease contract with Hacienda El Hato, S.A. for the land located in Pesé, Province of Herrera in Panamá has been executed for thirty five years and the other contract with Grupo Vásquez Castillo, S.A. for the land located in Pocrí, Province of Los Santos in Panamá has been executed for thirty years. Both leases starting in March 2020.

AES Panamá, S.R.L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

9. Financial debts, net**Bonds payable, net**

On June 18, 2015, the Company issued new bonds for \$300,000. This new debt was subscribed and distributed by Banco General, S.A. and Deutsche Bank Securities Inc. issued under rule 144A/ Regulation S of the New York Stock Exchange in the local and international market with a due date of June 25, 2022 and an annual interest rate of 6.00% with a single payment upon maturity, and semiannual interests payments. In October 2016, the Company re-opened the 2022 bonds, issuing an additional \$75,000, under the same terms and conditions as the original issuance.

Net deferred financing costs related to this financing total \$2,725 and \$3,008 as of March 31, 2020 and December 31, 2019, respectively.

The 2022 bonds were issued in accordance with the provisions of the Note Issuance Facility signed by AES Panamá, S.R.L. and Deutsche Bank Trust Company Americas, as trustee.

Relevant commitments and restrictions of the bonds payable are detailed below:

- a. The Company has to maintain a “Debt Service Reserve Account” with the funds deposited and available to secure the semiannual interest payments.
- b. Audited financial statements must be presented no later than 120 days after the close of the fiscal period.

As of March 31, 2020, the Company is in compliance with all of its covenants.

As part of the agreements established in the debt, the Company is obliged to secure the next interest payment, during the term of the agreement, by a letter of credit or cash. The Company decided to secure it by a letter of credit of \$11.3 million.

As of March 31, 2020 and December 31, 2019, bonds payable, were as follows:

	<u>2020</u>	<u>2019</u>
Bonds	\$ 375,000	\$ 375,000
Unamortized premium	1,161	1,282
Deferred financing cost, net	(2,725)	(3,008)
Total bonds payable, net	<u>\$ 373,436</u>	<u>\$ 373,274</u>

Amortization of the premium and deferred financial cost is included in interest expense, net in the accompanying unaudited interim condensed statements of comprehensive income.

9. Financial debts, net (continued)**Loan payable, net**

On March 20, 2020, the Company signed a syndicated non-ratifying line of credit agreement with Banco General, S.A. and The Bank of Nova Scotia for \$72 million for the acquisition of the Unión Eólica Penonomé I (UEP I) wind farm project in the province of Cocle, Republic of Panama with a capacity of 55MW. The interest rate of this credit line is LIBOR plus a margin of 3.5% per year or a minimum rate of 5% per year, if applicable; payable every three months and the repayment term of the disbursement is March 24, 2022. The total amount was received on March 24, 2020.

On March 23, 2020, the Company signed a Waiver and Amendment to the syndicated non-ratifying line of credit, waiving the obligation to sign the Purchase and Sale Agreement prior to the disbursement of the loan. Also, including the following conditions after such initial disbursement for \$72 million occurs:

- The disbursement for \$72 million will be deposited in an account of the Company with Banco General, which will then be debited prior to issuing the payment promise letter.
- Banco General will issue a payment promise letter to the sellers of the project. Such payment promise letter will have a validity of 30 days, which can be extended by discretion of Banco General. In the case that the payment promise letter is not issued or not paid to the seller, the Company agrees to return the funds within 5 days to Banco General to pay-off the syndicated non-ratifying line of credit.
- In the case that the Company does not return the funds, Banco General will take the funds in escrow to pay-off the syndicated non-ratifying line of credit.

On March 25, 2020, the Company transferred \$72 million to Banco General to be kept in escrow pending that issuance of the payment promise letter in favor of the sellers of the Project. This amount is included in the unaudited condensed interim statements of financial position as other assets. On April 28, 2020 Banco General issued the payment promise letter to the seller.

As of March 31, 2020, loan payable, was as follows:

	<u>2020</u>
Loan	\$ 72,000
Discount	(1,458)
Deferred financing cost, net	(539)
Total bonds payable, net	<u>\$ 70,003</u>

Amortization of deferred financing cost is included in interest expense, net in the accompanying unaudited interim condensed statements of comprehensive income.

As part of the agreements established in the debt, the Company is obliged to present audited financial statements no later than 120 days after the close of the fiscal period.

AES Panamá, S.R.L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***10. Derivatives**

As of March 31, 2020, the derivative liabilities are as follows:

	<u>2020</u>
Non-current derivative instruments	\$ 29,642
Non-current embedded derivatives	1,531
Total derivative liabilities	<u>\$ 31,173</u>

The Company entered into the following hedging agreements as part of their risk management strategy to cover the potential refinancing risk of the \$375 million notes due in 2022.

10. Derivatives (continued)

Transaction	Trade date	Notional Amount (\$ million)	Bank	Effective date	Term (years)	Description
Rate Swap	Feb-6-20	\$125	The Bank of Nova Scotia	Jun-30-21	10	The Company exchanged a fixed interest rate of 1.6759% to a floating rate LIBOR 3-month
Rate Swap	Feb-7-20	\$125	Citibank, N.A.	Jun-30-21	10	The Company exchanged a fixed interest rate of 1.5905% to a floating rate LIBOR 3-month
Rate Swap	Feb-10-20	\$125	JPMorgan Chase Bank N.A.	Jun-30-21	10	The Company exchanged a fixed interest rate of 1.5643% to a floating rate LIBOR 3-month

The derivatives, whose fair value is \$29,642, have been designated as cash flow hedge instruments. Therefore, the unrealized portion is presented in the Company's unaudited interim condensed financial statements as other accumulated comprehensive income.

Embedded derivative

The syndicated line of credit agreement mentioned in Note 9 computes interest at LIBOR rate plus a margin of 3.5% per year or a minimum rate of 5% per year, if determined applicable. Due to the low levels of the LIBOR rate, at the date of acquisition of the loan, the interest rate was determined with the minimum rate.

The Company determined that the minimum contract rate was "in the money", at the date of acquisition of the loan. According to the application guide appendix B of the International Financial Reporting Standard 9 (Financial Instruments), an embedded option-based derivative (such as an embedded put, call, cap, floor or swaption), must be separated from its host contract and accounted at fair value on each reporting date. Therefore, as of March 31, 2020, the Company recognized an embedded derivative liability for \$1,531, which is presented in the unaudited interim condensed statements of financial position in the caption derivatives.

AES Panamá, S.R.L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

11. Commitments and Contingencies**Commitments****Credit lines**

As of March 31, 2020, the Company has authorized credit lines with different banking institutions for \$51,000, of which \$19,421 are used for issuance of letter of credits.

12. Operating, General and Maintenance Expense

The operating, general and maintenance expense for the three months period ended March 31, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Salaries and other benefits	\$ 3,840	\$ 3,416
Right-of-use asset amortization (Note 8)	3,247	3,257
Management fee	1,789	1,802
Service and maintenance contracts	653	1,215
Insurance	1,401	1,187
Other market related fees	525	643
Basic services	452	140
Advisory and professional fees	434	131
Others	319	365
Taxes and surcharges	253	295
	<u>\$ 12,913</u>	<u>\$ 12,451</u>

AES Panamá, S.R.L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***13. Interest expense, net**

The interest expense, net for the three months period ended March 31, 2020 and 2019, was as follows:

	<u>2020</u>	<u>2019</u>
Interest expense - financial	\$ (5,669)	\$ (5,655)
Interest expense - lease	(2,742)	(2,559)
Interest expense - amortization of accounts receivable discount	—	123
Subtotal	<u>(8,411)</u>	<u>(8,091)</u>
Amortization of deferred financing costs	(283)	(260)
Amortization of bond premium	121	114
Interest income - commercial	21	87
Interest income - financial	123	149
Subtotal	<u>144</u>	<u>236</u>
Total	<u><u>\$ (8,429)</u></u>	<u><u>\$ (8,001)</u></u>

14. Other income, net

For the three months period ended March 31, 2020 and 2019, other income, net was as follows:

	<u>2020</u>	<u>2019</u>
Administrative services income	\$ 198	\$ 198
Rental income	68	68
Other income	104	631
Other expenses	(15)	(287)
Loss on retirement of property, plant and equipment	(14)	(126)
	<u><u>\$ 341</u></u>	<u><u>\$ 484</u></u>

15. Income Tax

For the three months period ended March 31, 2020 and 2019, income tax expense was as follows:

	<u>2020</u>	<u>2019</u>
Current	\$ 6,140	\$ 210
Deferred	(1,228)	168
	<u><u>\$ 4,912</u></u>	<u><u>\$ 378</u></u>

16. Fair Value of Financial Instruments

The Company established a process for determining fair value of financial instruments. The determination of fair value considers market quoted prices. Nevertheless, in many occasions no quoted market prices exist for several of the Company's financial instruments. In cases in which market quoted prices are not available, the fair value is based on estimates using current value or other valuation techniques. These techniques are affected significantly by the assumptions employed, including the discount rate and future cash flows.

The estimate fair value of financial instruments as of March 31, 2020 and December 31, 2019 are detailed below:

	2020		2019	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Financial Liability				
Loan payable, net	\$ 70,003	\$ 70,003	\$ —	\$ —
Bonds payable, net	373,436	357,864	373,274	384,771
Non-current embedded derivatives	1,531	1,531	—	—
Non-current derivative instruments	29,642	29,642	—	—
	<u>\$ 474,612</u>	<u>\$ 459,040</u>	<u>\$ 373,274</u>	<u>\$ 384,771</u>

The following methods and assumptions were used to estimate fair values:

- The carrying amount of certain financial assets, including cash and equivalents, accounts receivable, and certain financial liabilities including accounts payable, due to their short maturity nature, is considered equal to their fair value.
- The fair values for the loans payable estimated as of March 31, 2020, are based on information available at the date of the statements of financial position. The Company is not aware of any factors that may significantly affect the fair value estimate as of that date. These loans were contracted at variable rate, therefore, the Company considers that the fair value approximates its carrying amount.
- For bonds payable that are arranged at fixed interest rates and expose the Company to fair value interest rate risk, Management estimates the fair value of the Company's borrowings by discounting their future cash flows at market rates and is classified at Level 2 in the hierarchy of fair value.
- Derivative instruments are recognized at fair value in the statements of financial position. The assumption used in the calculation of the fair value used by the Company for derivatives falls under Level 2 of the hierarchy.

16. Fair Value of Financial Instruments (continued)

Hierarchy of fair value of financial instruments

All assets and liabilities measured at fair value or on which the Company makes fair value disclosures are classified within the fair value hierarchy. Such classification is based on the lower level of information used to determine such value and which is significant for the determination of fair value as a whole. The fair value hierarchy consists of the following three levels:

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

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The classification of the derivative is presented below as of March 31, 2020:

Derivative instrument	Classification	2020		Other comprehensive loss
		Current	Non current	
SWAP	Financial liabilities at fair value with changes in other comprehensive income	\$ —	\$ 29,642	\$ (29,642)
Embedded derivative	Loan agreement - contract rate "in the money"	—	1,531	(73)
	Total of derivative Level 2	<u>\$ —</u>	<u>\$ 31,173</u>	<u>\$ (29,715)</u>

As of March 31, 2020, the Company has not made reclassifications between hierarchy levels.

17. Risk and Capital Management

Risk Management

AES Panamá, S.R.L. issued debt in the form of international notes which have a single payment at maturity for \$375 million which the Company plans to refinance.

Since the LIBOR rate is an international reference rate that fluctuates based on interbank market conditions. The Company is exposed to the impact of the volatility of the LIBOR rate changes on its obligations at floating rates, the Company entered into three hedging agreements as part of their Risk Management Strategy to cover the potential refinancing risk of the \$375M notes due in 2022 (Note 10).

AES Panamá, S.R.L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***17. Risk and Capital Management (continued)**

On March 20, 2020, the Company signed a syndicated non-ratifying loan agreement for \$72 million at an interest rate of LIBOR plus a 3.5% annual margin. Said financing is based on variable international reference rates, which allows the creditor to increase or decrease the interest rate according to its fund cost. Therefore, the Company is exposed to changes in market interest rates that affect the floating rate obligations and / or impact the costs of its creditors (Note 9 & 10).

Liquidity risk

The table below summarizes the maturity profile of the financial liabilities based on contractual undiscounted payments as of March 31, 2020:

	<i><u>Less than 3 months</u></i>	<i><u>From 3 to 12 months</u></i>	<i><u>From 1 to 5 years</u></i>	<i><u>More than 5 years</u></i>	<i><u>Total</u></i>
As of March 31, 2020					
Loan payable, net	\$ —	\$ —	\$ 70,003	\$ —	\$ 70,003
Bonds payable, net	—	—	373,436	—	373,436
Interest payable	—	6,161	—	—	6,161
Accounts payable	30,554	—	741	—	31,295
Asset retirement obligations	—	—	1,500	—	1,500
Accrued expenses and other liabilities	7,434	9,306	—	—	16,740
Other liabilities	—	—	43,743	100,637	144,380
	<u><u>\$ 37,988</u></u>	<u><u>\$ 15,467</u></u>	<u><u>\$ 489,423</u></u>	<u><u>\$ 100,637</u></u>	<u><u>\$ 643,515</u></u>

18. Subsequent Events

Subsequent events were evaluated by the administration until August 5, 2020, the date on which unaudited interim condensed financial statements were authorized by the Controller for its issuance.

Loan payable

On April 20, 2020, the Company received a disbursement by \$22.9 million from the credit line with The Bank of Nova Scotia. The interest rate of this line of credit is LIBOR plus a margin of 4% with a minimum of 5.5%, and the repayment term of the disbursement is October 20, 2020.

18. Subsequent Events (continued)

Acquisition of the UEP I wind farm project

On April 28, 2020, AES Panamá, S.R.L. and AES Changuinola, S.R.L. signed a Purchase and sale agreement for the purchase 100% of the Unión Eólica Penonomé I (UEPI) wind farm project located in the province of Coclé, Republic of Panama.

The Company issued payment promise letters in favor of the sellers of the Project as collateral for said transaction for a total amount of \$79,748. The payment letters were collected by the seller during May 2020.

On June 12, 2020, the Company was notified by AES Changuinola, S.R.L. its voluntarily renounces of the participation of UEP.

On June 19, 2020, through a public deed the merger between AES Panamá, S.R.L. and Unión Eólica Penonomé (UEPI) was approved, subsisting AES Panamá, S.R.L.

Dividends

On July 3, 2020, the Company declared dividends of \$25 million, which was paid on July 16, 2020.

Barge Estrella del Mar

On June 30, 2020, the PPA related to Estrella del Mar 1 power barge expired and on July 14, 2020, the Panamanian regulator authorized the Estrella del Mar 1 power barge to be disconnected from the grid and canceled its generation license effective August 1, 2020. As of March 31, 2020, the net book value of the barge was US\$49.1 million. The barge was part of the Company's fleet of generating facilities that form one cash generating unit due to the manner in which these assets are contracted and used, therefore the expiration of the PPA on June 30, 2020 and any initiative by the Company to gain approval to disconnect it from the grid did not represent indicators of impairment that required an adjustment to the unaudited interim condensed financial statements as of March 31, 2020. AES Panamá, S.R.L. is currently considering options for selling the asset.

Contingency

Related to the legal process between AES Panamá, S.R.L., Ganadera Guerra, S.A. and Constructora Tymasa, S.A, in August, 2020, the parties signed a settlement agreement and filed it with the court for acceptance. If the settlement agreement is accepted by the court, among other things, the relevant land will be transferred to AES Panama, S.R.L. and the lawsuits will be dismissed.

18. Subsequent Events (continued)

COVID-19

Last March 11, 2020 the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The quick evolution of the events, nationally and internationally, represents an unprecedented health crisis that will have macroeconomic and business effects. To face the economic and social impacts of COVID-19, among other measures the government of Panama has declared a state of national emergency, a state of public calamity and natural disaster, through resolution No.11 on March 13, 2020, and through the executive order No.489 on March 16, 2020, the Ministry of Health establishes additional sanitary measures to reduce, mitigate and control of the coronavirus COVID-19 disease pandemic in the country. The government also published other decrees during the month of March 2020, to establish sanitary control in epidemic areas and a curfew imposed throughout the country.

On May 11, 2020, through the resolution No.405 the Ministry of Health established the guidelines of the return to normality of the companies post Covid-19.

On March 31, 2020, Cabinet Resolution No.19 mandated the Distribution Companies to provide discounts on energy bills to certain consumers and provided for the funding of a tariff stabilization fund (Fondo de Estabilización Tarifaria) through which the Panamanian government is expected to compensate the Distribution Companies for discounts provided to consumers.

On May 4, 2020, Law 152 mandated a moratorium on payment of certain basic services, including electricity, cellular phone, internet for a period of 4 months for people and small business that met certain criteria. During this period, a service provider cannot disconnect service for users any cannot apply and late fees or interest.

The effects of COVID-19 on the Economy in 2020:

The COVID-19 pandemic has taken a substantial toll on the Panamanian Economy. The Panamanian government has enacted measures to ease the economic effect the pandemic has on the economy, including a prohibition on shutting off electricity services for non-payment and mandating the Distribution Companies to provide discounts to certain customers on their electricity bill. The discounts are to be funded through a tariff stabilization fund (*Fondo de Estabilización Tarifaria*) which has not yet been funded. This has caused the Distribution Companies to make only partial payments of the Company invoices under the PPA during April, May and June.

18. Subsequent Events (continued)

COVID-19 (continued)

The COVID-19 pandemic has also caused a downturn in consumer demand for certain goods and services as well as the temporary closure of businesses and industries. This has adversely affected the financial condition of some of the large customers of the Company and lowered its overall demand for electricity. Although payments have been timely made, there is no guarantee that the large customers of the Company will be able to continue making payments under the PPAs. Although no official data has been published, the Company expects that electricity demand will fall which could also lower the average price for energy in the spot market which is largely mitigated by the Company's Purchase Power Agreements but could nonetheless affect the results of operation of the Company.

The Company in support of the pandemic emergency situation by COVID-19 and part of the "Plan Solidario Panama" and its social responsibility program, managed the exemption of payment of bill for the months of April and May of the Caja de Seguro Social, months where they have been working to combat the pandemic COVID-19. The amount for these bills totaled \$537.

The Company believes that these events do not represent an adjustment to the unaudited interim condensed financial statements as of March 31, 2020; should there be an impact on operations, it would be reflected in its future results and cash flows.

Given the complexity of the situation and its quick evolution, it is not practical at this time to conduct a reliable, quantified estimate of its potential impact on the Company, which will be recorded prospectively in the 2020 annual accounts.

The Company is conducting the necessary measures to face this situation and minimize its impact, based on more updated estimates and treasury's position on that date, do not compromise the application of the going concern principle.

Financial Statements

AES Panamá, S.R.L.

*As of December 31, 2019 and 2018 and for the three years then ended
with Independent Auditor's Report*

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Independent Auditor's Report

The Partners
AES Panama, S.R.L

Opinion

We have audited the financial statements of AES Panamá, S.R.L. (the Company), which comprise the statement of financial position as at December 31, 2019 and 2018 and the statement of comprehensive income, statement of changes in stockholders' equity and statement of cash flows for the three years then ended as of December 31, 2019, 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 the Company as at December 31, 2019 and 2018; and its financial performance and its cash flows for the three years then ended as of December 31, 2019 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Panama (Decree No. 26 of May 17, 1984), and we have fulfilled our other ethical responsibilities in accordance with these 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 paragraph - Adoption of New Accounting Standards

As discussed in Note 3 New standards, interpretations and amendments adopted by the Company to the financial statements, the Company (as lessee) changed its method of accounting for leases in 2019 due to the adoption of IFRS 16 Leases. Our opinion is not qualified in this respect."

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Description of the matter:

Under IFRS 16 – Leases, the lessee is required to recognize the present value of future lease payments as a right-of-use asset and a corresponding financial liability.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application at January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application, therefore previous period comparative figures were not adjusted in the financial statements. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at January 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

As described in Note 12 to the financial statements, the initial application of IFRS 16 resulted in the recognition of a \$137.7 million right of use asset and a \$144.6 million lease liability as of January 1, 2019.

Auditing the adoption of IFRS 16 was complex as it involved evaluating significant judgments and assumptions applied by Management in relation to assessing the incremental borrowing rate, service component and extension options of leasing arrangements. Management has formed its judgments and assumptions based on historical experience, internal and external data points.

How We Addressed the Matter in Our Audit:

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's IFRS 16 adoption process including controls over management's review of the significant assumptions described above, the data inputs used by the Company in the calculations of right of use assets and lease liabilities and the recording of the balances in the financial statements.

To test the completeness and accuracy of the underlying data used to calculate the right of use asset and lease liability our procedures included, among others, comparing the leases' terms and conditions as per the contracts to the data used in the calculation and comparing the leases included in the adoption analysis to the leases to determine whether any agreements were omitted.

We involved our specialist to test the assumptions used in the model. We perform recalculations with the contract information and the discount rate used by the client.

In addition, we compared the Company's disclosures related to the adoption of IFRS 16 to the disclosure requirements.

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 IFRSs, 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.

Responsibilities of the Auditor with Regards to 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 in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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 auditor's 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

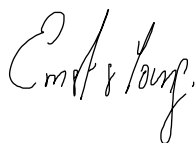
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 on the audit resulting in this independent auditor's report is Víctor M. Ramírez.

Panama, Republic of Panama
April 8, 2020

A handwritten signature in black ink, appearing to read "Víctor M. Ramírez", is positioned to the right of the typed name and date.

AES Panamá, S.R.L.**Statements of Financial Position****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America)**Notes***2019****2018****ASSETS****Current Assets**

4	Cash and cash equivalents	\$ 29,608	\$ 15,841
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Accounts receivable:

6	Trade	5,859	5,762
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5	Related parties	64,393	70,467
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5	Affiliates	3,374	5,653
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	Others	213	157
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7	Inventories, net	5,720	7,399
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	Prepaid income tax, net	13,016	1,523
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	Prepaid expenses	1,798	4,382
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	Total current assets	123,981	111,184
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Non-current assets

8	Property, plant and equipment, net	482,155	510,651
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5 & 21	Other accounts receivable - related parties	—	2,500
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9	Intangible assets, net	4,514	8,167
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	Advances to suppliers	1,880	46
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10	Investment in affiliate	48,634	50,443
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3	Restricted cash	2,540	2,139
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12	Right-of-use asset, net	124,735	—
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	Other assets	28	14
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	Total non-current assets	664,486	573,960
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TOTAL ASSETS

	\$ 788,467	\$ 685,144
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AES Panamá, S.R.L.

Statements of Financial Position (Continued)

As of December 31, 2019 and 2018

(Expressed in thousands of dollars of the United States of America)

<i>Notes</i>	<u>2019</u>	<u>2018</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable:		
Suppliers	\$ 16,332	\$ 13,886
5 Related parties	9,264	5,342
5 Affiliates	8,860	18,456
Interest payable	466	362
11 & 12 Accrued expenses and other liabilities	16,292	8,374
13 Loan payable	—	12,000
Total current liabilities	<u>51,214</u>	<u>58,420</u>
Non-current liabilities		
Seniority premium	646	623
Loan payable	—	—
Accounts payable	741	673
13 & 21 Bonds payable, net	373,274	372,658
20 Deferred income tax, net	81,360	86,733
8 Asset retirement obligation	1,500	1,438
5 & 12 Deferred income	—	7,004
12 Other liabilities	142,430	—
Total non-current liabilities	<u>599,951</u>	<u>469,129</u>
STOCKHOLDERS' EQUITY		
1 & 15 Authorized capital	115,365	141,139
Additional paid-in-capital	14,535	14,464
Retained earnings	9,646	4,314
Deemed tax	(161)	(161)
Other comprehensive loss of affiliate	(2,083)	(2,161)
Total stockholders' equity	<u>137,302</u>	<u>157,595</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 788,467</u>	<u>\$ 685,144</u>

The accompanying notes are an integral part of these financial statements.

AES Panamá, S.R.L.**Statements of Comprehensive Income****For the years ended December 31, 2019, 2018 and 2017***(Expressed in thousands of dollars of the United States of America)*

<i>Notes</i>		<u>2019</u>	<u>2018</u>	<u>2017</u>
	Revenue			
5	Electricity sales	\$ 338,193	\$ 363,429	\$ 342,619
	Operating costs and expenses			
5	Electricity purchases	152,007	125,989	106,572
5 & 12	Operating lease	—	18,213	18,585
	Other costs of electricity sales	24,675	35,483	43,444
5	Transmission costs	6,237	4,746	1,431
5, 12 & 17	Operating, general and maintenance expense	55,492	42,174	43,494
8 & 9	Depreciation and amortization	38,002	36,912	37,304
	Total operating costs and expenses	<u>276,413</u>	<u>263,517</u>	<u>250,830</u>
	Operating income	61,780	99,912	91,789
	Other (expenses) income			
12 & 18	Interest expense, net	(32,370)	(21,027)	(21,937)
8	Accretion expense	(62)	(60)	(57)
19	Other (expense) income, net	(466)	(409)	1,128
10	Equity (loss) earnings in investment in affiliate	(1,888)	6,386	4,578
	Total other expenses, net	<u>(34,786)</u>	<u>(15,110)</u>	<u>(16,288)</u>
	Income before income tax expense	26,994	84,802	75,501
20	Income tax expense	8,604	22,976	17,200
	Net income	<u>\$ 18,390</u>	<u>\$ 61,826</u>	<u>\$ 58,301</u>
	Amortization of other comprehensive income of affiliate	78	78	78
	Total other comprehensive income	<u><u>\$ 18,468</u></u>	<u><u>\$ 61,904</u></u>	<u><u>\$ 58,379</u></u>

The accompanying notes are an integral part of these financial statements

AES Panamá, S.R.L.
Statements of Changes in Stockholders' Equity
For the years ended December 31, 2019, 2018 and 2017
(Expressed in thousands of dollars of the United States of America)

	<i>Notes</i>	Authorized capital	Additional paid-in- capital	Retained earnings	Deemed tax	Other comprehensive loss of affiliate	Total stockholders' equity
Balance as of January 1, 2017		\$ 141,139	\$ 14,323	\$ 52,536	\$ (161)	\$ (2,317)	\$ 205,520
Net income		—	—	58,301	—	—	58,301
Other comprehensive income of affiliate		—	—	—	—	78	78
Total other comprehensive income		—	—	58,301	—	78	58,379
Dividends paid	5	—	—	(69,849)	—	—	(69,849)
Share based compensation		—	74	—	—	—	74
Balance as of December 31, 2017		141,139	14,397	40,988	(161)	(2,239)	194,124
Net income		—	—	61,826	—	—	61,826
Other comprehensive income of affiliate		—	—	—	—	78	78
Total other comprehensive income		—	—	61,826	—	78	61,904
Dividends paid	5	—	—	(98,500)	—	—	(98,500)
Share based compensation		—	67	—	—	—	67
Balance as of December 31, 2018		141,139	14,464	4,314	(161)	(2,161)	157,595
Net income		—	—	18,390	—	—	18,390
Other comprehensive income of affiliate		—	—	—	—	78	78
Total other comprehensive income		—	—	18,390	—	78	18,468
Dividends paid	5	—	—	(13,058)	—	—	(13,058)
Share based compensation		—	71	—	—	—	71
Capital reduction	5	(25,774)	—	—	—	—	(25,774)
Balance as of December 31, 2019		\$ 115,365	\$ 14,535	\$ 9,646	\$ (161)	\$ (2,083)	\$ 137,302

The accompanying notes are an integral part of these financial statements.

AES Panamá, S.R.L.
Statements of Cash Flow
For the years ended December 31, 2019, 2018 and 2017
(Expressed in thousands of dollars of the United States of America)

<i>Notes</i>		<u>2019</u>	<u>2018</u>	<u>2017</u>
	Cash flows from operating activities			
	Net income	\$ 18,390	\$ 61,826	\$ 58,301
	Adjustments to reconcile net income to net cash provided by operating activities:			
8	Depreciation	33,290	32,687	33,086
12 & 17	Right-of-use asset amortization	12,995	—	—
9	Amortization	4,700	4,211	4,204
	Amortization of other comprehensive income	12	14	14
19	Gain on sale of property, plant and equipment	(15)	(17)	(6)
19	Loss on retirement of property, plant and equipment	1,964	1,755	1,641
17	Obsolescence provision	107	403	337
8	Accretion expenses	62	60	57
	Interest income	(927)	(708)	(253)
	Interest expense	26,360	21,686	21,156
13	Amortization of deferred financing cost	1,067	980	851
13	Amortization of bond premium	(463)	(438)	(414)
5	Amortization of account receivable discount	(246)	(493)	739
10	Equity loss (earnings) in investment in affiliate	1,888	(6,386)	(4,578)
20	Income tax expense	8,604	22,976	17,200
3	Share-based compensation	71	67	74
	Cash flows before working capital movements	<u>107,859</u>	<u>138,623</u>	<u>132,409</u>
	Changes in operating assets and liabilities:			
	Decrease (increase) in accounts receivable	10,947	(762)	(7,692)
	Decrease (increase) in inventories	1,572	(1,832)	45
	Decrease (increase) in prepaid expenses	2,769	(3,679)	441
5 & 12	Increase in other long-term assets	(14)	—	—
	Increase in deferred income	—	5,583	5,955
	(Decrease) increase in accounts payable	(1,669)	5,565	(2,243)
	(Decrease) increase in accrued expenses and other liabilities	(4,722)	3,597	1,307
	Increase (decrease) in seniority premium	23	(244)	381
12	Increase in other long-term liabilities	8,166	—	—
	Interest received	926	710	250
20	Income tax paid	(25,471)	(24,765)	(22,551)
	Net cash provided by operating activities	<u>100,386</u>	<u>122,796</u>	<u>108,302</u>
	Carried forward....	\$ 100,386	\$ 122,796	\$ 108,302

AES Panamá, S.R.L.
Statements of Cash Flow (Continued)
For the years ended December 31, 2019, 2018 and 2017
(Expressed in thousands of dollars of the United States of America)

		<u>2019</u>	<u>2018</u>	<u>2017</u>
	Brought forward...	\$ 100,386	\$ 122,796	\$ 108,302
	Cash flows from investing activities			
	Advance payments for the acquisition of property, plant and equipment	(1,880)	(46)	(324)
8	Acquisition of property, plant and equipment	(7,858)	(10,870)	(18,267)
9	Acquisition of intangible assets	(958)	(1,829)	(45)
	Proceeds from the sale of property, plant and equipment	15	17	6
	Restricted cash	(401)	(384)	(386)
19	Insurance proceeds from property damage	—	—	1,472
5	Dividends received	—	—	1,775
	Net cash used in investing activities	<u>(11,082)</u>	<u>(13,112)</u>	<u>(15,769)</u>
	Cash flows from financing activities			
	Payment of interest	(22,500)	(22,500)	(22,500)
	Payment of loan	(37,000)	—	—
	Proceeds from new loans	25,000	12,000	—
	Payments of lease liabilities	(1,518)	—	—
8	Payment of financing for property, plant and equipment	(502)	(1,255)	(923)
	Payment of financing costs	(185)	—	—
5	Dividends paid	(13,058)	(98,500)	(69,849)
5	Capital reduction	(25,774)	—	—
	Net cash used in financing activities	<u>(75,537)</u>	<u>(110,255)</u>	<u>(93,272)</u>
	Net increase (decrease) in cash and cash equivalents	13,767	(571)	(739)
	Cash and cash equivalents at the beginning of the year	15,841	16,412	17,151
	Cash and cash equivalents at the end of the year	<u>\$ 29,608</u>	<u>\$ 15,841</u>	<u>\$ 16,412</u>
	Supplementary disclosure			
	Property, plant and equipment purchases not paid at year end	<u>\$ 1,641</u>	<u>\$ 3,200</u>	<u>\$ 3,978</u>
	Interest paid, capitalized in property, plant and equipment	<u>\$ 261</u>	<u>\$ 812</u>	<u>\$ 1,280</u>

The accompanying notes are an integral part of these financial statements.

1. Organization and Nature of Operations

AES Panamá, S.R.L. (the Company) was incorporated on October 26, 1999 as a result of the merger of Empresa de Generación Eléctrica Chiriquí, S. A. (Chiriquí) and Empresa de Generación Eléctrica Bayano, S. A. (Bayano). Chiriquí and Bayano were incorporated as companies on January 19, 1998 in connection with the privatization and restructuring of the Panamanian energy industry. The Company operates a hydroelectric plant with an installed capacity of 260 ("MW") in Bayano and three hydroelectric plants located in the Province of Chiriquí; La Estrella, Los Valles and Estí with an installed capacity of 47, 55 and 120 MW respectively.

The Company began the installation of a thermal power plant barge called "Thermal Power Barge Project Estrella del Mar I " with an installed capacity of 72 MW using Bunker C (Fuel Oil No. 6) as its main fuel, in late 2014. It is located in Cativá, Province of Colón and began operating on March 25, 2015. With the installation of this new thermal power plant the Company has a total capacity of 554 megawatts.

On September 25, 2013, the Company converted into equity ownership the accounts receivables with its affiliate AES Changuinola, S.R.L. for \$63,277 generated by the energy supply contract that both companies maintain. Through this transaction, AES Panamá, S.R.L. became the owner of 20% of AES Changuinola, S.R.L. On November 25, 2013, the transaction was completed upon the transfer and issuance of the corresponding shares.

On October 16, 2014, the transformation of AES Panamá, S.A. into AES Panamá, S.R.L. (limited liability company), was registered in the Public Registry of Panama. The change was approved by the Company's Board of Directors and Stockholders. As a result of this change, the Company canceled its outstanding common stock and issued participating stock to its members representing the same percentage of ownership. In addition, treasury stock was canceled.

On June 25, 2015, as result of a corporate restructuring, the stockholders approved the transfer of participating stock owned by AES Panamá Energy, S.A. in favor of AES Elsta, B.V., 100% indirect subsidiary of The AES Corporation (the Corporation), a global energy company, based in Arlington, Virginia, (United States of America). The transfer was duly registered in the Public Registry of Panama effective on September 30, 2015.

As a consequence of a corporate restructuring on December 4, 2018, through a partners meeting, the Company approved the assignment of 100% of the shares owned by AES Elsta, B.V. in favor to AES Global Power Holdings, B.V., a company registered under the laws of the Netherlands, indirectly owned 100% by the Corporation.

In June and December 2019, in extraordinary partners meetings, it was decided to reduce the authorized capital of the Company by \$19,000 and \$6,774, respectively, with the purpose of returning

1. Organization and Nature of Operations (continued)

capital to the shareholders. As a result of this reduction, the authorized capital of the Company decreased from \$141,139 to \$115,365, reducing the value of each shares to \$0.537287 and maintaining the same amount of shares of 214,717,428.

As of December 31, 2019, AES Global Power Holdings, B.V., owns 105,353,687 (49.07%) of the Company's authorized capital and the Republic of Panama owns 108,347,536 (50.46%) of the Company's authorized capital, and other partners own 1,016,205 (0.47%) of the Company's authorized capital.

The Company generates and sells electricity in the Panamanian market and the Regional Electric Market (MER), where the Panamanian electric market is regulated by the Autoridad Nacional de los Servicios Públicos (ASEP by its initials in Spanish), formerly Regulator of Public Services.

As of December 31, 2019, the total energy capacity of the plants in operation of the Company are contracted under several energy purchases agreements to purchase-sell electrical power and energy with large customers, distribution companies and AES Changuinola, S.R.L. These agreements have terms of six, ten and thirty years. Excess energy is sold in the spot market at the prevailing rates (spot price).

The main offices of the Company are located in Business Park II, Tower V, 11th floor, Paseo Roberto Motta, Costa del Este, Panama, Republic of Panama.

2. Basis of Preparation

The financial statements of AES Panama, S.R.L. have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements were authorized by the Controller for issuance on April 8, 2020.

Basis for measurement

The financial statements have been prepared based on historical cost, except for certain items that have been valued as indicated in the accounting policies detailed in Note 3.

Presentation currency

The functional currency of the Company is the dollar of the United States of America, which is the currency used in the Company's activities and significant contracts. The monetary unit of the Republic of Panama is the balboa. The balboa is on par and is free exchange with the dollar of the United States of America and is freely convertible.

2. Basis of Preparation (continued)

Estimates and significant accounting assumptions

The preparation of the financial statements in accordance with IFRS requires the administration to make judgments, estimates and assumptions that affect the reported amounts in assets, liabilities, revenues and expenses. Actual results might differ from these estimates.

Estimates and assumptions are reviewed periodically. The results of the revisions of accounting estimates are recognized in the period in which they have been reviewed and any other future periods that they affect.

The relevant estimates that are particularly susceptible to significant changes are related to the estimation of the useful lives of the assets, the determination of contingent liabilities, the fair value of financial instruments, the valuation of deferred income taxes and the provision for inventory obsolescence.

3. Summary of Accounting Policies

The accounting policies described below have been consistently applied in the years presented in these financial statements by the Company, except for IFRS 16.

Financial instruments

Initial recognition and measurement

Financial instruments are initially recognized when the Company becomes a contractual party of the instrument, with the exception of accounts receivable that are initially recognized when they originate.

A financial instrument, with the exception of accounts receivable that do not contain a significant financing component, is initially measured at its fair value plus transaction costs that are directly attributable to its acquisition or issue. Account receivables that do not contain a significant financing component are initially measured at the transaction price.

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The Company does not choose to irrevocably designate the measurement of financial assets at fair value through profit or loss or other comprehensive income.

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Classification and measurement

Financial assets (including loans and accounts receivable) are not reclassified after initial recognition unless the Company changes the business model to manage financial assets, in which case all affected financial assets are reclassified on the first day of the first presentation period after the change in the business model, which is revised annually.

The Company measures financial assets at amortized cost if both of the following conditions are met:

- It is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, exchange gains or losses and impairment are recognized in profit or loss. Any gain or loss at the time of derecognizing assets is recognized in profit or loss.

A financial asset is measured at fair value through Other Comprehensive Income ("OCI") if the following conditions are met:

- It is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments recognized at fair value through OCI are subsequently measured at fair value. Interest income, calculated using the effective interest method, exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. When the assets are derecognized, the gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Investments in equity instruments recognized at fair value through OCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss, unless the dividend represents a recovery of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and they are not reclassified to profit or loss.

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

All financial assets that are not measured at amortized cost or fair through OCI, as described above, are measured at fair value through profit or loss. This measurement category includes all derivative financial instruments.

Evaluation of the business model

The Company performs an annual evaluation of its operations to determine how it manages its financial assets, designates its business model and the groups of financial assets to achieve a specific business objective, which will not depend on the intentions of management for an individual instrument.

The levels of aggregations considered by the administration to perform the evaluation of the business model are five: cash and cash equivalents, accounts receivable trade, accounts receivable related parties, accounts receivable affiliates and other accounts receivable.

The Company's business model is to recover the contractual cash flows at maturity in order to comply with the administration's objectives. In situations of credit or liquidity risks, the Company may consider the sale of financial assets; however, the frequency, value and timing of sales of financial assets in prior periods are evaluated to determine whether they represent a change in the way financial assets are managed.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. The expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For the determination and valuation of the expected credit losses, the Company adopted the simplified approach and the presumption of "default" after 90 days, for all customers with the exception of accounts receivable from government customers for which the default was defined as of 365 days.

In the estimation of impairment, the Company uses historical information on the behavior of the portfolio and of the recoveries during the last three years, excluding balances with guarantees. This matrix is reviewed every three years, unless there are new conditions or changes that materially affect the behavior of the recovery of financial assets.

3. Summary Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

The Company uses historical information and analyzed variables that affect and help to predict the behavior of the recoverability of financial assets, none of which showed an adequate correlation. However, the Company periodically performs qualitative risk analyzes to identify changes in the estimated losses. As of December 31, 2019 and 2018, the Company determined that there were no indications of doubtful accounts.

Financial asset derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; or when the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow in full without material delay to a third party under a pass-through arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Cash and cash equivalents

The Company considers as cash and cash equivalents its petty cash, bank deposits and time deposits with initial maturity dates that are less than 3 months.

Inventory

The inventories, which mainly consist of fuels, materials and spare parts are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories includes all costs of purchase, conversion and other costs incurred to give them its present location and condition. The cost of inventories is assigned using the weighted average cost method. The Company performs physical inventories and any difference is adjusted

3. Summary Accounting Policies (continued)

Inventory (continued)

in the statements of comprehensive income. During the years ended December 31, 2019, 2018 and 2017, the Company recognized a provision for obsolescence of \$107, \$403 and \$337, respectively (Note 7).

Property, plant and equipment

Property, plant, and equipment is initially stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. When assets are sold or written off, the corresponding cost and accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is reflected in the statements of comprehensive income. When the property, plant and equipment have different useful lives, they are accounted for separately.

Depreciation

Depreciation is calculated according to the useful lives of the respective assets using the straight-line method. The depreciation rates used are based on the estimated useful lives of the assets and are detailed below:

	<u>Useful lives</u>
Buildings	30 to 60 years
Electricity generation facilities (generation equipment)	10 to 80 years
Electricity generation facilities (electricity equipment)	15 to 40 years
Electricity generation facilities (transmission equipment)	15 to 35 years
Electricity generation facilities (generating units)	5 to 8 years
Transportation equipment	3 to 5 years
Office furniture and equipment	3 to 8 years

An item of property, plant and equipment is derecognized upon disposal or when the Company considers that no further economic benefits will be received from the asset in the future. Any loss or gain resulting from the disposal of an asset, calculated as the difference between its net carrying amount and the proceeds of the sale, is recognized in the statements of comprehensive income of the period in which the transaction occurs.

Asset retirement obligation

The Company records the fair value of a liability from a contractual obligation to retire an asset in the period in which the obligation is incurred. When a new liability is recognized, the Company capitalizes the costs of the liability by increasing the carrying amount of the related long-lived asset.

3. Summary of Accounting Policies (continued)

Asset retirement obligation (continued)

The liability is accreted to its present value each period and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the obligation, the Company eliminates the liability and, based on the actual cost to retire, may incur a gain or loss.

Major and minor maintenance

Disbursements for major maintenance represent the reconditioning of the plant or other assets. These expenses are capitalized and amortized based on the useful life of each asset. Minor maintenance expenses are charged directly to operating, general and maintenance expense in the statements of comprehensive income.

Construction in progress

Construction in progress payments, engineering costs, insurance, salaries, interest and other costs directly relating to construction in progress are capitalized during the construction period. Construction in progress balances are stated at cost and transferred to electricity generation assets when an asset group is ready for its intended use.

Intangible Assets

Intangible assets acquired separately are initially recorded at cost. Subsequent to their initial recognition, intangible assets are accounted for at cost less accumulated amortization and the accumulated amount of any impairment loss as applicable.

The estimated useful lives for intangible assets are detailed below:

	<u>Useful lives</u>
Licenses and software	3 to 10 years
Contracts	5 years

Impairment of non-financial assets

The Company reviews the carrying amounts of its non-financial assets at the end of each year in order to identify impairments or when facts or circumstances indicate that the amounts recorded may not be recoverable.

3. Summary of Accounting Policies (continued)

Impairment of non-financial assets (continued)

If such indication exists and the carrying amount exceeds the recoverable amount, the Company values the assets or cash-generating units at their recoverable amount, defined as the greater of their fair value less selling costs and their value in use. The adjustments generated by this concept are recorded in the results of the year in which they are determined.

The Company evaluates at the end of each year if there is any indication of the impairment loss of the value for a non-financial asset. If there is such an indication, the Company re-estimates the recoverable value of the asset and, if applicable, reverses the loss by increasing the asset to its new recoverable amount, which will not exceed the net book value of the asset before recognizing the loss for deterioration, recognizing the credit in the statements of comprehensive income of the period.

Investment in affiliate

Investments in entities over which the Company has the ability to exercise significant influence, but not control, are accounted for using the equity method of accounting and reported as “Investment in affiliate” on the statements of financial position. The Company periodically assesses if there is an indication that the fair value of an equity method investment is less than its carrying amount. When an indicator exists, any excess of the carrying amount over its estimated fair value is recognized as impairment when the loss in value is deemed to be other-than-temporary.

The Company discontinues the application of the equity method when an investment is reduced to zero and the Company is not otherwise committed to provide further financial support to the investee.

The Company resumes the application of the equity method if the investee subsequently reports net income to the extent that the Company’s share of such net income equals the share of net losses not recognized during the period in which the equity method of accounting was suspended.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3. Summary of Accounting Policies (continued)**Leases (continued)***Right-of-use assets*

The Company recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	<u>Useful lives</u>
Land	1 year
Buildings	5 years
Generation facility	11 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflect the exercise of a purchase option, amortization is calculated using the estimated useful lives of the assets. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, of the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount

3. Summary of Accounting Policies (continued)

Lease liabilities (continued)

of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low value assets

The Company applied the short-term lease recognition exemption to its short-term leases of machinery and equipment, if those leases have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases and leases of low value assets are recognized as expenses on a straight line basis over the lease term.

Deferred financing costs

Financing costs related to long-term debt are deferred and amortized using the effective interest method, over the term of such financings. The total net balance of deferred financing costs is presented as a direct reduction from the face amount of the related debt. The Company recorded amortization expense of \$1,067, \$980 and \$851, net of capitalization, for the years ended December 31, 2019, 2018 and 2017, respectively.

The Company capitalizes as part of the cost of the assets those financing costs directly attributable to the acquisition, construction, production or installation of an asset that requires a period of time to be ready for its intended use. Financing costs that do not meet the criteria for capitalization are recorded in the statements of comprehensive income of the year in which they are incurred.

Financial liabilities

Recognition and measurement

Financial liabilities (including loans and accounts payable) are initially recognized at fair value plus costs directly attributable to the transaction. In case of maintaining a financial liability for trading, it would be measured at fair value with changes in profit and loss.

After initial recognition, financial liabilities are measured at amortized cost; any difference between the financial liability (net of transaction costs) and the value of the deferred financing cost is recognized in the statements of comprehensive income over the period of the loans using the effective interest method. The Company recognizes gains or losses in the statements of comprehensive income of the period when the financial liability is written off.

3. Summary of Accounting Policies (continued)

Recognition and measurement (continued)

The amortized cost of a financial instrument is defined as the amount at which the financial instrument was measured on the date of initial recognition less capital payments, plus or minus the accumulated amortization, applying the effective interest rate method, of any difference between the initial amount and the amount due, less any provision.

Derecognition of financial liabilities

Financial liabilities are derecognized by the Company when the obligation under the liability is discharged, canceled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of comprehensive income.

Provisions

A provision is recognized when the Company has a present obligation, legal or constructive, as the result of a past event, and it is probable that the Company will require cash resources to settle the obligation and the amount of the obligation can be measured reliably. The amount of the provisions recorded are assessed periodically and the necessary adjustments are recorded in the results of the year.

Net income per share

Net income per share measures the performance of an entity over the reported period and it is calculated by dividing net income by the amount of the weighted average outstanding shares during the year. The weighted average outstanding shares is 214,717,428 for the years 2019, 2018 and 2017.

Revenue recognition and concentration

The Company derives its revenue from the sale of electricity through contracts or the spot market. Revenue is recognized upon the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

The electricity is sold to distribution companies, customers and other spot market agents. Our generation contracts, based on specific facts and circumstances, can have one or more performance obligations as the promise to transfer energy and capacity may or may not be distinct depending on

3. Summary of Accounting Policies (continued)

Revenue recognition and concentration (continued)

the nature and terms of the contract. As the performance obligations are generally satisfied over time and considers the output method to measure progress, the performance obligations meet the criteria to be considered a series.

For the year ended December 31, 2019, 97% of electricity sales were derived from sales to distribution companies (EDEMET, EDECHI and ENSA), reserve contracts with AES Changuinola, S.R.L. and large customers. For the years ended December 31, 2018 and 2017, 86% of electricity sales were derived from sales to distribution companies, reserve contracts with AES Changuinola, S.R.L. and large customers.

Interest income

Interest income corresponds to interest earned on bank and time deposits, calculated at the applicable effective interest rate, commercial interest income that is determined by customer contracts and other agreements.

Income tax

Income tax for the year includes both current tax and deferred tax. The income tax is recognized in the statements of comprehensive income of the current year or in equity, as appropriate. The current income tax refers to the estimated tax payable on the taxable profit of the year, using the rate enacted at the date of the statement of financial position. The deferred income tax is calculated based on the liability method, considering the temporary differences between the carrying amount of the assets and liabilities reported for financial purposes, and the amounts used for tax purposes.

The amount of deferred income tax is based on the form of realization of the assets and payment of liabilities, considering the tax rate that is expected to be applied in the period in which it is estimated that the asset will be realized or that the liability will be paid. Deferred income tax assets are recognized to the extent that it is probable that sufficient taxable benefits will be available in the future, against which temporary differences may be used.

Commitments and contingencies

All losses from contingent liabilities arising from claims, litigation, agreements, penalties and others, are recognized when it is probable that the liability will have to be incurred and the amounts of expenses could be reasonably estimated. Legal costs related to contingencies are recognized as an expense when incurred.

3. Summary of Accounting Policies (continued)

New and amended standards and interpretations

The Company has initially adopted some standards and modifications effective January 1, 2019 are described below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statements of financial position.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application at January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application, therefore previous period comparative figures were not adjusted in the financial statements. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at January 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Leases previously accounted for as operating leases

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low value assets.

The right-of-use assets for most leases were recognized based on the carrying amount of the asset as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

3. Summary of Accounting Policies (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

The effect of adoption IFRS 16 as of January 1, 2019, was as follow:

- Right-of-use assets of \$137,730 were recognized and presented separately in the statements of financial position.
- Lease liabilities of \$144,644 were recognized and presented in the statements of financial position in accrued expenses and other liabilities for the short term portion and other liabilities for the long term portion.
- Deferred tax assets increased by \$2,074 because of the deferred tax impact of the change in assets and liabilities.

The lease liabilities as of January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018, as follows:

Reconciliation of commitments to lease liability:

Operating lease commitments as of December 31, 2018	\$ 225,652
Weighted average incremental borrowing rate as of January 1, 2019	7.07%
Discounted operating lease commitments as of January 1, 2019	144,644
Lease liabilities as of January 1, 2019	\$ 144,644

In connection with the transition to the new standard, management has applied judgment and formed assumptions in relation to assessing the incremental borrowing rate, service component and extension options of leasing arrangements. Management has formed its judgments and assumptions based on historical experience, internal and external data points.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation did not have an impact on the financial statements of the Company.

Standards issued but not yet effective

The Company does not believes any impact associated with the new and amended standards and interpretations issued but not yet effective, will be material to the financial statements of the Company.

AES Panamá, S.R.L.**Notes to Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***4. Cash and cash equivalents**

As of December 31, 2019 and 2018, cash and cash equivalents are composed of the following:

	<u>2019</u>	<u>2018</u>
Petty cash	\$ 10	\$ 10
Bank deposits	13,552	5,831
Time deposits	16,046	10,000
	<u>\$ 29,608</u>	<u>\$ 15,841</u>

The average interest rate for time deposits with maturities of less than 3 months is 1.58%, 2.02% and 1.33% for the years 2019, 2018 and 2017, respectively.

5. Balances and Transactions with Affiliates and Related Parties

The balances and transactions with related parties as of December 31, 2019 and 2018, are as follows:

<u>In the statements of financial position:</u>	<u>2019</u>	<u>2018</u>
<u>Accounts receivable-related parties short-term:</u>		
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	\$ 29,425	\$ 31,678
Elektra Noreste, S.A. (ENSA)	14,945	10,911
Empresa de Transmisión Eléctrica, S.A. (ETESA)	3,149	9,622
Ministerio de Economía y Finanzas	9,580	9,333
Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI)	5,846	5,955
Caja de Seguro Social	1,126	1,900
Bahía Las Minas, Corp.	8	591
Enel Fortuna, S.A.	103	342
Electropaulo Metropolitana Electricidade de Sao Paulo S.A.	62	62
Contraloría General de la República	127	53
Autoridad del Canal de Panamá	22	20
	<u>\$ 64,393</u>	<u>\$ 70,467</u>
<u>Other accounts receivable-related parties long-term:</u>		
Empresa de Transmisión Eléctrica, S.A. (ETESA)	—	2,500
	<u>\$ —</u>	<u>\$ 2,500</u>

AES Panamá, S.R.L.**Notes to Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***5. Balances and Transactions with Affiliates and Related Parties (continued)**

<u>In the statements of financial position:</u>	<u>2019</u>	<u>2018</u>
<u>Accounts payable:</u>		
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	\$ 1,065	\$ 1,601
Enel Fortuna, S. A.	4,422	1,401
Autoridad del Canal de Panamá	186	995
Empresa de Transmisión Eléctrica, S.A. (ETESA)	219	822
Elektra Noreste, S.A. (ENSA)	2,104	334
Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI)	157	85
Empresa de Generación Eléctrica, S.A. (EGESA)	51	75
Electropaulo Metropolitana Electricidade de Sao Paulo S.A.	22	22
Bahía Las Minas, Corp.	1,038	7
	<u>\$ 9,264</u>	<u>\$ 5,342</u>

In the statements of comprehensive income, the transactions with related parties during the years ended December 31, 2019, 2018 and 2017, are as follows:

<u>In the statements of comprehensive income</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Electricity sales:</u>			
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	\$ 180,122	\$ 199,752	\$ 190,519
Elektra Noreste, S.A. (ENSA)	91,022	68,441	58,021
Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI)	34,900	36,846	37,137
Bahía Las Minas, Corp.	233	3,429	3,350
Empresa de Transmisión Eléctrica, S.A. (ETESA)	1,262	3,019	17,990
Caja de Seguro Social	3,031	2,871	3,282
Enel Fortuna, S.A.	261	2,556	3,421
Contraloría General de la República	507	444	587
Autoridad del Canal de Panamá	64	412	124
	<u>\$ 311,402</u>	<u>\$ 317,770</u>	<u>\$ 314,431</u>
<u>Transmission costs:</u>			
Empresa de Transmisión Eléctrica, S.A. (ETESA)	\$ 6,186	\$ 4,662	\$ 1,347
Bahía Las Minas, Corp.	51	84	84
	<u>\$ 6,237</u>	<u>\$ 4,746</u>	<u>\$ 1,431</u>

5. Balances and Transactions with Affiliates and Related Parties (continued)

<u>In the statements of comprehensive income</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Electricity purchases:</u>			
Enel Fortuna, S.A.	\$ 13,887	\$ 6,071	\$ 4,476
Autoridad del Canal de Panamá	9,997	4,996	5,555
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	21,790	2,667	593
Bahía Las Minas, Corp.	12,961	726	200
Empresa de Transmisión Eléctrica, S.A. (ETESA)	2,161	633	143
Elektra Noreste, S.A. (ENSA)	7,297	458	119
Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI)	3,195	185	365
Empresa de Generación Eléctrica (EGESA)	98	12	15
Tesoro Nacional	—	—	42
Ensa Group, LLC	—	—	4
	<u>\$ 71,386</u>	<u>\$ 15,748</u>	<u>\$ 11,512</u>
<u>Electricity Purchases: (Compensation):</u>			
Ministerio de Economía y Finanzas (Compensation)	\$ —	\$ —	\$ 4
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4</u>
<u>Other costs of electricity sales: (variable transmission costs):</u>			
Empresa de Transmisión Eléctrica, S.A. (ETESA)	\$ 1,725	\$ 3,662	\$ 5,167
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	568	881	845
Elektra Noreste, S.A. (ENSA)	—	65	113
	<u>\$ 2,293</u>	<u>\$ 4,608</u>	<u>\$ 6,125</u>
<u>Interest expense, net:</u>			
Ministerio de Economía y Finanzas (amortization of compensatory fund)	\$ (246)	\$ (493)	\$ 739
	<u>\$ (246)</u>	<u>\$ (493)</u>	<u>\$ 739</u>

The Panamanian Government owns 50.46% of the Company's authorized capital and has a significant investment in the generation, distribution and transmission companies in the electric power industry in Panama. Consequently, all the transactions with these companies are considered transactions with related parties.

5. Balances and Transactions with Affiliates and Related Parties (continued)

Government Compensation

To reduce the impact of high spot market prices on hydro companies due to the transmission constraints to transport energy from the west of the country, delays in expansion projects and transmission line improvements, in 2013, the Panamanian Government began to negotiate compensation mechanisms.

The Government agreed to reimburse the difference between the cost at which the Company purchased energy in the spot market and the price at which the Company sells that energy under the PPAs with the Distribution Companies for an agreed quantity of 70 MW per hour, but subject to a maximum reimbursement of \$40,000 in 2014 and \$30,000 in 2015 and 2016.

On April 20, 2015, the Comptroller General of Panama filed a motion before the Supreme Court of Justice to determine whether or not the resolution of the Panamanian Government that authorized the compensation to AES Panamá, S.R.L. (Cabinet Resolution No. 42 dated March 31, 2014, or the Cabinet Resolution) contravened certain articles of the Panamanian Constitution. Pursuant to Panamanian law, the Supreme Court of Justice requested the Attorney General of Panama to render an opinion on the motion.

On May 7, 2015, the Attorney General opined that the Cabinet Resolution should be declared unconstitutional. The Supreme Court of Justice ordered that a summons be published in a local newspaper for 3 consecutive days, so that within 10 business days of the last publication date, the Comptroller General of Panama and any other person may submit written arguments on the merits of the case. In July 2015, AES Panamá, S.R.L. lawyers submitted its closing arguments. On February 8, 2017, the Supreme Court of Justice declared non-viable, the unconstitutionality challenge presented by the Comptroller General of Panama against Cabinet Resolution No. 42 of March 31, 2014, issued by the Executive branch of the Republic of Panama.

In October 2017, the Comptroller General of Panama filed the following legal actions: (i) a Contentious Administrative Action of Nullity against Cabinet Resolution No. 42 of March 31, 2014 and Agreement No. 001-2014 of April 29, 2014 signed between the Ministry of Economy and Finance and AES Panamá, S.R.L. The Company has not had formal access to the process, nor has it been incorporated as a party. The claim was accompanied by a request for provisional suspension of the effects of the acts filed. The Third Chamber of the Supreme Court has not manifested itself with respect to said request; (ii) Action of Unconstitutionality against Cabinet Resolution No. 42 of March 31, 2014. Currently, said action was admitted and is pending a fiscal hearing or opinion by the Attorney General's Office.

5. Balances and Transactions with Affiliates and Related Parties (continued)

Government Compensation (continued)

Through resolution dated December 19, 2017, the claim is admitted and is sent to the Attorney General's Office. Through Vista No. 017 of January 5, 2018, the Public Prosecutor of the Administration requests that the submitted petition be declared non-viable. Subsequently, by resolution dated January 16, 2018, it is ordered to publish an edict for up to three (3) business days in a newspaper of national circulation so that, within 10 days from the last publication, the interested parties present arguments for written. During March 2018, some arguments were presented, however, the Attorney General's Office is still pending to resolve the merits of the case. Resolution has not been reached as of December 31, 2019.

As of December 31, 2019, the Company has invoiced \$46,174 and collected \$36,594 in reimbursements reducing the costs of our purchases of electricity. As of December 31, 2019, the balance of this account receivable amounts to \$9,580 and is presented as accounts receivable related parties in the current assets in the statements of financial position.

Rate Adjustment Refund

On September 27, 2017, ASEP issued Resolution AN No. 11667 - Elec, authorizing ETESA to defer the rate refund of years 2, 3 and 4 to the Market Agents of the tariff period from July 2013 to June 2017, as a result of the review of Charges for Use and Connection of the Transmission System (CUSPT) and of the Integrated Operation Service (SOI), so that it becomes effective as of July 2021, for a period of 8 years.

ASEP through Resolution AN No. 11872 modified the repayment periods to 5 years for adjustments to CUSPT and to 2 years for adjustments to SOI, both to be effective from July 2021.

ETESA confirmed the amounts of the return applicable to the tariff adjustment to AES Panamá, S.R.L. for the total amount of \$2,310 plus interest, which are recorded in the accounts receivable related parties in the statements of financial position.

On May 10, 2019, the ASEP issued Resolution AN No. 13350 - Elec, which orders ETESA to apply to the market agents the rate adjustment for year 4 of the tariff period from July 2013 to June 2017 according to the established procedure. The amount applicable to the rate adjustment to the Company for year 4 is \$270 plus interest, which are recorded in accounts receivable related parties in the statements of financial position as of December 31, 2019.

AES Panamá, S.R.L.**Notes to Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***5. Balances and Transactions with Affiliates and Related Parties (continued)**

The balances and transactions with affiliates as of December 31, 2019 and 2018, are as follows:

<u>In the statements of financial position:</u>	<u>2019</u>	<u>2018</u>
<u>Accounts receivable affiliates:</u>		
AES Global Power Holdings B.V.	\$ 1,455	\$ 1,455
AES Changuinola, S.R.L.	1,075	1,030
Global Energy Holdings C.V.	189	189
AES Tietê Energia S.A.	177	177
AES Argentina Generacion S.A.	134	134
Gas Natural Atlántico S. de R.L.	97	2,399
AES Latin America S. de R.L.	30	67
The AES Corporation	14	14
Other affiliates	203	188
	<u>\$ 3,374</u>	<u>\$ 5,653</u>
<u>Accounts payable affiliates:</u>		
AES Solutions, LLC	\$ —	\$ 2,917
Gas Natural Atlántico S. de R.L.	3,203	—
AES Changuinola, S.R.L.	1,939	15,344
AES Latin America S. de R.L.	3,517	—
The AES Corporation	16	20
Other affiliates	185	175
	<u>\$ 8,860</u>	<u>\$ 18,456</u>

Sales-purchases energy - AES Changuinola, S.R.L.

On March 9, 2007, the Company signed a reservation contract No. 01-07 with AES Changuinola, S.R.L., for the purchase and sale of power and energy, which, after having been modified by several amendments, became administered as a physical contract as of January 1, 2014.

As a result of the signed amendments, as of January 2014, the existence of an operating lease was determined for the portion corresponding to the capacity of \$615 per month, increasing to \$1,491 as of 2016 and \$1,521 as of June 1, 2018 until the year 2030.

Due to the adoption of the new standard IFRS 16, as of January 1, 2019, the Company recognized a right-of-use asset (electricity generation facility) and lease liability for this lease previously classified as operating leases (Note 12).

AES Panamá, S.R.L.**Notes to Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***5. Balances and Transactions with Affiliates and Related Parties (continued)***Sales-purchases energy - AES Changuinola, S.R.L. (continued)*

On June 30, 2015, the Company signed with AES Changuinola, S.R.L., a capacity reserve contract for a period of 5 years, beginning July 1, 2015. On August 16, 2017, amendment No.1 was signed, increasing the amount of contracted capacity from October 1, 2017 until June 30, 2020.

Sales-purchases energy - Gas Natural Atlántico, S. de R.L.

On March 1, 2016, the Company signed with Gas Natural Atlántico, S. de R.L., a subsidiary of the Corporation, a framework contract for the purchase and sale of firm capacity for a period of three years with automatic extension. Additionally, AES Panamá, S.R.L. maintains energy purchases and sales with Gas Natural Atlántico, S. de R.L., through the spot market.

The transactions with affiliates for the years ended December 31, 2019, 2018 and 2017 in the statements of comprehensive income, are as follows:

<u>In the statements of comprehensive income:</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Electricity Sales:</u>			
AES Changuinola, S.R.L.	\$ 3,723	\$ 6,045	\$ 4,778
Gas Natural Atlántico S. de R.L.	1,037	5,324	—
Empresa Eléctrica de Oriente, S.A. de C.V.	—	—	112
	<u>\$ 4,760</u>	<u>\$ 11,369</u>	<u>\$ 4,890</u>
<u>Electricity purchases:</u>			
AES Changuinola, S.R.L.	\$ 9,597	\$ 93,487	\$ 79,612
Gas Natural Atlántico S. de R.L.	22,786	439	—
AES CLESA y Cía, S. en C. de C.V.	31	—	—
	<u>\$ 32,414</u>	<u>\$ 93,926</u>	<u>\$ 79,612</u>
<u>Operating, general and maintenance expense (Management fee):</u>			
AES Solutions LLC	\$ 3,413	\$ 5,803	\$ 6,415
AES Latin America S. de R.L.	3,516	—	—
AES Servicios América S.R.L.,	174	139	117
	<u>\$ 7,103</u>	<u>\$ 5,942</u>	<u>\$ 6,532</u>
<u>Other (expense) income, net (Administrative services income):</u>			
- AES Changuinola, S.R.L.	\$ 792	\$ 1,092	\$ 856
	<u>\$ 792</u>	<u>\$ 1,092</u>	<u>\$ 856</u>

5. Balances and Transactions with Affiliates and Related Parties (continued)

Management fee expenses

- In November 2010, the Company entered into a management contract with AES Solutions LLC, a subsidiary of the Corporation. The contract provides that the annual management fee will be for the minimum amount of \$4,000; and shall be adjusted annually due to changes in inflation. The Administrative Council approves the charges every six months which, annually, should be at least the minimum amount agreed. The total fees charged as management fee are included in operating, general and maintenance expenses in the statements of comprehensive income amounted to \$3,413, \$5,803 and \$6,415 for the years ended December 31, 2019, 2018 and 2017, respectively.

In June 2019, the Company signed an amendment to this contract in which AES Solution LLC transfers all the obligations and rights of the contract to its subsidiary AES Latin America S. de R.L. being thus the benefits of the services between AES Panamá, S.R.L and AES Latin America S. de R.L. During the year 2019, the transactions generated by this contract amounted to \$3,516, which are presented as management fee in operating, general and maintenance expenses in the statements of comprehensive income.

- The Company maintains a technical assistance agreement with AES Servicios América S.R.L., a subsidiary of the Corporation. For the years ended December 31, 2019, 2018 and 2017, fees were \$77, each year, included in operating, general and maintenance expenses in the statements of comprehensive income as management fee.
- In June 2017, AES Panamá S.R.L. signed a human resources services agreement with AES Servicios América, S.R.L. which consists of payroll supervision, validation of calculations and coordination of all activities performed by the external payroll consultant. For the years ended December 31, 2019, 2018 and 2017, the fees for this concept were \$97, \$62 and \$40, respectively, included in operating, general and maintenance expenses in the statements of comprehensive income as management fee.

Administrative services income

- The Company has a management contract with AES Changuinola, S.R.L. which was modified in January 2017 establishing a change in the methodology for calculating the fees, using as a basis the costs incurred plus 5%. For the years ended December 31, 2019, 2018 and 2017, the total fees charged as administrative services income are included in other income (expenses), net in the statements of comprehensive income amounted to \$792, \$1,092 and \$856, respectively.

5. Balances and Transactions with Affiliates and Related Parties (continued)

Rental income

As of December 31, 2019, 2018 and 2017, the Company billed rents to affiliated companies in the amount of \$270 each year. These contracts have a duration of one year with option for automatic renewal. The last renewal will expire in February 2021. Rental income is recorded in the other income (expense), net account in the statements of comprehensive income.

Income from reimbursable expenses

On May 30, 2019, the Company signed an expense reimbursement contract with AES Andrés DR, S.A, for a maximum amount of \$300, effective until April 30, 2022. As of December 31, 2019, income has been recorded for reimbursable expenses related to this contract for \$110 in the statements of comprehensive income as a decrease in operating, general and maintenance expense, within salaries and other benefits.

Insurance

The Company maintains an all risk insurance policy with ASSA Compañía de Seguros, S.A. ("ASSA"). This insurance company, in turn, diversifies the risk by reinsuring with a group of insurance companies among which includes a related party of the Company, AES Global Insurance Corporation. The policy taken with ASSA covers all operational risks including machinery breakdown and business interruption. For this contract, the Company has recorded insurance expense of \$4,565, \$4,011 and \$4,007 for the years ended December 31, 2019, 2018 and 2017, respectively. These amounts are classified as operating, general and maintenance expense in the statements of comprehensive income.

On February 17, 2017, the agreement between AES Panama, S.R.L. and ASSA, for reimbursement of costs related to the repair of the No.1 unit Bayano Hydroelectric Plant by the amount of \$1,472 was settled and was recorded in the other income (expense), net in the statements of comprehensive income. The payment was received on March 13, 2017.

Dividends

For the years ended December 31, 2019, 2018 and 2017, the Company declared and paid dividends to its partners of \$13,058, \$98,500 and \$69,849, respectively. On the other hand, the Company has just received dividends from its affiliate AES Changuinola, S.R.L. during December 2017 for \$1,775.

5. Balances and Transactions with Affiliates and Related Parties (continued)*Capital reduction*

The Company reduced the authorized capital by \$25,774 with the purpose of returning capital to the shareholders during 2019. As a result of this reduction, the authorized capital of the Company decreased from \$141,139 to \$115,365.

6. Accounts receivable - trade

As of December 31, 2019 and 2018, accounts receivable trade had a balance of \$5,859 and \$5,762, respectively. Its maturities are short term and do not include past due or impaired balances.

7. Inventory, net

As of December 31, 2019 and 2018, the following summarizes the inventory balances:

	<u>2019</u>	<u>2018</u>
Spare parts	\$ 5,244	\$ 5,435
Fuel oil No.6	758	2,640
Other inventories	223	129
Obsolescence provision	(505)	(805)
Total of inventories, net	<u><u>\$ 5,720</u></u>	<u><u>\$ 7,399</u></u>

For the years ended December 31, 2019, 2018 and 2017, the Company recognized obsolescence expense of \$107, \$403 and \$337, respectively. These amounts are classified as operating, general and maintenance expense in the statements of comprehensive income.

AES Panamá, S.R.L.**Notes to Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***8. Property, Plant and Equipment, net**

Property, Plant and Equipment, net, is detailed as follows:

December 31, 2019							
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:							
Beginning balance	\$ 5,702	\$ 249,250	\$ 708,757	\$ 8,064	\$ 2,222	\$ 9,533	\$ 983,528
Additions	—	—	82	165	138	6,462	6,847
Reclassifications and adjustments	236	—	7,191	8	—	(7,524)	(89)
Sales and disposals	—	—	(3,339)	(613)	(63)	—	(4,015)
Ending balance	5,938	249,250	712,691	7,624	2,297	8,471	986,271
Accumulated depreciation:							
Beginning balance	—	126,657	337,729	6,827	1,664	—	472,877
Depreciation	—	3,123	29,457	484	226	—	33,290
Sales and disposals	—	—	(1,383)	(605)	(63)	—	(2,051)
Ending balance	—	129,780	365,803	6,706	1,827	—	504,116
Net balance	\$ 5,938	\$ 119,470	\$ 346,888	\$ 918	\$ 470	\$ 8,471	\$ 482,155

December 31, 2018							
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:							
Beginning balance	\$ 5,702	\$ 248,883	\$ 683,537	\$ 7,879	\$ 2,087	\$ 26,890	\$ 974,978
Additions	—	—	1,234	86	278	10,096	11,694
Reclassifications	—	367	26,945	112	—	(27,453)	(29)
Sales and disposals	—	—	(2,959)	(13)	(143)	—	(3,115)
Ending balance	5,702	249,250	708,757	8,064	2,222	9,533	983,528
Accumulated depreciation:							
Beginning balance	—	123,350	310,316	6,328	1,556	—	441,550
Depreciation	—	3,118	28,807	512	250	—	32,687
Reclassifications	—	189	(189)	—	—	—	—
Sales and disposals	—	—	(1,205)	(13)	(142)	—	(1,360)
Ending balance	—	126,657	337,729	6,827	1,664	—	472,877
Net balance	\$ 5,702	\$ 122,593	\$ 371,028	\$ 1,237	\$ 558	\$ 9,533	\$ 510,651

AES Panamá, S.R.L.**Notes to Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***8. Property, Plant and Equipment, net (continued)**

December 31, 2017							
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:							
Beginning balance	\$ 5,702	\$ 248,504	\$ 680,444	\$ 7,249	\$ 1,966	\$ 15,546	\$ 959,411
Additions	—	7	650	170	149	20,362	21,338
Reclassifications	—	463	8,032	463	—	(9,018)	(60)
Sales and disposals	—	(91)	(5,589)	(3)	(28)	—	(5,711)
Ending balance	5,702	248,883	683,537	7,879	2,087	26,890	974,978
Accumulated depreciation:							
Beginning balance	—	116,345	289,056	5,836	1,342	—	412,579
Depreciation	—	7,067	25,282	495	242	—	33,086
Sales and disposals	—	(62)	(4,022)	(3)	(28)	—	(4,115)
Ending balance	—	123,350	310,316	6,328	1,556	—	441,550
Net balance	\$ 5,702	\$ 125,533	\$ 373,221	\$ 1,551	\$ 531	\$ 26,890	\$ 533,428

For the years ended December 31, 2019, 2018 and 2017, the Company capitalized interest of \$261, \$812 and \$1,280, respectively and deferred financing costs by \$12, \$36 and \$52, respectively.

For the years ended December 31, 2019 and 2018, no impairment was recognized, while for the year ended December 31, 2017, impairment of property, plant and equipment was recognized for \$80, which was presented as operating and maintenance expenses in the statements of comprehensive income.

Asset retirement obligation

The Company recognized an asset retirement obligation related to the required future retirement and dismantlement of equipment and facilities located on the land leased from Refinería Panamá, S.R.L., for the operation of the Barge Estrella del Mar I (Note 14).

As of December 31, 2019 and 2018, the carrying value for this concept is \$60 and \$303, respectively and is presented in the statements of financial position under electricity generation facilities and is detailed below:

	<u>2019</u>	<u>2018</u>
Cost	\$ 1,213	\$ 1,213
Accumulated amortization	(1,153)	(910)
Net balance	<u>\$ 60</u>	<u>\$ 303</u>

AES Panamá, S.R.L.**Notes to Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***8. Property, Plant and Equipment, net (continued)**

The following table summarizes the amounts recognized related to asset retirement obligations for the periods indicated:

	2019	2018	2017
Balance at beginning of the year	\$ 1,438	\$ 1,378	\$ 1,321
Accretion expense	62	60	57
Net balance	<u><u>\$ 1,500</u></u>	<u><u>\$ 1,438</u></u>	<u><u>\$ 1,378</u></u>

9. Intangible assets, net

As of December 31, 2019, 2018 and 2017, the following table summarizes the balances of other intangible assets:

	2019			2018			2017		
	Cost	Accumulated amortization	Carrying amount	Cost	Accumulated amortization	Carrying amount	Cost	Accumulated amortization	Carrying amount
Contracts	\$ 20,000	\$ (18,000)	\$ 2,000	\$ 20,000	\$ (14,000)	\$ 6,000	\$ 20,000	\$ (10,000)	\$ 10,000
Software	3,689	(1,894)	1,795	1,538	(1,195)	343	1,468	(984)	484
Construction in progress - Software	719	—	719	1,824	—	1,824	36	—	36
Total	<u><u>\$ 24,408</u></u>	<u><u>\$ (19,894)</u></u>	<u><u>\$ 4,514</u></u>	<u><u>\$ 23,362</u></u>	<u><u>\$ (15,195)</u></u>	<u><u>\$ 8,167</u></u>	<u><u>\$ 23,362</u></u>	<u><u>\$ (15,195)</u></u>	<u><u>\$ 10,520</u></u>

In June 2015, AES Panamá, S.R.L. signed an agreement with Erryl Capital Inc. and International Electric Power, LLC, to acquire three capacity sales agreements in the amount of \$20,000, for a period of 5 years from July 2015. The yearly amortization is \$4,000, ending in July 2020, and is recognized in the statements of comprehensive income as part of the depreciation and amortization expense.

The amount paid for capacity sales contracts was recognized as an intangible asset amortized over the term of these contracts, under the straight-line method.

AES Panamá, S.R.L.**Notes to Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***9. Intangible assets, net**

The movement of intangible assets is detailed below:

	Contracts	Software and licenses	Construction in progress - Software	Total
Balances as of January 1, 2017	\$ 14,000	\$ 619	\$ —	\$ 14,619
Additions	—	9	36	45
Amortization	(4,000)	(204)	—	(4,204)
Reclassification	—	60	—	60
Balances as of December 31, 2017	10,000	484	36	10,520
Additions	—	5	1,824	1,829
Amortization	(4,000)	(211)	—	(4,211)
Reclassification	—	65	(36)	29
Balances as of December 31, 2018	6,000	343	1,824	8,167
Additions	—	2	956	958
Amortization	(4,000)	(700)	—	(4,700)
Reclassification	—	2,149	(2,060)	89
Balances as of December 31, 2019	\$ 2,000	1,794	\$ 720	\$ 4,514

10. Investment in affiliate

The Company has a 20% interest in its affiliate AES Changuinola, S.R.L., which owns an hydroelectric plant with an installed capacity of 223 megawatts in the Province of Bocas del Toro.

As of December 31, 2019 and 2018, the investment in affiliate is shown below:

<u>Affiliate</u>	<u>Commercial activity</u>	<u>% of equity participation</u>			
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
AES Changuinola, S.R.L.	Electricity generation	20%	20%	<u>\$ 48,634</u>	<u>\$50,443</u>

For the year ended December 31, 2019

<u>Affiliate</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Revenue</u>	Expenses less LTC and deemed tax	Net Loss	Other comprehensive Income	Equity participation
AES Changuinola, S.R.L.	\$ 610,093	\$ 366,925	\$ 243,168	\$ 27,526	\$ 36,964	\$ (9,438)	\$ 389	\$ (1,888)

AES Panamá, S.R.L.**Notes to Financial Statements****As of December 31, 2019 and 2018**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

10. Investment in affiliate (continued)

For the year ended December 31, 2018									
<u>Affiliate</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Revenue</u>	Expenses less LTC and demeed tax	<u>Net Income</u>	Other comprehensive <u>Income</u>	<u>Equity participation</u>	
AES Changuinola, S.R.L.	\$ 610,549	\$ 358,332	\$ 252,217	\$ 112,449	\$ 80,522	\$ 31,927	\$ 389	\$	6,386

For the year ended December 31, 2017									
<u>Affiliate</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net Income</u>	Other comprehensive <u>Income</u>	<u>Equity participation</u>	
AES Changuinola, S.R.L.	\$ 595,194	\$ 377,173	\$ 218,021	\$ 98,807	\$ 75,915	\$ 22,892	\$ 389	\$	4,578

As of December 31, 2019, 2018 and 2017, the Company has recorded in relation to its 20% share in earnings of AES Changuinola, S.R.L., a loss of \$1,888, and income of \$6,386 and \$4,578, respectively. These amounts are presented as equity (loss) earnings in investment in affiliate in the statements of comprehensive income for the years ended December 31, 2019 and 2018.

The investment is recorded in the statements of financial position in the category of investment in affiliate.

11. Accrued expenses and other liabilities

As of December 31, 2019 and 2018, the following summarizes the accrued expenses and other liabilities balances:

	<u>2019</u>	<u>2018</u>
Accrued benefits	\$ 3,344	\$ 3,390
Dividend withholding tax	—	2,165
Other taxes payable	2,589	1,657
Labor accruals	1,370	956
Other accruals	195	206
Lease liability (Note 12)	8,794	—
	<u>\$ 16,292</u>	<u>\$ 8,374</u>

12. Lease

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019 and recognized a right-of-use asset and a lease liability measured at the present value of lease payments to be made over the lease term related to this lease. (see note 3). As a result of the implementation the Company identified lease contracts for various items (electricity generation facility, land and buildings) used in its operations.

12. Lease (continued)

Electricity generation facility:

In August 2013, the Power Purchase Agreement (PPA) with AES Changuinola S.R.L. was amended with the purpose that the Company buys from AES Changuinola S.R.L. all its generated energy, its firm capacity and the construction prime factor for both energy and capacity. Through the terms of the PPA, AES Changuinola S.R.L. could only supply it with its own generation assets. Under commercial terms, the PPA as amended is classified as a physical agreement. This feature conditions that it is remote that a party other than the Company would take energy from AES Changuinola S.R.L. The Company is required to pay for the firm capacity and the capacity construction prime factor even when no energy is generated. In accordance with how the PPA is structured, administration determined that it shall be accounted as an operating lease.

The minimum lease payments of the PPA are determined based on the capacity and its construction prime factor; energy payments and its related construction prime factor are not considered as part of the minimum lease payments since there is no minimum amount established for them. Minimum lease payments determined throughout the term of the PPA are accounted for on a straight-line basis and the difference between such amount and the amounts invoiced is presented as an asset or liability in the Company's statements of financial position as of December 31, 2018. For the years ended December 31, 2018 and 2017, \$18,213 and \$18,585, respectively, were recorded as operating lease costs in the statements of comprehensive income.

As of December 31, 2018, the difference between the expense of the year and the amount determined on a straight-line basis was recorded in deferred income by \$7,004, in the statements of financial position.

Land and buildings:

- The Company has a contract with Refinería Panamá, S.R.L. for the land located in Bahía Las Mina, Province of Colón in Panamá which was used by the Company for the ground based equipment needed for installation and connection of the electric power generation Barge Estrella del Mar I. The Company built support structures in the leased property including an electrical substation and transmission equipment, pipeline to supply fuel docks, storage tanks for equipment, among others. This lease is effective for five years starting in March 2015, the date of commercial operation of the Barge Estrella del Mar I. The Company recognized a right-of-use asset and a lease liability presented in the statements of financial position, measured at the present value of lease payments to be made over the lease term related to this lease.

AES Panamá, S.R.L.**Notes to Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***12. Lease (continued)**

- The Company has a contract for its corporate offices. This lease is effective for 10 years starting in January 2013. The Company recognized a right-of-use asset and a lease liability, presented in the statements of financial position, measured at the present value of lease payments to be made over the lease term related to this lease.

Below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Land	Building	Electricity generation facilities	Total
As of January 1, 2019	\$ 1,334	\$ 2,457	\$ 133,940	\$ 137,730
Amortization expense	(1,231)	(603)	(11,162)	(12,995)
As at December 31, 2019	\$ 103	\$ 1,854	\$ 122,778	\$ 124,735

Below are the carrying amounts of lease liabilities (in accrued expenses and other liabilities - short term and other liabilities - long term).

	2019
As of January 1	\$ 144,644
Accretion of interest	10,384
Payments	(3,804)
As of December 31, 2019	\$ 151,224
Current (Note 11)	\$ (8,794)
Non-current	\$ (142,430)

The maturity analysis of lease liabilities is disclosed in Note 23.

The following are the amounts recognized in the 2019 statement of comprehensive income:

	2019
Amortization expense of right-of-use assets (included in operating, general and maintenance expense)	\$ 12,995
Interest expense on lease liabilities (included in interest expense, net)	10,384
Expense relating to leases of low-value assets (included in operating, general and maintenance expense)	11
Variable lease payments (included in other cost of electricity sales)	30
Total amount recognized in statement of comprehensive income	\$ 23,420

13. Financial debts, net

Line of credit

Loans payable in the short term, are originated by the use of lines of credit with maturities to six months. During 2019 and 2018, the Company received credit lines disbursements by \$25,000 and \$12,000, respectively. The Company repaid both disbursements by \$37,000 during 2019.

Bonds payable, net

On June 18, 2015, the Company issued new bonds for \$300,000 and used the proceeds to pay \$217,046 of the 2016 bonds and the outstanding balance of the syndicated loan for \$55,491. This new debt was subscribed and distributed by Banco General, S.A. and Deutsche Bank Securities Inc. issued under rule 144A/Regulation S of the New York Stock Exchange in the local and international market with a due date of June 25, 2022 and an annual interest rate of 6.00% with a single payment upon maturity, and semiannual interests payments. In October 2016, the Company re-opened the 2022 bonds, issuing an additional \$75,000, under the same terms and conditions as the original issuance.

Net deferred financing costs related to this financing total \$3,008 and \$4,087 as of December 31, 2019 and 2018, respectively.

The 2022 bonds were issued in accordance with the provisions of the Note Issuance Facility signed by AES Panamá, S.R.L. and Deutsche Bank Trust Company Americas, as trustee.

Relevant commitments and restrictions of the bonds payable are detailed below:

- a. The Company has to maintain a “Debt Service Reserve Account” with the funds deposited and available to secure the semiannual interest payments.
- b. Audited financial statements must be presented no later than 120 days after the close of the fiscal period.

As of December 31, 2019, the Company is in compliance with all of its covenants.

As part of the agreements established in the debt, the Company is obliged to secure the next interest payment, during the term of the agreement, by a letter of credit or cash. The Company decided to secure it by a letter of credit of \$11.3 million.

13. Financial debts, net (continued)

As of December 31, 2019 and 2018, bonds payable, were as follows:

	<u>2019</u>	<u>2018</u>
Bonds	\$ 375,000	\$ 375,000
Unamortized premium	1,282	1,745
Deferred financing cost, net	(3,008)	(4,087)
Total bonds payable, net	<u>\$ 373,274</u>	<u>\$ 372,658</u>

Amortization of the premium and deferred financial cost is included in interest expense, net in the accompanying statements of comprehensive income.

14. Commitments and Contingencies**Commitments****Purchase – sale energy contracts**

The Company has contracted certain contractual obligations derived from power and energy supply contracts associated with generation concession contracts. As of December 31, 2019, the Company maintains contract performance guarantees of an amount of \$64,047 and letter of credit of \$4,437 to guarantee the obligations according to the contracts signed with the distribution companies and guarantees of \$28,000 in favor of the ASEP / Comptroller General of Panama for the concession of the hydroelectric exploitation, which guarantee the generation of electric energy.

As of December 31, 2019, the Company also maintains a stand-by letter of credit for \$7,774 to guarantee the payments for purchases in the spot market and \$91 for purchases in the Regional Electricity Market. In addition, the Company maintains guarantees as of December 31, 2019 in favor of ETESA for \$759 to guarantee the payments for transmission services.

Additionally, the Company also maintains a stand-by letter of credit as of December 31, 2019 for an amount of \$500 to ensure the payments for the purchase of fuel required for the Barge operation.

On October 26, 2006, for the bid of EDEMET-EDECHI 02-05, the Company signed the contracts EDEMET 15-06 and EDECHI 19-06 for the supply of power and energy in the long term. The first contract with EDEMET for a total of 15MW and a second contract with EDECHI for a total of 35MW are both effective from January 1, 2011 to December 31, 2020.

14. Commitments and Contingencies (continued)

Commitments (continued)

Purchase – sale energy contracts (continued)

The Company maintains a reserve contract with AES Changuinola S.R.L., for the purchase - sale of firm capacity and energy as described in Note 5 as of December 31, 2019.

On October 13, 2008, as consequence of the bid EDEMET 01-08, the Company signed contracts EDEMET 04-08 for a total of 77MW and ELEKTRA 07-08 for 23MW to supply firm capacity and energy for a 10-year period that runs from the year 2012 to 2022.

Further in the same tender EDEMET 01-08, the Company signed contracts EDEMET 08-08 for 3157MW and ELEKTRA 09-08 for 9.43MW to supply firm capacity and energy in the long term, for a period of ten years from the year 2013 to 2022.

In August 2012, the Company participated in the act of long-term tender ETESA 01-12 and on September 17, 2012, ETESA notified the Company of the award of the principal bid of power in the amount of 159 MW from 2019-2020, 209 MW in 2021, 309 MW in 2022 and 350 MW from 2023 to 2030. In October 2012, the corresponding contracts to this adjudication were signed with the three distribution companies (EDEMET 117-12, EDECHI 122-12 AND ELEKTRA 062-12).

The Company signed the contracts EDEMET No. 29-14, EDECHI No. 33-14 and ENSA No. DME 012-14 for the supply of capacity and energy for a period of 5 years from July 1, 2015. These contracts will be mainly supplied by the barge Estrella del Mar I.

On June 30, 2015, the Company signed with AES Changuinola, S.R.L. a capacity reserve contract for a period of 5 years, beginning July 1, 2015. On August 16, 2017, amendment No. 1 was signed, increasing the amount of power contracted from October 1, 2017 until June 30, 2020.

As of December 31, 2019, the Company has signed several contracts for the supply of capacity and energy to large customers (Sunstar Hotels and Development, S.A.; Comptroller General of Panama; Caja de Seguro Social; Cemento Interoceánico; Embajada de los Estados Unidos; Avipac Inc.; Varela Hermanos; Importadora Ricamar, S.A.; Cervecería Nacional, S.R.L.; Aceti-Oxígeno, S.A.; Productos Toledano, S.A.; Corporación La Prensa, S.A.; Desarrollo Inmobiliario del Este, S.A.; Felipe Motta, S.A.; Supermercados Xtra, S.A.; Costa del Este Town Center Group, S.A.; Club Unión; S.A.; H. Tzanetatos & Metales Panamericanos, S.A.; Lavery; Televisora Nacional, S.A. & Fundación para la Educación en la Televisión; Agroindustrial Rey, S.A. & Inmobiliaria Don Antonio, S.A., Banco General, S.A.; Banistmo, S.A.; Harinas del Istmo, S.A.; I Storage Inc.; Panafoto, S.A.; Panafoto Zona Libre, S.A.; Metro de Panamá, S.A.; Compañía Azucarera La Estrella, S.A.; Altrix de Panamá, S.A.; PH Pearl at the Sea; Motta Internacional, S.A.; Express Distributors Inc; Tikal Intercontinental; ASSA Compañía de Seguros, S.A.; Hospital Punta Pacífico, S.A.; Del Monte de

14. Commitments and Contingencies (continued)

Commitments (continued)

Purchase – sale energy contracts (continued)

Panamá, S.A.; Sociedad de Alimentos de Primera, S.A.; Helados La Italiana, S.A.; Producción Panameña de Hielo, S.A.; Universidad Latina de Panamá, S.A. and Cemento Bayano, S.A.). These contracts have a validity period for the years up to 2035.

Fuel Purchase Contract

On October 29, 2014, the Company entered into a contract with Refinería Panamá, S.R.L. for the purchase of fuel oil (Fuel Oil No. 6 or Bunker) needed for the operation of the Barge Estrella del Mar I. The contract term is for a period of five years and began March 2015. Additionally, the Company signed an addendum No.1 to purchase Fuel Oil No. 2 (diesel) required for the ancillary services of the Barge Estrella del Mar I. Late April 2016 the Company signed the amendment No. 2, modifying clauses that established the Premium Price for the purchase of Fuel Oil No. 6 (Bunker).

Concession contracts

The Company has acquired fifty-year water concession contracts which give certain rights, including the generation and sale of electricity generated by the hydroelectric plants and water rights for the use of the Bayano, Chiriquí, Los Valles and Caldera rivers. The Company is required to manage, operate, and provide maintenance to the plants throughout the contract's term. This term may be renewed for an additional fifty years subject to the prior approval of ASEP.

The most important terms of the concession contracts signed between the Company and the ASEP are described below:

- The ASEP grants the Company a concession for the generation of hydroelectric energy by means of the exploitation of hydroelectric resources located on the Bayano, Chiriquí, Los Valles and Caldera rivers.
- The Company is authorized to render the generation of electricity as a public service, which entails the operation and maintenance of power plants with their respective transmission lines to connect to the public network, and transformation equipment for producing and selling power on the national electrical system as well as selling energy on the international market.
- The duration of each of the concessions granted is 50 years, and they can be extended for a period of up to 50 years by means of a request to the ASEP and their subsequent approval.

14. Commitments and Contingencies (continued)

Commitments (continued)

Concession contracts (continued)

- The Company will have the right to own, operate and maintain the property on the facilities and to make improvements to them. Previous authorization is required in those cases in which the Company increases the capacity of any of the plants by 15% or more at the same site.
- The Company will have full access to its own property and to the property of the facilities
- The Company will have rights over the real estate as well as the right of way or easement within the hydroelectric facilities so that it can accomplish all of the activities required for the generation and sale of hydroelectric energy. Likewise, the Company will also have the right of way and access to the areas of the hydroelectric facilities that are currently in working condition and in use.
- The Company has the right to request the forcible acquisition of real estate and the establishment of easements in its favor in accordance with the provisions of Law No.6 and its regulation.

Guarantee

Below we detail the guarantees in effect as of December 31, 2019:

- In June 2016, the Company has given unconditional and irrevocable guarantee for the payment of the capital and interest related with the debt agreement of Gas Natural Atlántico II, S.R.L. by \$30,060.
- On May 25, 2018, the Company granted an unconditional, absolute and irrevocable guarantee for the fulfillment of the obligations acquired in the medium-term contract by Gas Natural Atlántico II, S. de R.L. with Global Bank Corporation for a total amount of \$9,000. The guarantee granted by AES Panamá, S.R.L. was for an amount of \$4,509, corresponding to 50.1% of the debt, participation percentage of AES on Gas Natural Atlántico II, S. de R.L.

Below we detail the compliance bonds in force as of December 31, 2019:

- On February 1, 2019, the Company acquired a compliance bond with maturity on February 1, 2020, for an amount of \$5,158 in favor ETESA and the Comptroller General of Panama to guarantee defects and redhibitory vices for the replacement of the drivers of the Bahía Las Minas - Panama 115KV lines according to the transfer agreement No. GG-105-2018, related to the project of repowering of the transmission line.

14. Commitments and Contingencies (continued)

Commitments (continued)

Credit lines

As of December 31, 2019, the Company has authorized credit lines with different banking institutions for \$84,525, of which \$19,421 are used for issuance of letter of credits.

Contingencies

The Company may be exposed to environmental costs as part of the ordinary course of business. The liabilities are recognized when the environmental impact studies indicate that corrective measures are probable and the costs can be reasonably estimated.

The estimates of the liabilities are based on currently available facts, existing technology, and current laws and regulations. They also take into consideration the probable effects of inflation and other social and economic factors, and include an estimate of associated legal costs. As of December 31, 2019, there are no known environmental liabilities.

The Company is involved in certain legal processes as part of the ordinary course of business. It is the opinion of the lawyers and the Company that none of the outstanding claims will have an adverse effect on the results of its operations, financial position, or cash flows. As of December 31, 2019, the Company does not maintain provisions related to these litigation.

- In October 2015, Ganadera Guerra, S.A. and Constructora Tyma, S.A. filed separate lawsuits against AES Panamá, S.R.L., in the local courts of Panama. The claimants allege that AES Panamá, S.R.L., profited from a hydropower facility (La Estrella) being partially located on land owned first by Ganadera Guerra, S.A. and later by Constructora Tyma, S.A., and that AES Panamá, S.R.L., must pay compensation for its use of the land. The compensation requested is approximately \$680,000 for Ganadera Guerra, S.A. and \$100,000 for Constructora Tyma, S.A.

In October 2016, the court dismissed Ganadera Guerra, S.A. claim because of Ganadera Guerra, S.A. failure to comply with a court order requiring Ganadera Guerra, S.A. to disclose certain information. In January 2017, Ganadera Guerra, S.A. presented again the corrected demand, which was admitted in February 2017. In October 2017, AES Panamá, S.R.L. files an appeal for reconsideration against the claim of Ganadera Guerra, S.A., which was denied through decree No.1356 notifying Order No. 1752, of November 9, 2017.

On November 15, 2018, the re-entry of the file is made known and it is ordered to lift the suspension of terms and proceed with the termination of the evidence. Therefore, on November 23, 2018, the Company's lawyers presented evidence. Also, there are ongoing administrative proceedings concerning whether AES Panamá, S.R.L., is entitled to acquire an easement over the land and whether AES Panamá, S.R.L., can continue to occupy the land. AES Panamá,

14. Commitments and Contingencies (continued)**Contingencies (continued)**

S.R.L., believes it has meritorious defenses and claims and will assert them vigorously; however, there can be no assurances that it will be successful in its efforts.

- In February 2013, the sanctioning administrative process was presented to the Comisión Sustanciadora of the Autoridad Nacional de los Servicios Públicos against AES Panama, S.R.L. alleging non-compliance with market rules during a blackout that occurred on February 25, 2013. Through Resolution AN No.11009-CS of March 6, 2017, the Autoridad Nacional del Ambiente resolves the sanctioning administrative procedure and sanctions AES Changuinola, SRL with a fine of \$ 250, which is recorded in the statement of financial position under accounts payable to suppliers.

15. Authorized capital

As of December 31, 2019 and 2018 the authorized capital amounted to \$115,365 and \$141,139 respectively, which is represented by 214,717,428 shares of participation for both years, which are duly authorized, issued and paid.

16. Net Income per Share

The net income per share was calculated as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net income	\$ 16,178	\$ 61,826	\$ 58,301
Total shares	214,717,428	214,717,428	214,717,428
Net income per share	<u><u>\$ 0.08</u></u>	<u><u>\$ 0.29</u></u>	<u><u>\$ 0.27</u></u>

AES Panamá, S.R.L.**Notes to Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***17. Operating, General and Maintenance Expense**

The operating, general and maintenance expense for the years ended December 31, 2019, 2018 and 2017, are as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Salaries and other benefits	\$ 14,103	\$ 14,444	\$ 14,264
Right-of-use asset amortization (Note 12)	12,995	—	—
Management fee	7,103	5,942	6,532
Service and maintenance contracts	6,867	6,870	6,912
Insurance	4,842	4,284	4,279
Other market related fees	2,576	2,606	2,347
Operating lease	—	2,446	3,336
Expenses related to leases of low value and short term contracts (Note 12)	11	—	—
Basic services	1,002	1,392	1,206
Advisory and professional fees	1,768	1,186	1,546
Others	3,006	1,779	1,629
Taxes and surcharges	1,112	822	1,106
Obsolescence provision	107	403	337
	<u><u>\$ 55,492</u></u>	<u><u>\$ 42,174</u></u>	<u><u>\$ 43,494</u></u>

18. Interest expense, net

The interest expense, net for the years ended December 31, 2019, 2018 and 2017, was as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Interest expense - financial	\$ (22,555)	\$ (21,686)	\$ (21,156)
Interest expense - lease	(10,384)	—	—
Interest expense - commercial discount	246	493	(739)
Subtotal	<u>(32,693)</u>	<u>(21,193)</u>	<u>(21,895)</u>
Deferred financing costs	(1,067)	(980)	(851)
Amortization of bond premium	463	438	414
Interest income - commercial	356	16	191
Interest income - financial	571	692	204
Subtotal	<u>927</u>	<u>708</u>	<u>395</u>
Total	<u><u>\$ (32,370)</u></u>	<u><u>\$ (21,027)</u></u>	<u><u>\$ (21,937)</u></u>

AES Panamá, S.R.L.**Notes to Financial Statements****As of December 31, 2019 and 2018**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

19. Other (expense) income, net

For the years ended December 31, 2019, 2018 and 2017, other income (expense), net was as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Administrative services income	\$ 792	\$ 1,092	\$ 856
Rental income	270	270	270
Other income	820	102	232
Gain on sale of property, plant and equipment	15	17	6
Insurance proceeds from property damage	—	—	1,472
Other expenses	(399)	(135)	(67)
Loss on retirement of property, plant and equipment	(1,964)	(1,755)	(1,641)
	<u>\$ (466)</u>	<u>\$ (409)</u>	<u>\$ 1,128</u>

20. Income Tax

For the years ended December 31, 2019, 2018 and 2017, the provision for income tax consists of the following:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current	\$ 13,977	\$ 22,971	\$ 16,329
Deferred	(5,373)	5	871
	<u>\$ 8,604</u>	<u>\$ 22,976</u>	<u>\$ 17,200</u>

In Panama, in accordance with article 699 of the Fiscal Code, modified by article 9 of law 8 of March 15, 2010, effective as of January 1, 2010, the income tax for corporations engaged in electricity generation and electric power distribution will be calculated using an income tax rate of 30% when companies have a participation of the State greater than forty percent (40%) of the shares.

Additionally, entities whose taxable income exceeds \$1,500 calculate the annual income tax by applying the tax rate to the greater of:

- The net taxable income calculated by the established method (Traditional)
- The net taxable income resulting from applying the total taxable revenues by 4.67% (Alternate Method of calculating income tax - CAIR).

During the years ended December 31, 2019, 2018 and 2017, the Company generated taxable income therefore, current income tax has been determined under the traditional method, applying the 30% rate.

The provisions of article 710 of the current Tax Code establishes that taxpayers will present an estimated income statement that they will obtain in the year following that covered by the sworn statement, which must not be less than the income indicated in the affidavit. Taxpayers must make advance payments based on the determination of the estimated statement divided into three installments to be paid quarterly in the months of June, September and December.

20. Income Tax (continued)

During the years ended December 31, 2019, 2018 and 2017, the Company has made income tax payments based on the results obtained in the previous year, for a total of \$25,471, \$24,765 and \$22,551 respectively.

According to the tax regulations, income tax returns of the Company are subject to review by the tax authorities for the last three fiscal years including the year ended December 31, 2019.

As of December 31, 2019 and 2018, deferred income tax liability, net was composed by the following items:

	<u>2019</u>	<u>2018</u>
Deferred tax assets:		
Net operating loss carryforward	\$ —	\$ 3,179
Asset retirement obligations	450	431
Expense provisions	1,177	1,284
Deferred financing costs	885	948
Lease	7,894	2,102
Total deferred tax assets	<u>\$ 10,406</u>	<u>\$ 7,944</u>
Deferred tax liability		
Compensation of capitalized insurance	\$ 13,043	\$ 13,966
Capitalized interest	2,004	2,054
Asset retirement obligations	18	91
Accumulated depreciation on investment tax credit	2,027	2,422
Accelerated depreciation	36,879	36,690
Revalued assets	37,795	39,454
Ending balance	<u>91,766</u>	<u>94,677</u>
Deferred tax liability, net	<u>\$ 81,360</u>	<u>\$ 86,733</u>

Accelerated Depreciation

Since 2009, the Company has applied accelerated depreciation using the method of descending sum of digits, one of the methods allowed in the income tax regulations. The application of this method was calculated for a group of assets of the Company related with the hydroelectric power plant. For the other assets, the straight-line method was applied. In addition, since 2018, the Company applied accelerated depreciation using the method of descending sum of digits for the Barcaza Estrella de Mar assets.

Asset Revaluation

The Company applied fair value or revaluation as an attributable cost, as permitted by IFRS 1 in paragraph 16. The Company's Management applied fair value as an exemption from the attributable cost and the adjustment of \$194,029 corresponding to the increase in the fair value of these assets

20. Income Tax (continued)

Asset Revaluation (continued)

against the retained profits. As set out in IAS 12, it is required to register passive deferred income tax on assets accounted for at fair value. The calculation of the initial deferred tax was \$58,209 and was recorded against retained earnings. The application of the liability deferred tax is made through the excess annual depreciation expense on the revalued assets, which is recorded in the statements of comprehensive income.

Lease

The Company, as lessee, adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application at January 1, 2019, base on this, the deferred tax asset was adjusted considering the final balances as of December 31, 2019.

Tax on dividends

Stockholders pay an income tax of ten percent (10%) which is withheld from the dividends they receive. If no dividends are distributed, or the total distribution is less than forty percent (40%) of the taxable net income, an advance of the dividend tax of four percent (4%) until these dividends are finally declared. This rate of four percent (4%) is called "Deemed Tax" and is considered an advance on the tax on dividends. For the years ended December 31, 2019, 2018 and 2017, dividend tax payments have been made for a total of \$3,080, \$5,016 and \$3,558, respectively, for the dividends declared and paid.

Transfer Pricing Law

During the three years ended December 31, 2019, transfer pricing regulations remain in force. They cover any transaction the taxpayer carries out with related parties that are tax residents of other jurisdictions, provided that such transactions have an effect such as income, cost or deductions in determining the tax base for income tax purposes, in the fiscal period in which the transaction is carried out.

Taxpayers must comply annually, with the obligation to submit a transfer pricing report (report 930) 6 months after the closing date of the fiscal period. In addition, they must have a study containing the information and analysis supporting whether its transactions with related parties are in accordance with the provisions established in the fiscal code. The Company estimates that transactions carried out with related parties will not have a significant impact on the provision of income tax for 2019, 2018 and 2017.

21. Fair Value of Financial Instruments

The Company established a process to determine fair value of financial instruments. The determination of fair value considers market quoted prices. Nevertheless, in many occasions no quoted market prices exist for several of the Company's financial instruments. In cases in which market quoted prices are not available, the fair value is based on estimates using current value or other valuation techniques. These techniques are affected significantly by the assumptions employed, including the discount rate and future cash flows.

The estimate fair value of financial instruments as of December 31, 2019 and 2018 are detailed below:

	2019		2018	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Financial Assets				
Other accounts receivable - related parties	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>
Financial Liability				
Bonds payable, net	<u>\$ 373,274</u>	<u>\$ 384,771</u>	<u>\$ 372,658</u>	<u>\$ 376,347</u>

The following methods and assumptions were used to estimate fair values:

- The carrying amount of certain financial assets, including cash and equivalents, accounts receivable, and certain financial liabilities including accounts payable, to suppliers and affiliates, due to their short maturity nature, is considered equal to their fair value.
- For bonds payable that are arranged at fixed interest rates and expose the Company to fair value interest rate risk, Management estimates the fair value of the Company's borrowings by discounting their future cash flows at market rates and is classified at Level 2 in the hierarchy of fair value.

Hierarchy of fair value of reasonable financial instruments

All assets and liabilities measured at fair value or on which the Company makes fair value disclosures are classified within the fair value hierarchy. Such classification is based on the lower level of information used to determine such value and which is significant for the determination of fair value as a whole. The fair value hierarchy consists of the following three levels:

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

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

21. Fair Value of Financial Instruments (continued)

Hierarchy of fair value of reasonable financial instruments (continued)

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2019 and 2018, the Company has not made reclassifications between hierarchy levels.

22. Risk and Capital Management

Risk Management

The Company has exposure to the following risks in the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk

This note presents information about the Company's exposures to each of the aforementioned risks, the objectives of the Company, the policies and procedures to measure and manage the risk and the administration of the Company's capital. The financial statements also include additional quantitative disclosures.

The administration is responsible for establishing and monitoring the frame of reference of the Company's risk management. The administration, which is responsible for the development and monitoring of the Company's risk management policies.

Credit risk

The Company has exposure to credit risk on the financial assets held.

Credit risk is the risk that the debtor or issuer of a financial asset, owned by the Company, does not comply fully and on time, with any payment that must be made in accordance with the agreed terms and conditions at the time the Company acquired or originated the respective financial asset.

Company administration has financial instruments with a minimum risk of loss due to the fact that the transactions carried out in the Panama electricity market maintain the principle of guarantee of payment, both for the contract market and the spot market.

22. Risk and Capital Management (continued)

Risk Management (continued)

Credit risk (continued)

In the case of the contract market, payment guarantee bonds are maintained, while for the spot market, all transactions are managed by the National Dispatch Center (CND) through a collection system via an Administration and Collection Bank.

To guarantee payment, the CND tells each market agent the amount of the payment guarantee (“Bank letter”) that it must keep in force to guarantee timely payment according to a payment schedule sent by the CND together with the Document of Economic Transactions, and generally ranges within 30 days.

Due to the above and commercial rules, the credit risk of spot market transactions is minimal, since they are managed by an Administration and Collection Bank run by the CND, and where each market agent must maintain a payment guarantee that backs up energy transactions.

At the dates of the statements of financial position there are no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the balance of accounts receivable included in the statements of financial position.

Liquidity risk

It consists of the risk that the Company cannot fulfill all its obligations due to, among others, the deterioration of the quality of the client portfolio, the excessive concentration of liabilities, the lack of liquidity of the assets, or the financing of long-term assets with short-term liabilities.

Company administration monitors liquidity risk through a planning of cash flows to ensure compliance with the commitments. Monitoring consists of preparing a projected report of expected cash flows and planned disbursements, which is reviewed monthly.

To project the expected cash flows, the Company considers the collection date of its financial instruments and the planned disbursements based on the due date of the obligations.

22. Risk and Capital Management (continued)

Risk Management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the financial liabilities based on contractual undiscounted payments as of December 31, 2019 and 2018:

	<i><u>Less than 3 months</u></i>	<i><u>From 3 to 12 months</u></i>	<i><u>From 1 to 5 years</u></i>	<i><u>More than 5 years</u></i>	<i><u>Total</u></i>
As of December 31, 2019					
Bonds payable, net	\$ —	\$ —	\$ 373,274	\$ —	\$ 373,274
Interest payable	—	466	—	—	466
Accounts payable	34,456	—	741	—	35,197
Asset retirement obligations	—	—	1,500	—	1,500
Accrued expenses and other liabilities	7,498	8,794	—	—	16,292
Other liabilities non-current	—	—	40,001	102,429	142,430
	<u><u>\$ 41,954</u></u>	<u><u>\$ 9,260</u></u>	<u><u>\$ 415,516</u></u>	<u><u>\$ 102,429</u></u>	<u><u>\$ 569,159</u></u>

	<i><u>Less than 3 months</u></i>	<i><u>From 3 to 12 months</u></i>	<i><u>From 1 to 5 years</u></i>	<i><u>Total</u></i>
As of December 31, 2018				
Loan payable	\$ —	\$ 12,000	\$ —	\$ 12,000
Bonds payable, net	—	—	372,658	372,658
Interest payable	—	362	—	362
Accounts payable	37,684	—	673	38,357
Asset retirement obligations	—	—	1,438	1,438
Accrued expenses and other liabilities	8,374	—	—	8,374
	<u><u>\$ 46,058</u></u>	<u><u>\$ 12,362</u></u>	<u><u>\$ 374,769</u></u>	<u><u>\$ 433,189</u></u>

Market risk

Market risk is the risk that changes in the market prices of energy sales as well as interest rates affect the Company's income or the value of its possessions in financial instruments. The objective of market risk management is to manage and control exposures to market risk within acceptable parameters, while optimizing risk performance.

22. Risk and Capital Management (continued)

Risk Management (continued)

Market risk (continued)

The price of energy in the occasional market varies depending on the dry or wet season and the extreme climatic conditions that may occur in the geography regions where the hydroelectric plants operate, the prices of the international market fuel and availability of thermal power and demand of the country.

The Company maintains contracts with distribution companies and large clients, for capacity and energy supply. For 2019 and 2018, the Company maintains 93.89% of its firm contracted capacity and it is estimated that this percentage of contracting will be at these levels for future periods. In this way, the administration minimizes the impact of changing sales prices in the occasional market. However, at any time, in the months of low contributions, the Company could resort to the purchase of energy in the occasional market at prices higher than the prices established in the current sales contracts, but this condition will depend on the prices of the fuels used for generation (bunker and diesel).

On the other hand, it is worth mentioning that as one of the mitigating measures to reduce price risks in the market, the company has diversified its generation portfolio with the installation of the Barcaza Estrella de Mar I thermal power plant. In addition to these measures and depending on market conditions, the company could import energy from the Regional Electricity Market.

Considering the prior evaluation and approval of the administration, the Company only invests in savings accounts with fixed interest rates.

Interest rate risk

The Company is not significantly exposed to interest rate fluctuations as it maintains a fixed interest rate for the bonds issued (Note 13).

Capital management

The Company manages its capital by maintaining a healthy financial structure, optimizing debt balances, minimizing risks to creditors and maximizing return for shareholders.

AES Panamá, S.R.L.**Notes to Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***23. Changes in liabilities of financing activities**

The changes in liabilities of financing activities are detailed as follows:

2019								
	Balance as of January 1, 2019	Cash flows-received	Cash flows-payments	Deferred financing costs	Discount / Premium	Accretion of interest	Non-cash movements	Balance as of December 31, 2019
Loan payable	\$ 12,000	\$ 25,000	\$ (37,000)	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds payable, net	373,096	—	—	1,079	(463)	—	—	373,712
Lease	—	—	(3,804)	—	—	10,384	144,644	151,224
	<u>\$ 385,096</u>	<u>\$ 25,000</u>	<u>\$ (40,804)</u>	<u>\$ 1,079</u>	<u>\$ (463)</u>	<u>\$ 10,384</u>	<u>\$ 144,644</u>	<u>\$ 524,936</u>

2018								
	Balance as of January 1, 2018	Cash flows-received	Cash flows-payments	Deferred financing costs	Discount / Premium	Accretion of interest	Non-cash movements	Balance as of December 31, 2018
Loan payable	\$ —	—	\$ —	\$ 12,000	\$ —	\$ —	\$ —	\$ 12,000
Bonds payable, net	372,080	—	—	—	1,016	—	—	373,096
	<u>\$ 372,080</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 12,000</u>	<u>\$ 1,016</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 385,096</u>

24. Subsequent Events*Line of Credit*

On March 20, 2020, the Company signed a syndicated non-ratifying line of credit agreement with Banco General, S.A. and The Bank of Nova Scotia for \$72 million for the acquisition of the UEP I wind farm project in the province of Cocle, Republic of Panama with a capacity of 55MW. The interest rate of this credit line is LIBOR plus a 3.5% annual margin payable every three months and the repayment term of the disbursement is March 24, 2022. The total amount was received on March 24, 2020.

COVID-19

Last March 11, 2020 the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The quick evolution of the events, nationally and internationally, represents an unprecedented health crisis that will have macroeconomic and business effects. To face the economic and social impacts of COVID-19, among other measures the government of Panama has declared a state of national emergency, a state of public calamity and natural disaster, through resolution No.11 on March 13, 2020, and through the executive order No.489 on March 16, 2020, the Ministry of Health establishes additional sanitary measures to reduce, mitigate and control of the coronavirus COVID-19 disease pandemic in the country.

24. Subsequent Events (continued)

COVID-19 (continued)

The government also published other decrees during the month of March 2020, to establish sanitary control in epidemic areas and a curfew imposed throughout the country.

The Company believes that these events do not represent an adjustment to the annual accounts of the year ended December 31, 2019; should there be an impact on operations, it would be reflected in its future results and cash flows.

Given the complexity of the situation and its quick evolution, it is not practical at this time to conduct a reliable, quantified estimate of its potential impact on the Company, which will be recorded prospectively in the 2020 annual accounts.

The Company is conducting the necessary measures to face this situation and minimize its impact, considering that it is a temporary situation that, based on more updated estimates and treasury's position on that date, do not compromise the application of the going concern principle.

Additionally, since December 31, 2019 and until the reporting date, no additional relevant events have occurred that would require disclosures or adjustments to the financial statements.

Derivatives

On February 2020, the Company entered into three derivative financial instruments (interest rate swaps) as part of their risk management strategy to cover the potential refinancing risk of the \$375 million notes due in 2022. The derivatives fair value as of March 31, 2020 is \$29,642.

Unaudited interim condensed financial statements

AES Changuinola, S.R.L.

*As of March 31, 2020 and December 31, 2019
and for the three month periods ended March 31, 2020 and 2019*

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AES Changuinola S.R.L.**Unaudited Interim Condensed Statements of Financial Position****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America)**Notes*

		<u>2020</u>	<u>2019</u>
		(Unaudited)	(Audited)
	ASSETS		
	Current assets		
4	Cash and cash equivalents	\$ 22,491	\$ 25,063
	Accounts receivable:		
	Trade	4,447	4,365
5	Affiliates	9,843	3,223
	Others	274	273
	Inventories, net	1,123	1,161
	Prepaid income tax, net	3,337	3,438
	Prepaid expenses	3,820	357
	Total current assets	45,335	37,880
	Non-current assets		
6	Property, plant and equipment, net	526,079	529,875
	Restricted cash	492	475
	Intangible assets, net	2,744	2,824
8	Deferred assets	25,080	22,763
	Deferred income tax, net	16,244	16,266
	Advances to suppliers	10	10
	Total non-current assets	570,649	572,213
	TOTAL ASSETS	\$ 615,984	\$ 610,093

AES Changuinola S.R.L.**Unaudited Interim Condensed Statements of Financial Position (Continued)****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America)**Notes*

		<u>2020</u>	<u>2019</u>
		(Unaudited)	(Audited)
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable:			
	Suppliers	\$ 22,983	\$ 25,235
5	Affiliates	1,302	1,106
	Interest payable	5,808	249
	Accrued expenses and other liabilities	2,441	2,437
7	Loan payable	8,000	—
7	Bonds payable	20,000	20,000
	Total current liabilities	60,534	49,027
Non-current liabilities			
	Seniority premium	204	182
	Accounts payable	8	8
13	Contingencies and commitments	311	311
7	Loan payable	—	8,000
7	Bonds payable, net	309,438	309,397
	Total non-current liabilities	309,961	317,898
STOCKHOLDERS' EQUITY			
	Authorized capital	270,385	270,385
	Additional paid-in-capital	333	321
	Accumulated deficit	(14,379)	(16,591)
	Other comprehensive loss	(10,320)	(10,417)
	Deemed tax	(530)	(530)
	Total stockholders' equity	245,489	243,168
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			
		\$ 615,984	\$ 610,093

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

AES Changuinola S.R.L.**Unaudited Interim Condensed Statements of Comprehensive Income****For the three months ended March 31, 2020 and 2019***(Expressed in thousands of dollars of the United States of America)*

<i>Notes</i>		<u>2020</u>	<u>2019</u>
		(Unaudited)	
Revenues			
5	Electricity sales	\$ 13,656	\$ 2,141
5 & 8	Leases	4,478	4,487
	Total revenues	<u>18,134</u>	<u>6,628</u>
Operating cost and expenses			
5	Electricity purchases	1,515	527
	Transmission costs	439	688
9	Operating, general and maintenance expense	3,595	3,543
6	Depreciation and amortization	4,733	4,272
	Total operating cost and expenses	<u>10,282</u>	<u>9,030</u>
	Operating income (loss)	7,852	(2,402)
Other income (expenses)			
10	Interest expense, net	(5,523)	(5,330)
11	Other income (expenses), net	6	(2,363)
	Total other expenses, net	<u>(5,517)</u>	<u>(7,693)</u>
	Income (loss) before income tax expense	2,335	(10,095)
12	Income tax expense	123	2,748
	Net income (loss)	<u><u>\$ 2,212</u></u>	<u><u>\$ (12,843)</u></u>
Amortization of other comprehensive income		97	97
Other comprehensive income		<u>97</u>	<u>97</u>
	Total other comprehensive income (loss)	<u><u>\$ 2,309</u></u>	<u><u>\$ (12,746)</u></u>

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

AES Changuinola, S.R.L.

Unaudited Interim Condensed Statements of Changes in Stockholders' Equity

For the three months ended March 31, 2020 and 2019

(Expressed in thousands of dollars of the United States of America)

	<u>Authorized capital</u>	<u>Additional Paid-in- capital</u>	<u>Acumulated deficit</u>	<u>Other comprehensive (loss)</u>	<u>Deemed tax</u>	<u>Total Stockholders' equity</u>
Balance as of January 1, 2019	\$ 270,385	\$ 276	\$ (7,351)	\$ (10,806)	\$ (287)	\$ 252,217
Net loss	—	—	(12,843)	—	—	(12,843)
Amortization of other comprehensive income	—	—	—	97	—	97
Total other comprehensive loss	—	—	(12,843)	97	—	(12,746)
Share based compensation	—	10	—	—	—	10
Balance as of March 31, 2019 (unaudited)	\$ 270,385	\$ 286	\$ (20,194)	\$ (10,709)	\$ (287)	\$ 239,481
Balance as of January 1, 2020	\$ 270,385	\$ 321	(16,591)	\$ (10,417)	\$ (530)	\$ 243,168
Net income	—	—	2,212	—	—	2,212
Amortization of other comprehensive income	—	—	—	97	—	97
Total other comprehensive income	—	—	2,212	97	—	2,309
Share based compensation	—	12	—	—	—	12
Balance as of March 31, 2020 (unaudited)	\$ 270,385	\$ 333	\$ (14,379)	\$ (10,320)	\$ (530)	\$ 245,489

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

AES Changuinola, S.R.L.**Unaudited Interim Condensed Statements of Cash Flows****For the three months ended March 31, 2020 and 2019***(Expressed in thousands of dollars of the United States of America)**Notes*

	<u>2020</u>	<u>2019</u>
	(Unaudited)	
Cash flow from operating activities:		
Net income (loss)	\$ 2,212	\$ (12,843)
Adjustment to reconcile net income to net cash (used in) provide by operating activities:		
6 Depreciation	4,557	4,136
Amortization	176	136
Loss on retirement of property, plant and equipment	—	2,366
10 Interest income	(180)	(341)
10 Interest expense - financial	5,663	5,631
10 Amortization of deferred financing costs	40	40
12 Income tax expenses	123	2,748
Share-based compensation	12	10
Cash flows before working capital movements	<u>12,603</u>	<u>1,883</u>
Increase in account receivable - trade	(100)	(177)
Decrease (increase) in inventories, net	38	(4)
Increase in prepaid expenses	(3,463)	(3,056)
(Increase) decrease in account receivable - affiliates	(6,620)	14,297
Increase (decrease) in account payable - affiliates	196	(176)
Decrease in accounts payable	(2,194)	(1,101)
Increase (decrease) in accrued expenses and other liabilities	5	(391)
Increase in seniority premium	22	19
Interest received	180	356
Deferred assets	(2,317)	(2,792)
Net cash (used in) provided by operating activities	<u>(1,650)</u>	<u>8,858</u>
Carried forward...	\$ (1,650)	\$ 8,858

AES Changuinola, S.R.L.**Unaudited Interim Condensed Statements of Cash Flows (Continued)****For the three months ended March 31, 2020 and 2019***(Expressed in thousands of dollars of the United States of America)*

<i>Notes</i>		<u>2020</u>	<u>2019</u>
		(Unaudited)	
	Brought forward...	\$ (1,650)	\$ 8,858
	Cash flows from investing activities:		
	Advance payments for the acquisition of property, plant and equipment	—	(10)
6	Acquisition of property, plant and equipment	(819)	(1,100)
	Acquisition of intangible assets	—	(97)
	Net cash used in investing activities	<u>(819)</u>	<u>(1,207)</u>
	Cash flow from financing activities:		
	Payment of interest	(103)	—
	Payment of financing for construction in progress	—	(10)
	Net cash used in financing activities	<u>(103)</u>	<u>(10)</u>
	Net (decrease) increase in cash, and cash equivalents	(2,572)	7,641
	Cash, and cash equivalents at the beginning of the year	25,063	59,386
	Cash, and cash equivalents at the end of the period	<u>\$ 22,491</u>	<u>\$ 67,027</u>
	Supplementary disclosure		
	Property, plant and equipment purchases not paid at period end	<u>\$ 247</u>	<u>\$ 7,022</u>

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

1. Organization and Nature of Operations

AES Changuinola, S.R.L. (the Company), formerly Hydro Teribe, S.A., was incorporated on November 21, 2001 and since December 2006, was a subsidiary of AES Bocas del Toro Hydro, S.A. in 83.35%. In October 2010, AES Bocas del Toro Hydro, S.A. exercised the option that gave it the right to acquire 16.65% of the ownership held by minority shareholders, thus becoming 100% owner of AES Changuinola, S.R.L. AES Bocas del Toro Hydro, S.A. was in turn a 100% subsidiary of AES Isthmus Energy, S.A., in turn a 100% subsidiary of The AES Corporation (the Corporation), a global energy company, based in Arlington, Virginia (United States of America).

The Company was established with the purpose of developing hydroelectric power generation projects and any other energy source, as well as acting as a concessionaire for the generation and use of resources related to the generation and administration of hydroelectric power plants within and outside the territory of the Republic of Panama.

The main offices of the Company are located in Business Park II, Tower V, 11th floor, Paseo Roberto Motta, Costa del Este, Panama, Republic of Panama.

2. Basis of Preparation

The unaudited interim condensed financial statements of the three months ended March 31, 2020 and 2019 have been prepared in accordance with the IAS 34 Interim Financial Reporting.

The unaudited interim condensed financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as of December 31, 2019.

3. Summary of Accounting Policies

The accounting policies adopted in the preparation of the unaudited interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2019.

AES Changuinola S.R.L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***4. Cash and cash equivalents**

As of March 31, 2020 and December 31, 2019, cash and cash equivalents is composed of the following:

	<u>2020</u>	<u>2019</u>
Petty cash	\$ 6	\$ 6
Bank deposits	18,479	17,057
Time deposits	4,006	8,000
	<u>\$ 22,491</u>	<u>\$ 25,063</u>

The average interest rate for time deposits with maturities of less than 3 months is 0.65% and 1.60% for the three months ended March 31, 2020 and December 31, 2019, respectively.

5. Balances and Transactions with Affiliated Companies

The balances with affiliates as of March 31, 2020 and December 31, 2019, are as follows:

In the unaudited interim condensed statements of financial position:Accounts Receivable - affiliates:

	<u>2020</u>	<u>2019</u>
AES Global Power Holdings B.V.	\$ 1,183	\$ 1,183
AES Panamá, S.R.L.	8,559	1,938
The AES Corporation	47	47
AES Tietê Energía S.A.	31	31
AES Argentina Generación S.A.	23	23
Gas Natural Atlántico S. de R.L.	—	1
	<u>\$ 9,843</u>	<u>\$ 3,223</u>

Accounts Payable - affiliates:

	<u>2020</u>	<u>2019</u>
AES Panamá, S.R.L.	\$ 1,276	\$ 1,074
AES Strategic Equipment Holdings Corporation	6	6
AES Argentina Generación S.A.	18	18
AES Servicios América S.R. L.	1	6
Gas Natural Atlántico S. de R.L.	1	2
	<u>\$ 1,302</u>	<u>\$ 1,106</u>

AES Changuinola S.R.L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***5. Balance and Transactions with Affiliated Companies (Continued)**

In the unaudited interim condensed statements of comprehensive income, the transactions with affiliates during the three months ended March 31, 2020, and 2019, are as follows:

In the unaudited interim condensed statements of comprehensive income:**Electricity sales:**

AES Panamá, S.R.L.

<u>2020</u>	<u>2019</u>
\$ 13,590	\$ 2,119
1	—
<u>\$ 13,591</u>	<u>\$ 2,119</u>

Gas Natural Atlántico S. de R.L.

Leases:

AES Panamá, S.R.L.

\$ 4,478	\$ 4,487
<u>\$ 4,478</u>	<u>\$ 4,487</u>

Electricity purchases

AES Panamá, S.R.L.

\$ 931	\$ 919
3	8
<u>\$ 934</u>	<u>\$ 927</u>

Gas Natural Atlántico S. de R.L.

Operating, general and maintenance expense (Management fee):

AES Panamá, S.R.L.

\$ 198	\$ 198
<u>\$ 198</u>	<u>\$ 198</u>

Operating, general and maintenance expense (Insurance):

ASSA Compañía de Seguros, S. A

\$ 1,186	\$ 705
<u>\$ 1,186</u>	<u>\$ 705</u>

AES Changuinola S.R.L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***6. Property, Plant and Equipment, net**

The activity in property, plant and equipment, net, for the three months ended March 31, 2020 and 2019 is detailed as follows:

	March 31, 2020					
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Construction in progress	Total
Cost:						
Balance at January 1, 2020	\$ 136	\$ 322,551	\$ 269,885	\$ 1,917	\$ 69,993	\$ 664,482
Additions	—	—	—	—	761	761
Reclassifications	—	—	70,108	—	(70,108)	—
Balance at March 31, 2020	136	322,551	339,993	1,917	646	665,243
Accumulated depreciation:						
Balance at January 1, 2020	—	60,024	73,009	1,574	—	134,607
Depreciation	—	1,816	2,701	40	—	4,557
Balance at March 31, 2020	—	61,840	75,710	1,614	—	139,164
Net balance	\$ 136	\$ 260,711	\$ 264,283	\$ 303	\$ 646	\$ 526,079

	March 31, 2019					
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Construction in progress	Total
Cost:						
Balance at January 1, 2019	\$ 136	\$ 322,551	\$ 282,552	\$ 2,135	\$ 3,347	\$ 610,721
Additions	—	—	—	—	13,141	13,141
Reclassifications	—	—	19	—	(19)	—
Sales and disposals	—	—	(2,755)	—	—	(2,755)
Balance at March 31, 2019	136	322,551	279,816	2,135	16,469	621,107
Accumulated depreciation:						
Balance at January 1, 2019	—	52,760	65,982	1,707	—	120,449
Depreciation	—	1,816	2,269	51	—	4,136
Sales and disposals	—	—	(389)	—	—	(389)
Balance at March 31, 2019	—	54,576	67,862	1,758	—	124,196
Net balance	\$ 136	\$ 267,975	\$ 211,954	\$ 377	\$ 16,469	\$ 496,911

7. Financial debt, net

Lines of Credit

As of March 31, 2020, the Company maintains a syndicated revolving line of credit for \$15,333 issued for general corporate use. On December 18, 2019, the Company borrowed \$8.0 million from the syndicated revolving line with Banco General, S. A. and Banco Nacional de Panama, which is presented in the unaudited interim condensed statements of financial position under loan payable in current liabilities. The interest rate of this line of credit is LIBOR plus a margin of 3.5%, and the repayment term of the disbursement is March 31, 2021.

Bonds payable, net

On November 25, 2013, the Company issued corporate bonds for a total of \$420,000 with a maturity of 10 years (November 25, 2023). The resources obtained from the issuance of the bonds were used to pay the syndicated loan acquired on March 30, 2007 for \$397,425 (Series A for \$32.6 million and Series B for \$364.8 million).

Bonds issued for a total of \$420,000 are composed of two tranches. The first tranche (Series A) is composed of \$200,000 at a fixed rate of 6.25% interest and a semi-annual amortization, according to the schedule established in the agreement of the first tranche (Series A). Interest and principal payments will be made every June 25 and December 25. The second tranche (Series B) is composed of \$220,000 with a fixed rate of 6.75% and the principal will be paid at maturity on November 25, 2023.

Bonds payable were issued in accordance with the provisions of the issuance contract executed between AES Changuinola, S.R.L. and BG TRUST, INC., as fiduciary.

The debt contract states that the Company must maintain a "Debt Service Reserve" account or a "letter of credit" to ensure the next payment of interest plus principal. As of March 31, 2020 and December 31, 2019, the Company does not maintain restricted cash, since it obtained a letter of credit with an expiration date on June 30, 2020 for an amount of \$21,600, with the consent of the banks, thus replacing the requirement to maintain the Debt Service Reserve account and freeing the restricted cash.

AES Changuinola S.R.L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***7. Financial debt, net (Continued)*****Bonds payable, net (Continued)***

As of March 31, 2020 and December 31, 2019, the balance of bonds payable, net of deferred financing costs, is detailed below:

	<u>2020</u>	<u>2019</u>
Bonds	\$ 330,000	\$ 330,000
Deferred financing costs, net	(562)	(603)
Total bonds payable, net	<u>329,438</u>	<u>329,397</u>
Less: bonds payable - current	20,000	20,000
Bonds payable - non-current	<u><u>\$ 309,438</u></u>	<u><u>\$ 309,397</u></u>

The maturities of the bonds payable for the following five years are detailed as follows:

	<u>Tranch A</u>	<u>Tranch B</u>
2020	\$ 20,000	\$ —
2021	20,000	—
2022	20,000	—
2023	50,000	220,000
	<u><u>\$ 110,000</u></u>	<u><u>\$ 220,000</u></u>

8. Lease

The energy sale contract with AES Panamá, S.R.L. was amended so that AES Panamá, S.R.L. as of January 2014, pays the Company for all its generated energy, its firm capacity and the construction premium factor. As per the amendment the Company is only required to provide the energy generated by its power plant, there is no requirement for the Company to acquire energy in the spot market. Under commercial terms, the sale contract is defined as a physical contract.

For the periods ended March 31, 2020, and 2019, \$4,478 and \$4,487, have been recorded for this item, respectively, under lease revenue, in the unaudited interim condensed statements of comprehensive income and the difference between the revenue for the year and the amount determined on the straight-line basis, is recorded in the unaudited interim condensed statements of financial position in the item of deferred assets non-current. As of March 31, 2020 and December 31, 2019, the balances of deferred assets are \$25,080 and \$22,763, respectively.

8. Lease (continued)

The total minimum future revenues from leases, derived from the non-cancellable operating lease agreement as of March 31, 2020 and 2019, will be accounted for in the following periods:

	<u>2020</u>	<u>2019</u>
Within one year	\$ 18,257	\$ 18,257
After one year and up to five years	91,286	91,285
After five years	86,722	104,978
Total future lease revenue	<u><u>\$ 196,265</u></u>	<u><u>\$ 214,520</u></u>

9. Operating, general and maintenance expense

For the three months period ended March 31, 2020 and 2019, the operating, general and maintenance expense are as follow:

	<u>2020</u>	<u>2019</u>
Service and maintenance contracts	\$ 870	\$ 405
Salaries and other benefits	1,022	501
Licenses, permits and easements	80	247
Advisory and professional fees	94	864
Other market related fee	46	224
Management fee	207	215
Others	14	339
Insurance	1,205	718
Basic services	57	30
	<u><u>\$ 3,595</u></u>	<u><u>\$ 3,543</u></u>

AES Changuinola S.R.L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***10. Interest expense, net**

Interest expense, net for the three months period ended March 31, 2020 and 2019, was as follows:

	<u>2020</u>	<u>2019</u>
Interest expense -financial	\$ (5,662)	\$ (5,744)
Capitalized interest	29	154
Commitment commission	(30)	(41)
Subtotal	<u>(5,663)</u>	<u>(5,631)</u>
Amortization of deferred financing costs	(40)	(40)
Interest income - commercial	32	—
Interest income - financial	148	341
Subtotal	<u>180</u>	<u>341</u>
Total	<u><u>\$ (5,523)</u></u>	<u><u>\$ (5,330)</u></u>

11. Other income, net

For the three months period ended March 31, 2020 and 2019, other income, net consists of the following:

	<u>2020</u>	<u>2019</u>
Loss on retirement of property, plant and equipment	\$ —	\$ (2,366)
Other	6	3
	<u><u>\$ 6</u></u>	<u><u>\$ (2,363)</u></u>

The loss is due to partial retirement of property, plant and equipment is related with the tunnel.

12. Income Tax

For the three months period ended March 31, 2020 and 2019, income tax expense was as follows:

	<u>2020</u>	<u>2019</u>
Current	\$ 101	\$ 88
Deferred	22	2,660
	<u><u>\$ 123</u></u>	<u><u>\$ 2,748</u></u>

13. Commitment and Contingencies**Commitment**

The letter of credit of \$21,600 that the Company maintains with Banistmo S.A., which guarantees the debt reserve expired on March 31, 2020, was renewed and the expiration date will be on June 30, 2020.

Contingencies

The Company is involved in certain legal processes in the normal course of business. It is the opinion of the Company and the Company's lawyers that none of the pending claims will have adverse effects on the results of its operations, financial position or cash flows.

14. Fair Value of Financial Instruments

The Company established a process for determining fair value of financial instruments. The determination of fair value considers market quoted prices. Nevertheless, in many occasions no quoted market prices exist for several of the Company's financial instruments. In cases in which market quoted prices are not available, the fair value is based on estimates using current value or other valuation techniques. These techniques are affected significantly by the assumptions employed, including the discount rate and future cash flows.

The estimated fair values for the financial instruments as of March 31, 2020 and December 31, 2019 are detailed below:

	2020		2019	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Financial Liability				
Loan payable	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 8,000</u>
Bonds payable, net	<u>\$ 337,438</u>	<u>\$ 339,856</u>	<u>\$ 329,397</u>	<u>\$ 340,450</u>

The following methods and assumptions were used to estimate fair values:

- The carrying amount of certain financial assets, including cash and equivalents, accounts receivable, and certain financial liabilities including accounts payable, due to their short maturity nature, is considered equal to their fair value.
- For bonds payable that are arranged at fixed interest rates and expose the Company to fair value interest rate risk, Management estimates the fair value of the Company's borrowings by discounting their future cash flows at market rates and is classified at Level 2 in the hierarchy of fair value.

14. Fair Value of Financial Instruments (Continued)

- The fair value for the loan payable estimated as of March 31, 2020 and December 31, 2019 is based on the information available as of the dates of the statement of financial position. The Company is not aware of any factors that could significantly affect the estimate of fair value at those dates. This loan was contracted at a variable rate, therefore, the Company considers that its fair value approximates its carrying amount.

Hierarchy of fair value of financial instruments

All assets and liabilities measured at fair value or on which the Company makes fair value disclosures are classified within the fair value hierarchy. Such classification is based on the lower level of information used to determine such value and which is significant for the determination of fair value as a whole.

The fair value hierarchy consists of the following three levels:

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

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As of March 31, 2020, and December 31, 2019, the Company has not made reclassifications between hierarchy levels.

15. Risk and Capital Management

Risk Management

Liquidity risk

The table below summarizes the maturity profile of the financial liabilities based on contractual undiscounted payments as of March 31, 2020:

	<i><u>Less than 3 months</u></i>	<i><u>From 3 to 12 Months</u></i>	<i><u>From 1 to 5 Years</u></i>	<i><u>More than 5 Years</u></i>	<i><u>Total</u></i>
As of March 31, 2020					
Loan payable	\$ —	\$ 8,000		\$ —	\$ 8,000
Bonds payable, net	—	20,000	90,000	219,438	329,438
Interest payable	—	5,808	—	—	5,808
Accounts payable - supplier	22,983	—	8	—	22,991
Accounts payable with affiliates	—	1,302	—	—	1,302
Accrued expenses and other liabilities	2,441	—	—	—	2,441
Contingencies and commitments	—	—	311	—	311
	<u><u>\$ 25,424</u></u>	<u><u>\$ 35,110</u></u>	<u><u>\$ 90,319</u></u>	<u><u>\$ 219,438</u></u>	<u><u>\$ 370,291</u></u>

16. Subsequent Events

Subsequent events were evaluated by the administration until August 5, 2020, the date on which unaudited interim condensed financial statements were authorized by the Controller for its issuance

Loan payable

On April 1, 2020, the Company received a disbursement by \$7.3 million from the syndicated revolving line with Banco General, S. A. and Banco Nacional de Panama. The interest rate of this line of credit is LIBOR plus a margin of 3.5%, and the repayment term of the disbursement is March 31, 2021.

Acquisition of the UEP I wind farm project

On April 28, 2020, AES Panamá, S.R.L and AES Changuinola, S.R.L. signed a Purchase and sale agreement for the purchase 100% of the Unión Eólica Penonomé I (UEP I) wind farm project located in the province of Coclé, Republic of Panama. On June 12, 2020, the Company notified to AES Panamá, S.R.L., its voluntarily renounces of the participation of UEP.

16. Subsequent Events (continued)

COVID-19

Last March 11, 2020 the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The quick evolution of the events, nationally and internationally, represents an unprecedented health crisis that will have macroeconomic and business effects. To face the economic and social impacts of COVID-19, among other measures the government of Panama has declared a state of national emergency, a state of public calamity and natural disaster, through resolution No.11 on March 13, 2020, and through the executive order No.489 on March 16, 2020, the Ministry of Health establishes additional sanitary measures to reduce, mitigate and control of the coronavirus COVID-19 disease pandemic in the country. The government also published other decrees during the month of March 2020, to establish sanitary control in epidemic areas and a curfew imposed throughout the country.

On May 11, 2020, through the resolution No.405 the Ministry of Health established the guidelines of the return to normality of the companies post Covid-19.

On March 31, 2020, Cabinet Resolution No.19 mandated the Distribution Companies to provide discounts on energy bills to certain consumers and provided for the funding of a tariff stabilization fund (Fondo de Estabilización Tarifaria) through which the Panamanian government is expected to compensate the Distribution Companies for discounts provided to consumers.

On May 4, 2020, Law 152 mandated a moratorium on payment of certain basic services, including electricity, cellular phone, internet for a period of 4 months for people and small business that met certain criteria. During this period, a service provider cannot disconnect service for users any cannot apply and late fees or interest.

Although the Company's revenue is derived from contracts with AES Panamá, S.R.L., it may be possible that the effects of COVID-19 on the operations of AES Panamá, S.R.L. may impact the operations of the Company.

The Company believes that these events do not represent an adjustment to the unaudited interim condensed financial statements as of March 31, 2020; should there be an impact on operations, it would be reflected in its future results and cash flows.

Given the complexity of the situation and its quick evolution, it is not practical at this time to conduct a reliable, quantified estimate of its potential impact on the Company, which will be recorded prospectively in the 2020 annual accounts.

The Company is conducting the necessary measures to face this situation and minimize its impact, based on more updated estimates and treasury's position on that date, do not compromise the application of the going concern principle.

Financial Statements

AES Changuinola, S.R.L.

*As of December 31, 2019 and 2018 and for the three years then ended
with Independent Auditor's Report*

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Independent Auditor's Report

The Partners
AES Changuinola, S.R.L.

Opinion

We have audited the financial statements of AES Changuinola, S.R.L. (the Company), which comprise the statement of financial position as at December 31, 2019 and 2018 and the statement of comprehensive income, statement of changes in stockholders' equity and statement of cash flows for the three years then ended as of December 31, 2019, 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 the Company as of December 31, 2019 and 2018; and its financial performance and its cash flows for the three years then ended as of December 31, 2019 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Panama (Decree No. 26 of May 17, 1984), and we have fulfilled our other ethical responsibilities in accordance with these 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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Description of the matter:

The Company has deferred tax assets recognized in its statement of financial position, the recovery of deferred tax assets requires that Management make judgments on the estimation of future taxable income. As of December 31, 2019, the deferred tax assets are \$28.9 million, the detail of the tax is disclosed in note 16 to the financial statements.

How We Addressed the Matter in Our Audit:

- Test the Company's valuation to determine the recoverability of deferred tax assets.
- Assessment of the reasonability of forecasting the future fiscal profit using our understanding obtained during the audit, and knowledge of the industry including its consistency with the business plans and the forecast used.
- Evaluate the adequacy of the disclosures in the financial statements.

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 IFRSs, 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.

Responsibilities of the Auditor with Regards to 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 in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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 auditor's 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

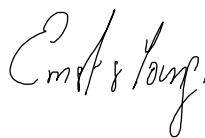
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 on the audit resulting in this independent auditor's report is Víctor M. Ramírez.

Panama, Republic of Panama
March 31, 2020



AES Changuinola S.R.L.**Statements of Financial Position****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America)*

<i>Notes</i>		<u>2019</u>	<u>2018</u>
	ASSETS		
	Current assets		
4	Cash and cash equivalents	\$ 25,063	\$ 59,386
	Accounts receivable:		
	Trade	4,365	442
5	Affiliates	3,223	16,636
6	Others	273	406
	Inventories, net	1,161	1,189
	Prepaid income tax, net	3,438	—
	Prepaid expenses	357	368
	Total current assets	<u>37,880</u>	<u>78,427</u>
	Non-current assets		
7	Property, plant and equipment, net	529,875	490,272
	Restricted cash	475	399
6	Other accounts receivable	—	2,641
8	Intangible assets, net	2,824	2,937
5 & 11	Deferred assets	22,763	7,004
16	Deferred income tax, net	16,266	19,087
	Advances to suppliers	10	6,005
	Other assets	—	3,777
	Total non-current assets	<u>572,213</u>	<u>532,122</u>
	TOTAL ASSETS	<u>\$ 610,093</u>	<u>\$ 610,549</u>

AES Changuinola S.R.L.**Statements of Financial Position (Continued)****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America)**Notes***2019****2018****LIABILITIES AND STOCKHOLDERS' EQUITY****Current liabilities**

Accounts payable:

9	Suppliers	\$ 25,235	\$ 5,079
5	Affiliates	1,106	1,089
	Interest payable	249	307
	Accrued expenses and other liabilities	2,437	2,170
10	Bonds payable	20,000	20,000
	Total current liabilities	49,027	28,645

Non-current liabilities

	Seniority premium	182	135
	Accounts payable	8	8
10	Loan payable	8,000	—
9	Contingencies and commitments	311	311
10	Bonds payable, net	309,397	329,233
	Total non-current liabilities	317,898	329,687

STOCKHOLDERS' EQUITY

12	Authorized capital	270,385	270,385
	Additional paid-in-capital	321	276
	Accumulated deficit	(16,591)	(7,351)
	Other comprehensive loss	(10,417)	(10,806)
	Deemed tax	(530)	(287)
	Total stockholders' equity	243,168	252,217

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY**\$ 610,093 \$ 610,549***The accompanying notes are an integral part of these financial statements.*

AES Changuinola S.R.L.
Statements of Comprehensive Income
For the years ended December 31, 2019, 2018 and 2017
(Expressed in thousands of dollars of the United States of America)

<i>Notes</i>		<u>2019</u>	<u>2018</u>	<u>2017</u>
	Revenues			
5	Electricity sales	\$ 9,651	\$ 94,236	\$ 80,222
5 & 11	Leases	17,876	18,213	18,585
	Total revenues	<u>27,527</u>	<u>112,449</u>	<u>98,807</u>
	Operating cost and expenses			
5	Electricity purchases	1,959	9,125	7,322
	Transmission costs	2,390	1,632	477
5 & 13	Operating, general and maintenance expense	20,475	19,210	16,846
7 & 8	Depreciation and amortization	17,054	17,029	16,911
	Total operating cost and expenses	<u>41,878</u>	<u>46,996</u>	<u>41,556</u>
	Operating (loss) income	(14,351)	65,453	57,251
	Other income (expenses)			
14	Interest expense, net	(20,405)	(22,988)	(24,801)
15	Other income, net	28,676	19	63
	Total other income (expenses), net	<u>8,271</u>	<u>(22,969)</u>	<u>(24,738)</u>
	(Loss) income before income tax expense	(6,080)	42,484	32,513
16	Income tax expense	3,160	8,721	9,621
	Net (loss) income	<u>\$ (9,240)</u>	<u>\$ 33,763</u>	<u>\$ 22,892</u>
	Amortization of other comprehensive income	389	389	389
	Other comprehensive income	<u>389</u>	<u>389</u>	<u>389</u>
	Total other comprehensive (loss) income	<u>\$ (8,851)</u>	<u>\$ 34,152</u>	<u>\$ 23,281</u>
18	Net (loss) income per share	<u>\$ (18.48)</u>	<u>\$ 67.53</u>	<u>\$ 45.78</u>

The accompanying notes are an integral part of these financial statements.

AES Changuinola, S.R.L.

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2019, 2018 and 2017

(Expressed in thousands of dollars of the United States of America)

	Notes	Authorized capital	Additional Paid-in- capital	Acumulated deficit	Other comprehensive (loss) income	Deemed tax	Total Stockholders' equity
Balance as of January 1, 2017		\$ 270,385	\$ 192	\$ (55,130)	\$ (11,584)	\$ (287)	\$ 203,576
Net income		—	—	22,892	—	—	22,892
Amortization of other comprehensive income		—	—	—	389	—	389
Total other comprehensive income		—	—	22,892	389	—	23,281
Dividends paid	5	—	—	(8,876)	—	—	(8,876)
Share based compensation		—	40	—	—	—	40
Balance as of December 31, 2017		270,385	232	(41,114)	(11,195)	(287)	218,021
Net income		—	—	33,763	—	—	33,763
Amortization of other comprehensive income		—	—	—	389	—	389
Total other comprehensive income		—	—	33,763	389	—	34,152
Share based compensation		—	44	—	—	—	44
Balance as of December 31, 2018		270,385	276	(7,351)	(10,806)	(287)	252,217
Net loss		—	—	(9,240)	—	—	(9,240)
Amortization of other comprehensive income		—	—	—	389	—	389
Total other comprehensive income		—	—	(9,240)	389	—	(8,851)
Complementary tax		—	—	—	—	(243)	(243)
Share based compensation		—	45	—	—	—	45
Balance as of December 31, 2019		\$ 270,385	\$ 321	\$ (16,591)	\$ (10,417)	\$ (530)	\$ 243,168

The accompanying notes are an integral part of these financial statements.

AES Changuinola, S.R.L.

Statements of Cash Flows

For the years ended December 31, 2019, 2018 and 2017

(Expressed in thousands of dollars of the United States of America)

<i>Notes</i>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash flow from operating activities:			
Net (loss) income	\$ (9,240)	\$ 33,763	\$ 22,892
Adjustment to reconcile net (loss) income to net cash provided by operating activities:			
7 Depreciation	16,383	16,486	16,368
8 Amortization	671	543	543
7 Gain on sales of property, plant and equipment	(36)	(15)	(9)
15 Loss on retirement of property, plant and equipment	11,225	—	—
14 Interest income	(1,178)	(1,232)	(860)
14 Interest expense	22,640	24,053	25,489
3 Obsolescence provision	—	11	198
14 Amortization of deferred financing cost	154	167	172
Income tax expenses	3,160	8,721	9,621
Share-based compensation	45	44	40
Cash flows before working capital movements	<u>43,824</u>	<u>82,541</u>	<u>74,454</u>
(Increase) in account receivable - trade	(1,277)	(373)	(2,029)
Decrease (increase) in inventories, net	367	(14)	(42)
Decrease (increase) in prepaid expenses	11	(26)	(52)
Decrease in account receivable - affiliates	(26,544)	980	1,299
Increase in account payable - affiliates	17	288	(1,527)
Increase (decrease) in accounts payable	263	(309)	(1,434)
Increase in accrued expenses and other liabilities	266	717	347
Increase (decrease) in seniority premium	47	(10)	(52)
Interest received	1,303	1,153	845
Deferred assets	(15,759)	(5,583)	(5,955)
16 Income taxes paid	—	(6,511)	(2,850)
Net cash provided by operating activities	<u>2,518</u>	<u>72,853</u>	<u>63,004</u>
Carried forward...	\$ 2,518	\$ 72,853	\$ 63,004

AES Changuinola, S.R.L.

Statements of Cash Flows (continued)

For the years ended December 31, 2019, 2018 and 2017

(Expressed in thousands of dollars of the United States of America)

<i>Notes</i>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Brought forward...	\$ 2,518	\$ 72,853	\$ 63,004
Cash flow from investing activities:			
Advance payments for the acquisition of property, plant and equipment	(10)	(6,005)	—
7 Acquisition of property, plant and equipment	(41,936)	(2,780)	(709)
8 Acquisition of intangible assets	(114)	(520)	(6)
5 Insurance proceeds from property damage	39,957	—	—
Restricted cash	(76)	(70)	(65)
Proceeds from the sale of property, plant and equipment	36	3,571	1,194
Net cash (used in) provided by investing activities	<u>(2,143)</u>	<u>(5,804)</u>	<u>414</u>
Cash flow from financing activities:			
Payment of interest	(22,698)	(24,242)	(25,440)
Payment of bonds	(20,000)	(20,000)	(20,000)
Proceeds from new loan	8,000	—	—
Dividends paid	—	—	(8,876)
Payment of financing for construction in progress	—	(15)	—
Net cash used in financing activities	<u>(34,698)</u>	<u>(44,257)</u>	<u>(54,316)</u>
Net (decrease) increase in cash, and cash equivalents	(34,323)	22,792	9,102
Cash, and cash equivalents at the beginning of the year	59,386	36,594	27,492
Cash, and cash equivalents at the end of the year	<u>\$ 25,063</u>	<u>\$ 59,386</u>	<u>\$ 36,594</u>
Supplementary disclosure			
Property, plant and equipment purchases not paid at year end	<u>\$ 20,558</u>	<u>\$ 1,150</u>	<u>\$ 572</u>
Interest paid, capitalized in property, plant and equipment	<u>\$ 1,606</u>	<u>\$ 170</u>	<u>\$ —</u>

The accompanying notes are an integral part of these financial statements.

1. Organization and Nature of Operations

AES Changuinola, S.R.L. (the Company), formerly Hydro Teribe, S.A., was incorporated on November 21, 2001 and since December 2006, was a subsidiary of AES Bocas del Toro Hydro, S.A. in 83.35%. In October 2010, AES Bocas del Toro Hydro, S.A. exercised the option that gave it the right to acquire 16.65% of the ownership held by minority shareholders, thus becoming 100% owner of AES Changuinola, S.R.L. AES Bocas del Toro Hydro, S.A. was in turn a 100% subsidiary of AES Isthmus Energy, S.A., in turn a 100% subsidiary of The AES Corporation (the Corporation), a global energy company, based in Arlington, Virginia (United States of America).

On September 25, 2013, the Board of Directors of AES Changuinola, S.R.L. approved the capitalization of the debt it maintained with its affiliate AES Panamá, S. R.L. for the total amount of \$63,227 derived from the energy supply contract that both companies maintain. As a result of this transaction, on November 25, 2013, the share certificate No.12 in favor of AES Bocas del Toro Hydro, S.A. for 500 common shares with no nominal value was canceled and Certificate No. 13 for 400 shares was issued in the name of AES Bocas del Toro Hydro, S.A. and certificate No. 14 for 100 shares in the name of AES Panamá, S.R.L. which designated it as owner of 20% of AES Changuinola, S.R.L.

On September 26, 2014, the transformation of AES Changuinola, S.A. into AES Changuinola, S.R.L. (limited liability company) was registered in the Public Registry of Panama. The change was approved by the Company's Board of Directors and shareholders. As a result of this change, the Company canceled its outstanding common stock and issued 500 shares of participating stock to its members representing the same percentage of ownership.

On June 25, 2015, at the stockholders meeting, the transfer of the participating stock owned by AES Bocas del Toro Hydro, S.A. in favor of AES Elsta, B.V., a 100% indirect subsidiary of the Corporation, was approved. The transfer was duly registered in the Public Registry of Panama effective September 30, 2015, which resulted in AES Elsta, B.V. owning 80% of AES Changuinola, S.R.L.

On December 12, 2016, in an extraordinary partners meeting, it was decided to modify the authorized capital of the Company, reducing it from \$296,985 to \$270,385 divided into 500 shares, from a value of \$593,971.08 each to \$540,771.08 each.

As a consequence of a corporate restructuring, on December 18, 2018, though partner meetings, the Company approved the assignment of all participation shares owned by AES Elsta B.V. in favor to AES Global Power Holdings, B.V., a company registered under the laws of the Netherlands, indirectly owned by the Corporation.

1. Organization and Nature of Operations (Continued)

The Company was established with the purpose of developing hydroelectric power generation projects and any other energy source, as well as acting as a concessionaire for the generation and use of resources related to the generation and administration of hydroelectric power plants within and outside the territory of the Republic of Panama.

The Changuinola I hydroelectric power plant is in the Province of Bocas del Toro, Changuinola District, county of Valle del Risco, approximately 550 kilometers northwest of Panama City. It uses the waters of the Changuinola and Culubre rivers and has a nominal installed capacity of 223 ("MW"). The Company obtained the final concession from the Public Services Authority and the endorsement of the Comptroller General of the Republic of Panama on April 27, 2007. Said concession is valid for 50 years from said endorsement.

Additionally, the Company obtained the rights to develop the hydroelectric projects called "Chan 75", "Chan 140" and "Chan 220," however, through Resolution AN No. 4493 and No. 4494 of June 7, 2011, the National Public Services Authority (ASEP) canceled Chan 140 and Chan 220 concessions. AES Changuinola, S.R.L. filed two appeals against the Resolution that canceled the concession contract of Chan 140 and administratively settled the concession contract of Chan 220. ASEP did not accept both appeals. On November 24, 2016, after several legal processes, the Company filed an abandonment of action motion, which was admitted by order on March 30, 2017, in the Third Chamber of the Supreme Court of Justice. As a consequence, the Company recognized an impairment of the concession contracts of CHAN 140 and CHAN 220 because of the cancellation of both concessions by ASEP.

The main offices of the Company are located in Business Park II, Tower V, 11th floor, Paseo Roberto Motta, Costa del Este, Panama, Republic of Panama.

2. Basis of Preparation

The financial statements of AES Changuinola, S.R.L. have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements were authorized by the Controller for issuance on March 31, 2020.

Basis for measurement

The financial statements have been prepared based on historical cost, except for certain items that have been valued as indicated in the accounting policies detailed in Note 3.

2. Basis of Preparation (continued)

Presentation currency

The functional currency of the Company is the dollar of the United States of America, which is the currency used in the Company's activities and significant contracts. The monetary unit of the Republic of Panama is the balboa. The balboa is on par and is free exchange with the dollar of the United States of America and is freely convertible.

Estimates and significant accounting assumptions

The preparation of the financial statements in accordance with IFRS requires the administration to make judgments, estimates and assumptions that affect the reported amounts in assets, liabilities, revenues and expenses. Actual results might differ from these estimates.

Estimates and assumptions are reviewed periodically. The results of the revisions of accounting estimates are recognized in the period in which they have been reviewed and any other future periods that they affect.

The relevant estimates that are particularly susceptible to significant changes are related to the estimation of the useful lives of the assets, the determination of contingent liabilities, the fair value of financial instruments, the valuation of deferred income taxes and the provision for inventory obsolescence.

3. Summary of Accounting Policies

The accounting policies described below have been consistently applied in the years presented in these financial statements by the Company.

Financial instruments

Initial recognition and measurement

Financial instruments are initially recognized when the Company becomes a contractual party of the instrument, with the exception of accounts receivable that are initially recognized when they originate.

A financial instrument, with the exception of accounts receivable that do not contain a significant financing component, is initially measured at its fair value plus transaction costs that are directly attributable to its acquisition or issue. Accounts receivable that do not contain a significant financing component are initially measured at the transaction price.

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Initial recognition and measurement (continued)

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The Company does not choose to irrevocably designate the measurement of financial assets at fair value through profit or loss or other comprehensive income.

Classification and measurement

Financial assets (including loans and accounts receivable) are not reclassified after initial recognition unless the Company changes the business model to manage financial assets, in which case all affected financial assets are reclassified on the first day of the first presentation period after the change in the business model, which is revised annually.

The Company measures financial assets at amortized cost if both of the following conditions are met:

- It is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, exchange gains or losses and impairment are recognized in profit or loss. Any gain or loss at the time of derecognizing assets is recognized in profit or loss.

A financial asset is measured at fair value through Other Comprehensive Income ("OCI") if the following conditions are met:

- It is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments recognized at fair value through OCI are subsequently measured at fair value. Interest income, calculated using the effective interest method, exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. When the assets are derecognized, the gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

Investments in equity instruments recognized at fair value through OCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss, unless the dividend represents a recovery of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and they are not reclassified to profit or loss.

All financial assets that are not measured at amortized cost or fair through OCI, as described above, are measured at fair value through profit or loss. This measurement category includes all derivative financial instruments.

Evaluation of the business model

The Company performs an annual evaluation of its operations to determine how it manages its financial assets, designates its business model and the groups of financial assets to achieve a specific business objective, which will not depend on the intentions of management for an individual instrument.

The levels of aggregations considered by the administration to perform the evaluation of the business model are four: cash and cash equivalents, accounts receivable trade, accounts receivable affiliates and other accounts receivable.

The Company's business model is to recover the contractual cash flows at maturity in order to comply with the administration's objectives. In situations of credit or liquidity risks, the Company may consider the sale of financial assets; however, the frequency, value and timing of sales of financial assets in prior periods are evaluated to determine whether they represent a change in the way financial assets are managed.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. The expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For the determination and valuation of the expected credit losses, the Company adopted the simplified approach and the presumption of "default" after 90 days, for all customers with the exception of accounts receivable from government customers for which the default was defined as of 365 days.

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

In the estimation of impairment, the Company uses historical information on the behavior of the portfolio and of the recoveries during the last three years, excluding balances with guarantees. This matrix is reviewed every three years, unless there are new conditions or changes that materially affect the behavior of the recovery of financial assets.

The Company used historical information and analyzed variables that affect and help to predict the behavior of the recoverability of financial assets, none of which showed an adequate correlation. However, the Company periodically performs qualitative risk analyzes to identify changes in the estimated losses. As of December 31, 2019 and 2018, the Company determined that there were no indications of doubtful accounts.

Financial asset derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; or when the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow in full without material delay to a third party under a pass-through arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Cash and cash equivalents

The Company considers as cash and cash equivalents its petty cash, bank deposits and time deposits with initial maturity dates that are less than 3 months.

Inventory

The inventories, which mainly consist of materials and spare parts are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course

3. Summary of Accounting Policies (continued)**Inventory (continued)**

of business, less estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories includes all costs of purchase, conversion and other costs incurred to give them its present location and condition. The cost of inventories is assigned using the weighted average cost method. The Company performs physical inventories and any difference is adjusted in the statements of comprehensive income. During the years ended December 31, 2018 and 2017, the Company recognized a provision for obsolescence of \$11 and \$198, respectively. During 2019, the Company did not recognize a provision for obsolescence.

Property, plant and equipment

Property, plant, and equipment is initially stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. When assets are sold or written off, the corresponding cost and accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is reflected in the statements of comprehensive income. When the property, plant and equipment have different useful lives, they are accounted for separately.

Depreciation

Depreciation is calculated according to the useful lives of the respective assets using the straight-line method. The depreciation rates used are based on the estimated useful lives of the assets and are detailed below:

	<u>Useful lives</u>
Buildings	25 to 45 years
Electricity generation facilities (roads)	30 to 45 years
Electricity generation facilities (reservoir)	45 years
Electricity generation facilities (transmission equipment)	15 to 40 years
Electricity generation facilities (Generating units)	15 to 45 years
Office furniture and equipment	3 to 15 years

An item of property, plant and equipment is derecognized upon disposal or when the Company considers that no further economic benefits will be received from the asset in the future. Any loss or gain resulting from the disposal of an asset, calculated as the difference between its net carrying amount and the proceeds of the sale, is recognized in the statements of comprehensive income of the period in which the transaction occurs.

3. Summary of Accounting Policies (continued)

Major and minor maintenance

Disbursements for major maintenance represent the reconditioning of the plant or other assets. These expenses are capitalized and amortized based on the useful life of each asset. Minor maintenance expenses are charged directly to operating, general and maintenance expenses in the statements of comprehensive income.

Construction in progress

Construction in progress payments, engineering costs, insurance, salaries, interest and other costs directly relating to construction in progress are capitalized during the construction period. Construction in progress balances are stated at cost and transferred to electricity generation assets when an asset group is ready for its intended use.

Intangible Assets

Intangible assets acquired separately are initially recorded at cost. Subsequent to their initial recognition, intangible assets are accounted for at cost less accumulated amortization and the accumulated amount of any impairment loss as applicable.

The estimated useful lives for intangible assets are detailed below:

	<u>Useful lives</u>
Licenses and software	3 to 10 years
Concessions	50 years

Impairment of non-financial assets

The Company reviews the carrying amounts of its non-financial assets at the end of each year in order to identify impairments or when facts or circumstances indicate that the amounts recorded may not be recoverable.

If such indication exists and the carrying amount exceeds the recoverable amount, the Company values the assets or cash-generating unit at their recoverable amount, defined as the greater of their fair value less selling costs and their value in use. The adjustments generated by this concept are recorded in the results of the year in which they are determined.

The Company evaluates at the end of each year if there is any indication of the impairment loss of the value for a non-financial asset. If there is such an indication, the Company re-estimates the recoverable value of the asset and, if applicable, reverses the loss by increasing the asset to its new

3. Summary of Accounting Policies (continued)

Impairment of non-financial assets (continued)

recoverable amount, which will not exceed the net book value of the asset before recognizing the loss for deterioration, recognizing the credit in the statements of comprehensive income of the period.

Lessor

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease term and is included in revenues in the statements of comprehensive income due to its operating nature (Note 11).

The difference between the collections from the lease and the lease revenue, subject to the lease accounting are presented as deferred assets or liabilities in the statements of financial position.

Short-term leases and leases of low value assets

The Company applied the short-term lease recognition exemption to its short-term leases of machinery and equipment, if those leases have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases and leases of low value assets are recognized as expenses on a straight line basis over the lease term.

Deferred financing costs

Financing costs related to long-term debt are deferred and amortized using the effective interest method, over the term of such financings. The total net balance of deferred financing costs is presented as a direct reduction from the face amount of the related debt. The Company recorded amortization expense of \$154 , \$167 and \$172, net of capitalization, for the years ended December 31, 2019, 2018 and 2017, respectively.

The Company capitalizes as part of the cost of the assets those financing costs directly attributable to the acquisition, construction, production or installation of an asset that requires a period of time to be ready for its intended use. Financing costs that do not meet the criteria for capitalization are recorded in the statements of comprehensive income of the year in which they are incurred.

3. Summary of Accounting Policies (continued)

Financial liabilities

Recognition and measurement

Financial liabilities (including loans and accounts payable) are initially recognized at fair value plus costs directly attributable to the transaction. In case of maintaining a financial liability for trading, it would be measured at fair value with changes in profit and loss.

After initial recognition, financial liabilities are measured at amortized cost; any difference between the financial liability (net of transaction costs) and the value of the deferred financing cost is recognized in the statements of comprehensive income over the period of the loans using the effective interest method. The Company recognizes gains or losses in the statements of comprehensive income of the period when the financial liability is written off.

The amortized cost of a financial instrument is defined as the amount at which the financial instrument was measured on the date of initial recognition less capital payments, plus or minus the accumulated amortization, applying the effective interest rate method, of any difference between the initial amount and the amount due, less any provision.

Derecognition of financial liabilities

Financial liabilities are derecognized by the Company when the obligation under the liability is discharged, canceled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of comprehensive income.

Provisions

A provision is recognized when the Company has a present obligation, legal or constructive, as the result of a past event, and it is probable that the Company will require cash resources to settle the obligation and the amount of the obligation can be measured reliably. The amount of the provisions recorded are assessed periodically and the necessary adjustments are recorded in the results of the year.

Net (loss) income per share

Net (loss) income per share measures the performance of an entity over the reported period and it is calculated by dividing net (loss) income by the amount of the weighted average outstanding shares during the year. The weighted average outstanding shares is 500 in the years 2019, 2018 and 2017.

3. Summary of Accounting Policies (continued)

Revenue recognition and concentration

Revenues from energy sales under contract are recognized when the contracted energy is delivered to the customer according to the monthly capacity and energy settlements, according to the contractual conditions and prices established in the power purchase agreement that is maintained with AES Panamá, S.R.L., an affiliate company. In this power purchase agreement, the sale of energy is expected to be the only performance obligation and it occurs at a point in time, which is at month end when the energy delivered within the month is billed to the customer. The capacity payments are recorded under lease accounting guidance.

The Company also receives spot market revenues from sales of auxiliary services and other market revenues, which is expected to be the only performance obligation and it occurs at a point in time, which is at month end when are delivered within the month is billed to the customer.

For the year ended December 31, 2019, 100% of electricity sales were derived from contracts with AES Panamá, S.R.L. For the years ended December 31, 2018 and 2017, 99% were derived from contracts with AES Panamá, S.R.L. and 1% are from the spot market.

Interest income

Interest income corresponds to interest earned on bank and time deposits, calculated at the applicable effective interest rate and commercial interest income that is determined by other agreements.

Income tax

Income tax for the year includes both current tax and deferred tax. The income tax is recognized in the statements of comprehensive income of the current year or in equity, as appropriate. The current income tax refers to the estimated tax payable on the taxable profit of the year, using the rate enacted at the date of the statement of financial position. The deferred income tax is calculated based on the liability method, considering the temporary differences between the carrying amount of the assets and liabilities reported for financial purposes, and the amounts used for tax purposes.

The amount of deferred income tax is based on the form of realization of the assets and payment of liabilities, considering the tax rate that is expected to be applied in the period in which it is estimated that the asset will be realized or that the liability will be paid. Deferred income tax assets are recognized to the extent that it is probable that sufficient taxable benefits will be available in the future, against which temporary differences may be used.

3. Summary of Accounting Policies (continued)**Commitments and contingencies**

All losses from contingent liabilities arising from claims, litigation, agreements, penalties and others, are recognized when it is probable that the liability will have to be incurred and the amounts of expenses could be reasonably estimated. Legal costs related to contingencies are recognized as an expense when incurred.

New and amended standards and interpretations

The new and amended standards and interpretations effective January 1, 2019 related to IFRS 16 - Leases and IFRC Interpretation 23 - Uncertainty over Income Tax Treatment did not impact the financial statements of the Company.

Standards issued but not yet effective

The Company does not believes any impact associated with the new and amended standards and interpretations issued but not yet effective will be material to the financial statements of the Company.

4. Cash and cash equivalents

As of December 31, 2019 and 2018, cash and cash equivalents is composed of the following:

	<u>2019</u>	<u>2018</u>
Petty cash	\$ 6	\$ 6
Bank deposits	17,057	59,380
Time depositits	8,000	—
	<u>\$ 25,063</u>	<u>\$ 59,386</u>

The average interest rate for time deposits with maturities of less than 3 months is 1.60% for the year 2019.

AES Changuinola S.R.L.**Notes to Financial Statements****As of December 31, 2019 and 2018**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

5. Balance and Transactions with Affiliated Companies

The balances with affiliates as of December 31, 2019 and 2018, are as follows:

<u>In the statements of financial position:</u>	<u>2019</u>	<u>2018</u>
<u>Accounts Receivable - affiliates:</u>		
AES Global Power Holdings B.V.	\$ 1,183	\$ 1,183
AES Panamá, S.R.L.	1,938	15,344
The AES Corporation	47	55
AES Tietê Energía S.A.	31	31
AES Argentina Generación S.A.	23	23
Gas Natural Atlántico S. de R.L.	1	—
	<u>\$ 3,223</u>	<u>\$ 16,636</u>
<u>Accounts Payable - affiliates:</u>		
AES Panamá, S.R.L.	\$ 1,074	\$ 1,030
AES Strategic Equipment Holdings Corporation	6	33
AES Argentina Generación S.A.	18	18
AES Servicios América S.R. L.	6	6
AES Global Power Holdings B.V.	—	2
Gas Natural Atlántico S. de R.L.	2	—
	<u>\$ 1,106</u>	<u>\$ 1,089</u>

Energy Sales and Purchases

On March 9, 2007, the Company signed a reservation contract No. 01-07 with AES Panama, S.R.L. for the firm purchase and sale of power and energy, which, after having been modified by several amendments, became administered as a physical contract as of January 1, 2014, valid until the year 2030.

As a result of the signed amendments, as of January 2014, the existence of an operating lease was determined for the portion corresponding to the capacity of \$615 per month, increasing to \$1,491 as of 2016 and \$1,521 as of June 1, 2018 until the year 2030.

For the years ended December 31, 2019, 2018 and 2017, the total lease revenue amounted to \$17,876, \$18,213 and \$18,585, respectively. As of December 31, 2019, and 2018, the difference between the income of the year and the amount determined on a straight-line basis, is recorded in the statements of financial position in the item of deferred assets for \$22,763 and \$7,004, respectively. (Note 12).

On June 30, 2015, the Company signed with AES Panamá, S.R.L. a capacity reserve contract for a period of 5 years, beginning July 1, 2015. On August 16, 2017, amendment No. 1 was signed, increasing the amount of capacity contracted as of October 1, 2017 until June 30, 2020.

5. Balance and Transactions with Affiliated Company (continued)

Management fee expenses

- For the years ended December 31, 2019, 2018 and 2017, the Company recorded the amount of \$792, \$1,092 and \$856, respectively, for administrative services, which were billed by AES Panamá, S.R.L., an affiliated company, with whom it maintains an administration contract. In January 2017, this contract was modified and established a change in the methodology for calculating the fees, using as a basis the costs incurred plus 5%. These amounts are recorded in the statements of comprehensive income in operating, general and maintenance expense.
- The Company maintains a technical assistance agreement with AES Servicios América S.R.L., a subsidiary of the Corporation. For the years ended December 31, 2019, 2018 and 2017, the fees were \$51 each year.
- In June 2017, AES Changuinola, S.R.L. signed a human resources services agreement with AES Servicios América, S.R.L. which consists of payroll supervision, validation of calculations and coordination of all activities carried out by the hired external payroll advisor. For the years ended December 31, 2019, 2018 and 2017, the fees for this concept were \$17, \$11 and \$7, respectively.

The transactions with affiliates for the years ended December 31, 2019, 2018 and 2017 in the statements of comprehensive income, are as follows:

<u>In the statements of comprehensive income:</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Electricity sales:</u>			
AES Panamá, S.R.L.	\$ 9,597	\$ 93,487	\$ 79,612
Gas Natural Atlántico S. de R.L.	1	2	—
	<u>\$ 9,598</u>	<u>\$ 93,489</u>	<u>\$ 79,612</u>
<u>Leases:</u>			
AES Panamá, S.R.L.	\$ 17,876	\$ 18,213	\$ 18,585
	<u>\$ 17,876</u>	<u>\$ 18,213</u>	<u>\$ 18,585</u>
<u>Electricity purchases</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
AES Panamá, S.R.L.	\$ 3,723	\$ 6,045	\$ 4,778
Gas Natural Atlántico S. de R.L.	19	—	—
	<u>\$ 3,742</u>	<u>\$ 6,045</u>	<u>\$ 4,778</u>

AES Changuinola S.R.L.**Notes to Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***5. Balance and Transactions with Affiliated Company (continued)**Operating, general and maintenance expense(Management fee):

AES Panamá, S.R.L.	\$ 792	\$ 1,092	\$ 856
AES Servicios América S.R.L.,	68	62	58
	<u>\$ 860</u>	<u>\$ 1,154</u>	<u>\$ 914</u>

In the statements of comprehensive income:Operating, general and maintenance expense(Insurance):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
ASSA Compañía de Seguros, S. A	\$ 2,819	\$ 2,623	\$ 2,620
	<u>\$ 2,819</u>	<u>\$ 2,623</u>	<u>\$ 2,620</u>

Dividends

During 2019 and 2018, the Company did not declare dividends. During 2017, the Company declared and paid dividends of \$8,876.

Insurance

The Company maintains an all risk insurance policy with ASSA Compañía de Seguros, S. A. ("ASSA"). This insurance company, in turn, diversifies the risk by reinsuring with a group of insurance companies among which includes a related party of the Company, AES Global Insurance Corporation. The policy taken with ASSA covers all operational risks including machinery breakdown and business interruption. For this contract, the Company has recorded insurance expense of \$2,819, \$2,623 and \$2,620 for the years ended December 31, 2019, 2018, and 2017, respectively. These amounts are classified as operating, general and maintenance expense in the statements of comprehensive income. In early 2019, the Company confirmed loss of water in specific tunnel sections of the hydroelectric power plant. As a result, about one third of the tunnel, 1.6 kilometers, required upgraded lining to ensure long-term performance of the facility. The upgrade to the lining was completed and the affected units were placed back in service in January 2020.

As of December 31, 2019, the Company has registered \$39.9 million collected from the insurance company related to the above mentioned event. This amount corresponds to property damage.

6. Other Accounts Receivable

As of December 31, 2019 and 2018, other accounts receivable is presented below :

	<u>2019</u>	<u>2018</u>
Other accounts receivable, current		
Taxes receivable	\$ 207	\$ 207
Interest receivable	—	125
Other accounts receivable	57	53
Officials and employees	9	21
Total other accounts receivable, current	<u><u>\$ 273</u></u>	<u><u>\$ 406</u></u>
Other accounts receivable, non-current		
Rate adjustment refund	—	2,641
Total other accounts receivable, non-current	<u><u>\$ —</u></u>	<u><u>\$ 2,641</u></u>

Rate Adjustment Refund

On September 27, 2017, ASEP issued Resolution AN No. 11667 - Elec, authorizing ETESA to defer the rate refund of years 2, 3 and 4 to the Market Agents of the tariff period from July 2013 to June 2017, as a result of the review of Charges for Use and Connection of the Transmission System (CUSPT) and of the Integrated Operation Service (SOI), so that it becomes effective as of July 2021, for a period of 8 years.

ASEP through Resolution AN No.11872 modified the repayment periods to 5 years for adjustments to CUSPT and to 2 years for adjustments to SOI, both to be effective from July 2021.

ETESA confirmed the amounts of the return applicable to the tariff adjustment to the Company through note ETE-DGC-GC-050-2018, for the total amount of \$4,104 plus interest of \$254, which are recorded as accounts receivable trade, in the statements of financial position as of December 31, 2019. As of December 31, 2018, the total amount of \$2,641 which includes interest receivable of \$172, are presented as other non-current accounts receivable in the statements of financial position.

AES Changuinola S.R.L.**Notes to Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***7. Property, Plant and Equipment, net**

Property, Plant and Equipment, net, is detailed as follows:

	December 31, 2019					
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Construction in progress	Total
Cost:						
Beginning balance	\$ 136	\$ 322,551	\$ 282,552	\$ 2,135	\$ 3,347	\$ 610,721
Additions	—	—	—	65	67,200	67,265
Reclassifications	—	—	466	33	(554)	(55)
Sales and disposals	—	—	(13,133)	(316)	—	(13,449)
Ending balance	136	322,551	269,885	1,917	69,993	664,482
Accumulated depreciation:						
Beginning balance	—	52,760	65,982	1,707	—	120,449
Depreciation	—	7,264	8,936	183	—	16,383
Sales and disposals	—	—	(1,909)	(316)	—	(2,225)
Ending balance	—	60,024	73,009	1,574	—	134,607
Net balance	\$ 136	\$ 262,527	\$ 196,876	\$ 343	\$ 69,993	\$ 529,875

	December 31, 2018					
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Construction in progress	Total
Cost:						
Beginning balance	\$ 136	\$ 322,270	\$ 282,201	\$ 2,088	\$ 889	\$ 607,584
Additions	—	—	16	66	3,289	3,371
Reclassifications	—	281	335	214	(831)	(1)
Sales and disposals	—	—	—	(233)	—	(233)
Ending balance	136	322,551	282,552	2,135	3,347	610,721
Accumulated depreciation:						
Beginning balance	—	45,518	56,931	1,747	—	104,196
Depreciation	—	7,255	9,049	182	—	16,486
Reclassifications	—	(13)	2	11	—	—
Sales and disposals	—	—	—	(233)	—	(233)
Ending balance	—	52,760	65,982	1,707	—	120,449
Net balance	\$ 136	\$ 269,791	\$ 216,570	\$ 428	\$ 3,347	\$ 490,272

7. Property, Plant and Equipment, net (continued)

	December 31, 2017					
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Construction in progress	Total
Cost:						
Beginning balance	\$ 136	\$ 322,170	\$ 282,807	\$ 2,071	\$ 335	\$ 607,519
Additions	—	—	44	59	1,178	1,281
Reclassifications and adjustments	—	100	(650)	35	(624)	(1,139)
Sales and disposals	—	—	—	(77)	—	(77)
Ending balance	136	322,270	282,201	2,088	889	607,584
Accumulated depreciation:						
Beginning balance	—	38,274	47,973	1,658	—	87,905
Depreciation	—	7,244	8,958	166	—	16,368
Sales and disposals	—	—	—	(77)	—	(77)
Ending balance	—	45,518	56,931	1,747	—	104,196
Net balance	\$ 136	\$ 276,752	\$ 225,270	\$ 341	\$ 889	\$ 503,388

As of December 31, 2019, the balance of construction in progress mainly includes the upgrade of the tunnel lining.

During the year ended December 31, 2019, sales and disposals of electricity generation facilities corresponds to the write off of the tunnel lining.

8. Intangible assets, net

The concession CHAN 75, is valid for 50 years, which is amortized annually in the amount of \$58.

In August 2012, the Company recognized an impairment of \$1,588 related to the concession contracts of Chan 140 and Chan 220 because of the cancellation of both concessions by ASEP.

AES Changuinola S.R.L.**Notes to Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***8. Intangible assets, net (continued)**

As of December 31, 2019, 2018 and 2017, the following table summarizes the balances of intangible assets:

2019				
	<u>Cost</u>	<u>Impairment</u>	<u>Accumulated amortization</u>	<u>Carrying amount</u>
Concessions	\$ 4,837	\$ (1,588)	\$ (1,012)	\$ 2,237
Software and licenses	1,240	—	(755)	485
Construction in progress - Software	102	—	—	102
Total	\$ 6,179	\$ (1,588)	\$ (1,767)	\$ 2,824

2018				
	<u>Cost</u>	<u>Impairment</u>	<u>Accumulated amortization</u>	<u>Carrying amount</u>
Concessions	\$ 4,837	\$ (1,588)	\$ (954)	\$ 2,295
Software and licenses	654	—	(532)	122
Construction in progress - Software	520	—	—	520
Total	\$ 6,011	\$ (1,588)	\$ (1,486)	\$ 2,937

2017				
	<u>Cost</u>	<u>Impairment</u>	<u>Accumulated amortization</u>	<u>Carrying amount</u>
Concessions	\$ 4,837	\$ (1,588)	\$ (896)	\$ 2,353
Software and licenses	647	—	(436)	211
Construction in progress - Software	6	—	—	6
Total	\$ 5,490	\$ (1,588)	\$ (1,332)	\$ 2,570

8. Intangible assets, net (continued)

The movement of intangible assets is shown below:

	Concessions	Software and licenses	Construction in progress - Software	Total
Balances as of January 1, 2017	\$ 2,411	\$ 300	\$ —	\$ 2,711
Additions	—	—	6	6
Amortization	(58)	(96)	—	(154)
Reclassification	—	7	—	7
Balances as of December 31, 2017	2,353	211	6	2,570
Additions	—	—	520	520
Amortization	(58)	(96)	—	(154)
Reclassification	—	7	(6)	1
Balances as of December 31, 2018	2,295	122	520	2,937
Additions	—	—	114	114
Amortization	(58)	(224)	—	(282)
Reclassification	—	588	(533)	55
Balances as of December 31, 2019	\$ 2,237	\$ 486	\$ 101	\$ 2,824

9. Accounts payable to suppliers

As of December 31, 2019 and 2018, accounts payable and other liabilities are detailed as follows:

	<u>2019</u>	<u>2018</u>
Suppliers	\$ 25,235	\$ 5,079
Total	\$ 25,235	\$ 5,079

As of December 31, 2019, accounts payable to suppliers mainly included liabilities generated by the design, supply and construction contract for the tunnel lining.

10. Financial debt, net

Bonds payable, net

On November 25, 2013, the Company issued corporate bonds for a total of \$420,000 with a maturity of 10 years (November 25, 2023). The resources obtained from the issuance of the bonds were used to pay the syndicated loan acquired on March 30, 2007 for \$397,425 (Series A for \$32.6 million and Series B for \$364.8 million).

Bonds issued for a total of \$420,000 are composed of two tranches. The first tranche (Series A) is composed of \$200,000 at a fixed rate of 6.25% interest and a semi-annual amortization, according to the schedule established in the agreement of the first tranche (Series A). Interest and principal payments will be made every June 25 and December 25. The second tranche (Series B) is composed of \$220,000 with a fixed rate of 6.75% and the principal will be paid at maturity on November 25, 2023.

Bonds payable were issued in accordance with the provisions of the issuance contract executed between AES Changuinola, S.R.L. and BG TRUST, INC., as fiduciary.

Relevant covenants and restrictions of the bonds are detailed below:

- Maintain a historical EBITDA debt index at the end of each quarter $< 5.5x$
- Maintain a debt service coverage ratio greater than 1.0x
- Limitation of indebtedness: for the Company to enter into an allowable indebtedness, it needs to maintain an EBITDA debt ratio of less than 5.5x.
- Restricted payment limitation: Maintain the established EBITDA debt index and a debt service coverage index greater than 1.2x, that a case of default has not occurred and that the "Debt Service Reserve" account maintains the funds deposited and available to cover the next interest payment plus capital.

As of December 31, 2019 and 2018, the Company is in compliance with all of its covenants.

The debt contract states that the Company must maintain a "Debt Service Reserve" account or a "letter of credit" to ensure the next payment of interest plus principal. As of December 31, 2019 and 2018, the Company does not maintain restricted cash, since it obtained a letter of credit with an expiration date on March 31, 2020 for an amount of \$21,600, with the consent of the banks, thus replacing the requirement to maintain the Debt Service Reserve account and freeing the restricted cash.

AES Changuinola S.R.L.**Notes to Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***10. Financial debt, net (continued)*****Bonds payable, net (continued)***

As of December 31, 2019 and 2018, the balance of bonds payable, net of deferred financing costs, is detailed below:

	<u>2019</u>	<u>2018</u>
Bonds	\$ 330,000	\$ 350,000
Deferred financing costs, net	(603)	(767)
Total bonds payable, net	<u>329,397</u>	<u>349,233</u>
Less: Bonds payable - current	20,000	20,000
Bonds payable - non-current	<u>\$ 309,397</u>	<u>\$ 329,233</u>

The maturities of the bonds payable for the following five years are detailed as follows:

	Tranch A	Tranch B
2020	\$ 20,000	\$ —
2021	20,000	—
2022	20,000	—
2023	50,000	220,000
	<u>\$ 110,000</u>	<u>\$ 220,000</u>

Lines of Credit

As of December 31, 2019, the Company maintains a syndicated revolving line of credit for \$30,000 issued for general corporate use. On December 18, 2019, the Company borrowed \$8 million from the syndicated revolving line with Banco General, S. A. and Banco Nacional de Panama, which is presented in the statements of financial position under loan payable non-current liabilities. The interest rate of this line of credit is LIBOR plus a margin of 3.5%, and the maximum repayment term of the disbursement is March 31, 2021.

11. Lease

In August 2013, the energy sale contract with AES Panamá, S.R.L. was amended so that AES Panamá, S.R.L. as of January 2014, pays the Company for all its generated energy, its firm capacity and the construction premium factor. As per the amendment the Company is only required to provide the energy generated by its power, there is no requirement for the Company to acquire energy in the spot market. Under commercial terms, the sale contract is defined as a physical contract.

11. Lease (continued)

Management believes that this feature ensures that it is unlikely that another entity, other than AES Panamá, S.R.L., may purchase energy generated by the Company. According to the structure of the contract, Management determined that this, in substance, is a lease according to IFRIC 4 and should be accounted for as an operating lease according to paragraph 10 of IAS17 until 2018. In 2019, with the implementation of IFRS 16, since the Company is a lessor, it continues to account for the contract as an operating lease.

The minimum lease payments are determined based on the capacity factor and capacity prices established in the sale contract.

The minimum payments determined during the life of the contract are accounted for on a straight-line basis and the difference between the straight-line basis and the billing is accounted for as a deferred asset on the Company's statements of financial position.

For the years ended December 31, 2019, 2018 and 2017, \$17,876, \$18,213 and \$18,585, have been recorded for this item, respectively, under lease revenue, in the statements of comprehensive income and the difference between the revenue for the year and the amount determined on the straight-line basis, is recorded in the statements of financial position in the item of deferred assets non-current. As of December 31, 2019 and 2018, the balances of deferred assets are \$22,763 and \$7,004, respectively.

The total minimum future revenues from leases, derived from the non-cancellable operating lease agreement as of December 31, 2019, will be accounted for in the following periods:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 18,257	\$ 18,257
After one year and up to five years	91,286	91,285
After five years	95,850	109,542
Total future lease revenue	<u><u>\$ 205,393</u></u>	<u><u>\$ 219,084</u></u>

12. Authorized capital

As of December 31, 2019 and 2018, the authorized capital is \$270,385 for both years, which is represented by 500 participation shares for both years, with a nominal value of \$540,771.08 each, which are duly authorized, issued and paid.

AES Changuinola S.R.L.**Notes to Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***13. Operating, general and maintenance expense**

For the years ended December 31, 2019, 2018 and 2017, the operating, general and maintenance expense are as follow:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Advisory and professional fees	\$ 7,618	\$ 2,655	\$ 2,973
Insurance	3,065	2,716	2,686
Service and maintenance contracts	2,679	2,374	3,653
Salaries and other benefits	2,553	3,466	2,611
Others	2,553	2,426	2,993
Other market related fees	894	800	740
Management fee	860	1,154	914
Basic services	253	398	276
Community support	—	3,221	—
	<u><u>\$ 20,475</u></u>	<u><u>\$ 19,210</u></u>	<u><u>\$ 16,846</u></u>

14. Interest expense, net

Interest expense, net for the years ended December 31, 2019, 2018 and 2017, was as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Interest expense -financial	\$ (22,917)	\$ (24,223)	\$ (25,490)
Capitalized interest	1,651	170	1
Commitment commission	(163)	—	—
Subtotal	<u>(21,429)</u>	<u>(24,053)</u>	<u>(25,489)</u>
Deferred financing costs	(154)	(167)	(172)
Interest income - commercial	397	65	258
Interest income - financial	781	1,167	602
Subtotal	<u>1,178</u>	<u>1,232</u>	<u>860</u>
Total	<u><u>\$ (20,405)</u></u>	<u><u>\$ (22,988)</u></u>	<u><u>\$ (24,801)</u></u>

AES Changuinola S.R.L.**Notes to Financial Statements****As of December 31, 2019 and 2018**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

15. Other income, net

For the years ended December 31, 2019, 2018 and 2017, other income, net consists of the following:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Loss on retirement of property, plant and equipment	\$ (11,225)	\$ —	\$ —
Insurance proceeds for damage property	39,957	—	—
Gain on sale of scrap	36	15	9
Other	(92)	4	54
	<u>\$ 28,676</u>	<u>\$ 19</u>	<u>\$ 63</u>

Insurance proceeds from property damage is associated with recoveries for property damage at the upgrade of the tunnel lining. Loss on retirement of property, plant and equipment is related with the tunnel.

16. Income Tax

For the years ended December 31, 2019, 2018 and 2017, income tax expense was as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current	\$ 338	\$ 4,945	\$ 3,818
Deferred	2,822	3,776	5,803
	<u>\$ 3,160</u>	<u>\$ 8,721</u>	<u>\$ 9,621</u>

In Panama, in accordance with article 699 of the Fiscal Code, modified by article 9 of law 8 of March 15, 2010, effective as of January 1, 2010, the income tax for corporations engaged in electricity generation and electric power distribution will be calculated using an income tax rate of 25%.

Additionally, corporations whose taxable income exceeds \$1,500 annually will calculate the income tax by applying the corresponding tax rate to the one that is higher between:

- a) Net taxable income calculated by the established method (Traditional)
- b) The net taxable income resulting from applying the total taxable revenues by 4.67% (Alternate Method of calculating income tax - CAIR).

16. Income Tax (continued)

During the year ended December 31, 2019, the Company generated net operating losses and as such the current income tax was determined under CAIR rules. During the years ended December 31, 2018 and 2017, current income tax has been determined under the traditional method, applying the 25% rate to taxable income to determine the tax for the year.

The provisions of article 710 of the current tax code stated that taxpayers will file an estimated income tax return that they will obtain in the year following the one covered by the sworn tax return which must not be less than the income tax indicated in the tax return from the previous year. In this sense, taxpayers must pay their anticipated income tax payments based on the determination of the estimated tax return divided in three installments to be paid quarterly in the months of June, September and December.

During the years ended December 31 2018 and 2017, the Company has made income tax payments based on the results obtained in the previous years, for a total of \$9,490 and \$6,393, respectively. In 2019, the Company did not make income tax payments.

According to the tax regulations, income tax returns of the Company are subject to review by the tax authorities for the last three fiscal years including the year ended December 31, 2019.

As of December 31, 2019 and 2018, the deferred income tax is composed by the following items:

	<u>2019</u>	<u>2018</u>
Deferred tax asset:		
Net operating loss carryforward	\$ 3,451	\$ —
Labor provisions	345	409
Capitalized income	834	1,293
Discounted interest on long-term liabilities	919	950
Clean energy credit, net	6,404	10,662
Decelerated depreciation	16,929	14,645
Total	<u>28,882</u>	<u>27,959</u>
Deferred tax liability:		
Non-deductible depreciation of assets affected by the clean energy credit	5,802	5,960
Lease	5,696	1,751
Cumulative loss in comprehensive income	1,118	1,161
Total	<u>12,616</u>	<u>8,872</u>
Total deferred tax asset, net	<u>\$ 16,266</u>	<u>\$ 19,087</u>

16. Income Tax (continued)**Decelerated Depreciation**

Since 2014, the Company has applied decelerated depreciation using the method of ascending sum of digits, one of the methods allowed in the income tax regulation. The application of this method was calculated for a group of Company assets related to the hydroelectric plant. For the other assets, the straight-line method was applied.

Clean energy credit recognition

According to paragraphs 2 and 3 of Law No. 45 of 2004, hydroelectric plants were able to apply for a tax credit of up to 25% of their total investment amount. This tax credit may be applied up to 50% of the tax payable each year for the next 10 years after the beginning of operations.

Based on the budget projections made by the administration, the Company requested an amount of \$26,975 equivalent to 5.13% of the direct investment in the CHAN -75 hydroelectric power plant, which was considered as new and renewable energy source. It is important to mention that the depreciation of the amount applied for as a tax credit cannot be deducted as an expense.

On January 7, 2015, ASEP, as the regulatory body, issued resolution No. 101-2015 where the Company's tax credit application was approved after reviewing the documentation provided, that resolution recognized an incentive for an initial amount of \$26,975 but with the possibility to extend the incentive up to \$131,371 based on the total amount of the investment.

As of December 31, 2019, and 2018 the Company used \$338 and \$4,946 of the credit, respectively. The remaining amount to use is \$12,421.

Net Operating Loss Carry Forward

In accordance with Article 698- A of the Tax Code, the net operating loss carryforward by the Company may be deducted proportionally during the next 5 years; this deduction may not reduce the taxable income of said years by more than 50%.

The net operating loss carryforward to be deducted during the next 5 years is as follows:

Year	Amount
2020	\$ 2,761
2021	2,761
2022	2,761
2023	2,761
2024	2,761
Total	<u><u>\$ 13,805</u></u>

16. Income Tax (continued)

Lease

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore the deferred tax associated with this lease did not have any impact during the implementation.

Tax on dividends

Shareholders pay an income tax of ten percent (10%), which is withheld from the dividends they receive. If no dividends are distributed, or the total distribution is less than forty percent (40%) of the taxable net income, an advance of the dividend tax of four percent (4%) until these dividends are finally declared. This rate of four percent (4%) is called "Deemed Tax" and is considered an advance on the tax on dividends. For the years ended December 31, 2019 and 2018, the Company did not pay dividend tax, while in the year ended December 31, 2017, the Company paid dividend tax of \$178.

Transfer Pricing Law

During the three years ended December 31, 2019, transfer pricing regulations remain in force. They cover any transaction the taxpayer carries out with related parties that are tax residents of other jurisdictions, provided that such transactions have an effect such as income, cost or deductions in determining the tax base for income tax purposes, in the fiscal period in which the transaction is carried out.

Taxpayers must comply annually, with the obligation to submit a transfer pricing report (report 930) 6 months after the closing date of the fiscal period. In addition, they must have a study containing the information and analysis supporting whether its transactions with related parties are in accordance with the provisions established in the fiscal code. The Company estimates that transactions carried out with related parties will not have a significant impact on the provision of income tax for 2019, 2018 and 2017.

17. Commitments and Contingencies

Energy Contract Purchases - Sales

As of December 31, 2019, the Company maintains a reserve contract with AES Panamá S.R.L., for the purchase - sale of firm capacity and energy as described in Note 5.

17. Commitments and Contingencies (continued)

On June 30, 2015, the Company signed with AES Panamá, S.R.L. a capacity reserve contract for a period of 5 years, beginning July 1, 2015. On August 16, 2017, amendment No. 1 was signed, increasing the amount of contracted capacity as of October 1, 2017 until June 30, 2020.

Letter of Credit

The Company maintains a stand-by letter of credit for an amount of \$21,600, to ensure the next interest payment plus capital of the financing, due on March 31, 2020.

Other commitments

- On May 25, 2007, the Company signed a Partial Administration Concession contract in the Palo Seco Protected Forest with the National Environment Authority where the Authority granted the Company a Partial Administration Concession on a piece of land with an area of 6,215 hectares. On November 26, 2015, an addendum to this contract was signed to modify the piece of land under administration to 5,302 hectares + 4,148 square meters. From the construction phase until 2015, the Company made an annual payment of \$550 per year for the concession; additionally, it contributed the sum of \$200 in kind to cover management expenses of the Palo Seco Protected Forest. As of 2016, these amounts changed to a payment of \$693 per year for the concession and \$254 to support the execution of the management plan for the Palo Seco Protected Forest. This concession is valid for 20 years. On December 30, 2015, the Comptroller General of the Republic of Panama endorsed an addendum to the concession contract of the Palo Seco Protected Forest, whereby the Company can make cash payment of each commitment directly to the Ministry of Environment through the Protected Areas and Wildlife Fund, thus eliminating the in-kind payment mechanism.
- The Company maintains a compliance bond in the amount of \$342 in favor of the Ministry of the Environment / Comptroller General of the Republic for the Partial Administration Concession Contract of the Palo Seco Protected Forest.
- The Company has acquired 50-year concession contracts that grant certain rights, including the generation and sale of electricity produced by hydroelectric plants and water rights for the use of the Changuinola River. The Company is obligated to manage, operate and maintain the plants during the term of the contracts. Said term may be renewed for an additional 50 years subject to the prior approval of the ASEP.

The most important terms of the concession contracts signed between the Company and the ASEP are detailed below:

- The ASEP granted the Company a concession for the generation of hydroelectric power by exploiting the hydroelectric potential located on the Changuinola River.

17. Commitments and Contingencies (continued)

Other commitments (continued)

- The Company is authorized to provide the public electricity generation service, which includes the operation and maintenance of the power generation plants, with their respective connection lines to the transmission networks and transformation equipment, to produce and sell in the national electricity system and make international energy sales.
- The term of validity of each one of the concessions granted has a duration of 50 years. It can be extended for a period of up to 50 years, upon request to ASEP.
- The Company will have the right to own, operate and maintain the assets of the complexes and make improvements on them. Prior approval will be required in cases where the Company increases the capacity of any of the plants by 15% or more at the same site.
- The Company will have the free availability of its own assets and the assets of the complexes.
- The Company will have the rights to property and rights of way or passage, within the hydroelectric complexes, being able to carry out all the necessary activities for the generation and sale of hydroelectric power. Likewise, the Company will also have the right of way or access to the areas of the hydroelectric complexes currently enabled and in use.
- The Company may request the forced acquisition of real estate and the establishment of easements in its favor as stipulated by Law No. 6 and its regulations.
- The Company maintains compliance bonds in the amount of \$505 in favor of the National Authority of Public Services / Comptroller General of the Republic of Panama for the concession of the exploitation of the hydroelectric potential of the CHAN I Hydroelectric Power Plant (CHAN -75), which guarantees the generation of electrical energy.

Contingencies

The Company is involved in certain legal processes in the normal course of business. It is the opinion of the Company and the Company's lawyers that none of the pending claims will have adverse effects on the results of its operations, financial position or cash flows.

The Company may be exposed to environmental costs in the ordinary course of business. Liabilities are recorded when environmental impact studies indicate that corrective measures are mandatory, and costs can be reasonably estimated.

Liability estimates are based on current available facts, existing technology and existing laws and regulations, considering the probable effects of inflation and other social and economic factors and

17. Commitments and Contingencies (Continued)**Other commitments (continued)**

includes estimates of associated legal costs. As of December 31, 2019 and 2018, there are no known environmental contingencies.

In February 2013, the sanctioning administrative process was presented to the Comisión Sustanciadora of the Autoridad Nacional de los Servicios Públicos against AES Changuinola, S.R.L. alleging non-compliance with market rules during a blackout that occurred on February 25, 2013. Through Resolution AN No.11009-CS of March 6, 2017, the Autoridad Nacional del Ambiente resolves the sanctioning administrative procedure and sanctions AES Changuinola, SRL with a fine of \$ 250, which is recorded in the statement of financial position under accounts payable to suppliers.

18. Net (loss) income per share

Net loss (income) per share was calculated as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net (loss) income	\$ (9,240)	\$ 33,763	\$ 22,892
Total shares/shares outstanding	500	500	500
Net (loss) income per share	<u>\$ (18.48)</u>	<u>\$ 67.53</u>	<u>\$ 45.78</u>

19. Fair Value of Financial Instruments

The Company established a process to determine fair value of financial instruments. The determination of fair value considers market quoted prices. Nevertheless, in many occasions no quoted market prices exist for several of the Company's financial instruments. In cases in which market quoted prices are not available, the fair value is based on estimates using current value or other valuation techniques. These techniques are affected significantly by the assumptions employed, including the discount rate and future cash flows.

19. Fair Value of Financial Instruments (continued)

The estimated fair values for the financial instruments as of December 31, 2019 and 2018 are detailed below:

	2019		2018	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Financial Assets				
Other accounts receivable non-current	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,641</u>	<u>\$ 2,641</u>
Financial Liability				
Loan payable	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ —</u>	<u>\$ —</u>
Bonds payable, net	<u>\$ 329,397</u>	<u>\$ 340,450</u>	<u>\$ 349,233</u>	<u>\$ 354,150</u>

The following methods and assumptions were used to estimate fair values:

- The carrying amount of certain financial assets, including cash and equivalents, accounts receivable, and certain financial liabilities including accounts payable, to suppliers and affiliates, due to their short maturity nature, is considered equal to their fair value.
- For bonds payable that are arranged at fixed interest rates and expose the Company to fair value interest rate risk, Management estimates the fair value of the Company's borrowings by discounting their future cash flows at market rates and is classified at Level 2 in the hierarchy of fair value.
- The fair value for the loan payable estimated as of December 31, 2019 is based on the information available as of the date of the statement of financial position. The Company is not aware of any factors that could significantly affect the estimate of fair value at that date. This loan was contracted at a variable rate, therefore, the Company considers that its fair value approximates to the carrying amount.

Hierarchy of fair value of reasonable financial instruments

All assets and liabilities measured at fair value or on which the Company makes fair value disclosures are classified within the fair value hierarchy. Such classification is based on the lower level of information used to determine such value and which is significant for the determination of fair value as a whole.

The fair value hierarchy consists of the following three levels:

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

19. Fair Value of Financial Instruments (continued)

Hierarchy of fair value of reasonable financial instruments (continued)

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2019 and 2018, the Company has not made reclassifications between hierarchy levels.

20. Risk and Capital Management

Risk Management

The Company has exposure to the following risks in the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk

This note presents information about the Company's exposures to each of the aforementioned risks, the objectives of the Company, the policies and procedures to measure and manage the risk and the administration of the Company's capital. The financial statements also include additional quantitative disclosures.

The administration is responsible for establishing and monitoring the frame of reference of the Company's risk management. The administration, which is responsible for the development and monitoring of the Company's risk management policies.

Credit risk

The Company has exposure to credit risk on the financial assets held.

Credit risk is the risk that the debtor or issuer of a financial asset, owned by the Company, does not comply fully and on time, with any payment that must be made in accordance with the agreed terms and conditions at the time the Company acquired or originated the respective financial asset.

Company administration has financial instruments with a minimum risk of loss due to the fact that the transactions carried out in the Panama electricity market maintain the principle of guarantee of payment, both for the contract market and the spot market.

20. Risk and Capital Management (continued)

Risk Management (continued)

Credit risk (continued)

In the case of the contract market, payment guarantee bonds are maintained, while for the spot market, all transactions are managed by the National Dispatch Center (CND) through a collection system via an Administration and Collection Bank.

To guarantee payment, the CND tells each market agent the amount of the payment guarantee (“Bank letter”) that it must keep in force to guarantee timely payment according to a payment schedule sent by the CND together with the Document of Economic Transactions, and generally ranges within 30 days.

Due to the above and commercial rules, the credit risk of spot market transactions is minimal, since they are managed by an Administration and Collection Bank run by the CND, and where each market agent must maintain a payment guarantee that backs up energy transactions.

At the dates of the statements of financial position there are no significant concentrations of credit. The maximum exposure to credit risk is represented by the balance of accounts receivable included in the statements of financial position.

Revenue from electricity sales in contracts is recognized when the contracted energy is delivered to the customer in accordance with the monthly capacity and energy settlements, based on the prices established in the reserve contract that it maintains with AES Panamá, S.R.L., also the reservation contract establishes the purchase of the generated energy not contracted valued at the spot market price.

The Company also receives income from the spot market from sales of auxiliary services. For the years ended December 31, 2019 2018 and 2017, 99% of the revenues are derived from the contract with AES Panamá, S.R.L.

Liquidity risk

It consists of the risk that the Company cannot fulfill all its obligations due to, among others, the deterioration of the quality of the client portfolio, the excessive concentration of liabilities, the lack of liquidity of the assets, or the financing of long-term assets with short-term liabilities.

Company administration monitors liquidity risk through a planning of cash flows to ensure compliance with the commitments. Monitoring consists of preparing a projected report of expected cash flows and planned disbursements, which is reviewed monthly.

20. Risk and Capital Management (continued)

Risk Management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the financial liabilities based on contractual undiscounted payments as of December 31, 2019 and 2018:

	<i><u>Less than 3 months</u></i>	<i><u>From 3 to 12 Months</u></i>	<i><u>From 1 to 5 Years</u></i>	<i><u>More than 5 Years</u></i>	<i><u>Total</u></i>
As of december 31, 2019					
Loan payable	\$ —	\$ —	\$ 8,000	\$ —	\$ 8,000
Bonds payable, net	—	20,000	90,000	219,397	329,397
Interest payable	—	249	—	—	249
Commercial accounts payable	25,235	—	8	—	25,243
Accounts payable with affiliates	—	1,106	—	—	1,106
Accrued expenses and other liabilities	2,437	—	—	—	2,437
Contingencies and commitments	—	—	311	—	311
	<u>\$ 27,672</u>	<u>\$ 21,355</u>	<u>\$ 98,319</u>	<u>\$ 219,397</u>	<u>\$ 366,743</u>

	<i><u>Less than 3 months</u></i>	<i><u>From 3 to 12 Months</u></i>	<i><u>From 1 to 5 Years</u></i>	<i><u>More than 5 Years</u></i>	<i><u>Total</u></i>
As of december 31, 2018					
Bonds payable, net	\$ —	\$ 20,000	\$ 110,000	\$ 219,233	\$ 349,233
Interest payable	—	307	—	—	307
Commercial accounts payable	5,079	—	8	—	5,087
Accounts payable with affiliates	—	1,089	—	—	1,089
Accrued expenses and other liabilities	2,170	—	—	—	2,170
Contingencies and commitments	—	—	311	—	311
	<u>\$ 7,249</u>	<u>\$ 21,396</u>	<u>\$ 110,319</u>	<u>\$ 219,233</u>	<u>\$ 358,197</u>

20. Risk and Capital Management (continued)

Risk Management (continued)

Market risk

Market risk is the risk that changes in the market prices of energy sales as well as interest rates, affect the Company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control exposures to market risk within acceptable parameters, while optimizing risk performance.

Interest rate risk

The Company is not exposed to fluctuations in the interest rates of long-term bonds, as it maintains a fixed interest rate for bonds issued. Credit lines are exposed to fluctuations in the LIBOR rate, this is an international reference rate that fluctuates based on interbank market conditions. The Company does not expect significant problems in its financial statements as a result of the volatility of the LIBOR rate on the cash flows associated with the credit line (Note 10).

Capital management

The Company manages its capital by maintaining a healthy financial structure, optimizing debt balances, minimizing risks to creditors and maximizing return for shareholders.

21. Changes in liabilities from financing activities

Changes in liabilities from financing activities are detailed below:

	2019				
	Balance as of January 1, 2019	Payments	Deferred financing	Other	Balance as of December 31, 2019
Bonds payable current	\$ 20,000	\$ (20,000)	\$ —	\$ 20,000	\$ 20,000
Loan payable	\$ —	\$ 8,000	\$ —	\$ —	\$ 8,000
Bonds payable non-current	\$ 329,233	\$ —	\$ 164	\$ (20,000)	\$ 309,397

21. Changes in liabilities from financing activities (continued)

	2018				
	Balance as of January 1, 2019	Payments	Deferred financing	Other	Balance as of December 31, 2019
Bonds payable current	\$ 20,000	\$ (20,000)	\$ —	\$ 20,000	\$ 20,000
Bonds payable non- current	\$ 349,064	\$ —	\$ 169	\$ (20,000)	\$ 329,233

22. Subsequent Events

COVID-19:

Last March 11, 2020 the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The quick evolution of the events, nationally and internationally, represents an unprecedented health crisis that will have macroeconomic and business effects. To face the economic and social impacts of COVID-19, among other measures the government of Panama has declared a state of national emergency, a state of public calamity and natural disaster, through resolution No.11 on March 13, 2020, and through the executive order No.489 on March 16, 2020, the Ministry of Health establishes additional sanitary measures to reduce, mitigate and control of the coronavirus COVID-19 disease pandemic in the country.

The government also published other decrees during the month of March 2020, to establish sanitary control in epidemic areas and a curfew imposed throughout the country.

The Company believes that these events do not represent an adjustment to the annual accounts of the year ended December 31, 2019; should there be an impact on operations, it would be reflected in its future results and cash flows.

Given the complexity of the situation and its quick evolution, it is not practical at this time to conduct a reliable, quantified estimate of its potential impact on the Company, which will be recorded prospectively in the 2020 annual accounts.

22. Subsequent Events (continued)

COVID-19 (continued)

The Company is conducting the necessary measures to face this situation and minimize its impact, considering that it is a temporary situation that, based on more updated estimates and treasury's position on that date, do not compromise the application of the going concern principle.

Additionally, since December 31, 2019 and until the reporting date, no additional relevant events have occurred that would require disclosures or adjustments to the financial statements.

Unaudited interim condensed financial statements

Gas Natural Atlántico, S. de R. L.

*As of March 31, 2020 and December 31, 2019 and for
the three month periods ended March 31, 2020 and 2019*

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Gas Natural Atlántico, S. de R. L.
Unaudited Interim Condensed Statements of Financial Position
As of March 31, 2020 and December 31, 2019

(Expressed in thousands of dollars of the United States of America)

Notes		<u>2020</u> (Unaudited)	<u>2019</u> (Audited)
	ASSETS		
	Current assets		
4	Cash and cash equivalents	\$ 23,981	\$ 18,118
	Restricted cash	27,758	7,825
	Accounts receivable:		
	Trade	42,281	44,206
5	Related parties	30	3
5	Affiliates	8,797	9,066
	Others	10	6
5	Loan receivable from related party	3,000	1,500
	Inventories	17,382	23,776
	Prepaid expenses	10,682	6,836
	Total current assets	<u>133,921</u>	<u>111,336</u>
	Non-current assets		
6	Property, plant and equipment, net	438,795	444,112
	Restricted cash	230	211
	Intangible assets, net	217	229
12	Deferred tax asset, net	16,546	7,013
13	Derivative instruments	—	17,981
7	Right-of-use assets	34,640	34,963
	Other assets	320	204
	Total non-current assets	<u>490,748</u>	<u>504,713</u>
	TOTAL ASSETS	<u>\$ 624,669</u>	<u>\$ 616,049</u>

Gas Natural Atlántico, S. de R. L.

Unaudited Interim Condensed Statements of Financial Position (Continued)

As of March 31, 2020 and December 31, 2019

(Expressed in thousands of dollars of the United States of America)

Notes		<u>2020</u>	<u>2019</u>
	LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited)	(Audited)
	Current liabilities		
	Accounts payable:		
	Suppliers	\$ 5,943	\$ 7,954
5	Affiliates	42,445	33,148
	Interest payable	2,444	284
12	Income tax payable, net	3,124	2,322
	Accrued expenses and other liabilities	2,029	3,128
8	Loan payable	15,000	15,000
	Total current liabilities	<u>70,985</u>	<u>61,836</u>
	Non-current liabilities		
	Seniority premium	179	144
13	Derivative instruments	28,052	—
7	Other liabilities	40,990	40,990
8	Loan payable, net	410,281	410,651
	Total non-current liabilities	<u>479,502</u>	<u>451,785</u>
	STOCKHOLDERS' EQUITY		
	Authorized capital	117,100	117,100
	Additional paid-in-capital	88	87
	Accumulated deficit	(16,435)	(22,625)
	Other comprehensive (loss) income	(26,551)	7,886
	Deemed tax	(20)	(20)
	Total stockholders' equity	<u>74,182</u>	<u>102,428</u>
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 624,669</u>	<u>\$ 616,049</u>

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

Gas Natural Atlántico, S. de R. L.
Unaudited Interim Condensed Statements of Comprehensive Income
For the three months ended March 31, 2020 and 2019

(Expressed in thousands of dollars of the United States of America)

Notes		<u>2020</u>	<u>2019</u>
		(Unaudited)	
	Revenue		
5	Electricity sales	\$ 67,224	\$ 75,239
	Operating costs and expenses		
5	Fuel consumption	30,914	42,424
5	Electricity purchases	1,060	6,836
5	Terminal fee	8,607	8,736
	Other costs of electricity sales	227	295
	Transmission costs	1,152	925
6 & 7	Depreciation and amortization	5,360	5,335
9	Operating, general and maintenance expense	3,991	8,691
	Total operating costs and expenses	<u>51,311</u>	<u>73,242</u>
	Operating income	15,913	1,997
	Other (expenses) income		
10	Interest expense, net	(6,985)	(7,760)
	Other income	11	139
	Total other expenses, net	<u>(6,974)</u>	<u>(7,621)</u>
	Income (loss) before income tax	8,939	(5,624)
12	Income tax	2,749	1,344
	Net income (loss)	<u>\$ 6,190</u>	<u>\$ (6,968)</u>
	Net other comprehensive loss that will be reclassified to profit or loss in subsequent periods:		
13	Changes in the fair value of derivatives instruments	(46,033)	(5,214)
	Deferred tax	11,479	1,302
	Realized derivative instruments, net	117	—
	Other comprehensive loss	<u>(34,437)</u>	<u>(3,912)</u>
	Total other comprehensive loss	<u>\$ (28,247)</u>	<u>\$ (10,880)</u>

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

Gas Natural Atlántico, S. de R. L.
Unaudited Interim Condensed Statements of Changes in Stockholders' Equity
For the three months ended March 31, 2020 and 2019

(Expressed in thousands of dollars of the United States of America)

	Notes	Authorized capital	Additional paid-in capital	Accumulated deficit	Other comprehensive (loss) income	Deemed tax	Total stockholders' equity
Balance as of January 1, 2019		\$ 117,100	\$ 79	\$ (9,690)	\$ 9,274	\$ —	\$ 116,763
Net loss		—	—	(6,968)	—	—	(6,968)
Changes in the fair value of financial instruments	13	—	—	—	(5,214)	—	(5,214)
Deferred tax		—	—	—	1,302	—	1,302
Total other comprehensive loss		—	—	(6,968)	(3,912)	—	(10,880)
Shared based compensation		—	3	—	—	—	3
Balance as of March 31, 2019 (unaudited)		\$ 117,100	\$ 82	\$ (16,658)	\$ 5,362	\$ —	\$ 105,886
Balance as of January 1, 2020		\$ 117,100	\$ 87	\$ (22,625)	\$ 7,886	\$ (20)	\$ 102,428
Net income		—	—	6,190	—	—	6,190
Changes in the fair value of financial instruments	13	—	—	—	(46,033)	—	(46,033)
Deferred tax		—	—	—	11,479	—	11,479
Realized derivative instruments, net		—	—	—	117	—	117
Total other comprehensive loss		—	—	6,190	(34,437)	—	(28,247)
Shared based compensation		—	1	—	—	—	1
Balance as of March 31, 2020 (unaudited)		\$ 117,100	\$ 88	\$ (16,435)	\$ (26,551)	\$ (20)	\$ 74,182

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

Gas Natural Atlántico, S. de R. L.

Unaudited Interim Condensed Statements of Cash Flows

For the three months ended March 31, 2020 and 2019

(Expressed in thousands of dollars of the United States of America)

Notes	<u>2020</u>	<u>2019</u>
	(Unaudited)	
Cash flows from operating activities		
Net income (loss)	\$ 6,190	\$ (6,968)
Adjustment to reconcile net income (loss) to net cash provided by operating activities:		
6 Depreciation	5,347	5,335
7 Right-of-use asset amortization	323	5,282
Amortization of intangible assets	9	—
Amortization of realized derivative instrument	4	—
10 Interest income - financial	(124)	(445)
10 Interest expense - financial	5,406	6,899
10 Amortization of deferred financing costs	917	390
12 Income tax expense	2,749	1,344
Share based compensation	1	3
Cash flows before working capital movements	<u>20,822</u>	<u>11,840</u>
Decrease (increase) in accounts receivable	2,189	(3,649)
Decrease (increase) in inventories	6,394	(477)
(Increase) decrease in prepaid expenses	(3,846)	15,389
(Decrease) in deferred income	—	(139)
Increase (decrease) in accounts payable	8,149	(8,475)
(Decrease) in accrued expenses and other liabilities	(1,099)	(4,128)
Increase in seniority premium	35	22
Interest received	97	75
Payments of income tax	—	(1,019)
Net cash flows provided by operating activities	<u>32,741</u>	<u>9,439</u>
Cash flows from investing activities		
9 Acquisition of property, plant and equipment	(588)	(884)
Advances payments for the acquisition of property, plant and equipment	(92)	(33)
5 Loan disbursement to related party	(1,500)	—
Restricted cash	(19,952)	(2,659)
Net cash used in investing activities	<u>(22,132)</u>	<u>(3,576)</u>
Carried forward...	\$ 10,609	\$ 5,863

Gas Natural Atlántico, S. de R. L.**Unaudited Interim Condensed Statements of Cash Flows (Continued)****For the three months ended March 31, 2020 and 2019***(Expressed in thousands of dollars of the United States of America)*

	<u>2020</u>	<u>2019</u>
	(Unaudited)	
Brought forward...	\$ 10,609	\$ 5,863
Cash flows from financing activities		
Payment of interest	(4,386)	—
8 Proceeds from new line of credit	15,000	15,000
8 Payment of line of credit	(15,000)	—
Proceeds from intercompany loan	—	(8,000)
Payment of financing costs	(164)	—
Payment of financing for property, plant and equipment	(196)	(3,296)
Net cash (used in) provided by financing activities	<u>(4,746)</u>	<u>3,704</u>
Net increase in cash and cash equivalents	5,863	9,567
Cash and cash equivalents at the beginning of the year	18,118	146
Cash and cash equivalents at the end of the period	<u><u>\$ 23,981</u></u>	<u><u>\$ 9,713</u></u>
Supplementary disclosure		
Property, plant and equipment purchases not paid at end of the period	<u>\$ 25,262</u>	<u>\$ 6,323</u>

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

1. Organization and Nature of Operations

Gas Natural Atlántico, S. de R.L. (the Company) was incorporated on April 6, 2015, with its owners, AES Global Power Holdings, B.V., a company registered under the laws of the Netherlands, indirectly owned by the AES Corporation, owns 586,671 (50.1%) shares and Deeplight Holding, S.R.L., related party, incorporated under the laws of the British Virgin Islands, has 584,329 (49.9%) shares.

The Company's objective is to establish, conduct, operate, maintain and manage power generation plants, based on natural gas, as well as the transmission and distribution facilities for the purchase and sale of capacity and energy generated with natural gas, and other related activities.

The Company generates and sells electricity in the Panamanian Electricity Market and Regional Electricity Market ("MER"), where the Panamanian Market is regulated by the Autoridad Nacional de los Servicios Públicos (ASEP by its initials in Spanish), formerly Regulator of Public Services.

The main offices of the Company are located in Business Park II, Tower V, 11th floor, Paseo Roberto Motta, Costa del Este, Panama, Republic of Panama.

2. Basis of Preparation

The unaudited interim condensed financial statements for the three months ended March 31, 2020 and 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The unaudited interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as of December 31, 2019.

3. Summary of Accounting Policies

The accounting policies adopted in the preparation of the unaudited interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2019.

Gas Natural Atlántico, S. de R. L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***4. Cash and cash equivalents**

As of March 31, 2020 and December 31, 2019, cash and cash equivalents is composed of the following:

	<u>2020</u>	<u>2019</u>
Petty cash	\$ 3	\$ 3
Bank deposits	23,978	18,115
	<u>\$ 23,981</u>	<u>\$ 18,118</u>

5. Balances and Transactions with Affiliated and Related Parties

The balances with related parties as of March 31, 2020 and December 31, 2019, are as follows:

In the unaudited interim condensed statements of financial position:**Accounts receivables - related parties:**

Gas Natural Atlántico II, S. de R. L.	<u>\$ 30</u>	<u>\$ 3</u>
---------------------------------------	---------------------	--------------------

Prepaid expenses

Assa Compañía de Seguros, S.A.	\$ 3,107	\$ 4
Banco General, S.A.	2	19
Total Gas & Power Limited London	3,951	3,262
	<u>\$ 7,060</u>	<u>\$ 3,285</u>

Loan receivable from related party

Gas Natural Atlántico II S. de R.L.	<u>\$ 3,000</u>	<u>\$ 1,500</u>
-------------------------------------	------------------------	------------------------

Loan payable, net

Banco General, S.A.	<u>\$ 57,236</u>	<u>\$ 57,236</u>
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Interest payable

Banco General, S.A.	<u>\$ 33</u>	<u>\$ 16</u>
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Gas Natural Atlántico, S. de R. L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***5. Balances and Transactions with Affiliated and Related Parties (continued)**

In the unaudited interim condensed statements of comprehensive income, the transactions with related parties during the three months ended March 31, 2020 and 2019 are as follows:

In the unaudited interim condensed statements of comprehensive income**Fuel consumption**

Total Gas & Power Limited London

	<u>2020</u>	<u>2019</u>
	\$ 29,293	\$ 42,423

Operating, general and maintenance:

ASSA Compañía de Seguros, S.A.

	\$ 1,001	\$ 907
--	----------	--------

Petróleos Delta, S. A.

	8	5
--	---	---

Banco General, S.A.

	47	—
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Total Gas & Power Limited London

	—	5,850
	<u>\$ 1,056</u>	<u>\$ 6,762</u>

Interest income

Gas Natural Atlántico II, S. de R. L.

	\$ 27	\$ —
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Interest expense

Banco General, S.A.

	\$ 592	\$ 206
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The balances with affiliates as of March 31, 2020 and December 31, 2019, are as follows:

In the unaudited interim condensed statements of financial position:**Accounts receivables - affiliate:**

Costa Norte LNG Terminal S. de R.L.

	\$ 5,861	\$ 5,861
--	----------	----------

AES Changuinola, S.R.L.

	1	2
--	---	---

AES Panamá, S.R.L.

	2,935	3,203
--	-------	-------

	<u>\$ 8,797</u>	<u>\$ 9,066</u>
--	------------------------	------------------------

Accounts payable - affiliate:

Costa Norte LNG Terminal S. de R.L.

	\$ 28,200	\$ 19,828
--	-----------	-----------

AES Changuinola, S.R.L.

	—	1
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AES Andres DR, S.A.

	13,463	12,751
--	--------	--------

AES Panamá, S.R.L.

	310	97
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AES Solutions, LLC

	412	412
--	-----	-----

AES Latin América S.de R. L.

	59	59
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AES Global Power Holdings B.V.

	1	—
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	<u>\$ 42,445</u>	<u>\$ 33,148</u>
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Gas Natural Atlántico, S. de R. L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***5. Balances and Transactions with Affiliated and Related Parties (continued)**

In the unaudited interim condensed statements of comprehensive income, the transactions with related parties during the three months ended March 31, 2020 and 2019 are as follows:

In the unaudited interim condensed statements of comprehensive income**Electricity sales:**

AES Panamá, S.R.L.

<u>2020</u>	<u>2019</u>
\$ 4,689	\$ 8,464
3	8
<u>\$ 4,692</u>	<u>\$ 8,472</u>

AES Changuinola, S.R.L.

Electricity purchases

AES Panamá, S.R.L.

\$ 242	\$ 673
1	—
<u>\$ 243</u>	<u>\$ 673</u>

AES Changuinola, S.R.L.

LNG purchases

AES Andres DR, S.A.

<u>\$ 1,621</u>	<u>\$ —</u>
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Terminal fee

Costa Norte LNG Terminal S. de R.L.

<u>\$ 8,607</u>	<u>\$ 8,736</u>
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Operating, general and maintenance (management fee):

AES Solutions, LLC

\$ —	\$ 185
------	--------

AES Latin América S.de R. L.

173	—
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<u>\$ 173</u>	<u>\$ 185</u>
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Interest expense, netCosta Norte LNG Terminal S. de R.L.

<u>\$ —</u>	<u>\$ 82</u>
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Gas Natural Atlántico, S. de R. L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***6. Property, plant and equipment, net**

The activity in property, plant and equipment, net, for the three months ended March 31, 2020 and 2019 is detailed as follows:

March 31, 2020						
	Buildings	Generation assets	Furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:						
Balance at January 1, 2020	\$ 7,526	\$ 464,236	\$ 472	\$ 156	\$ 334	\$ 472,724
Additions	—	—	30	—	—	30
Reclasificaciones	—	168	—	—	(168)	—
Balance at March 31, 2020	<u>7,526</u>	<u>464,404</u>	<u>502</u>	<u>156</u>	<u>166</u>	<u>472,754</u>
Accumulated depreciation						
Balance at January 1, 2020	266	28,062	203	81	—	28,612
Depreciation	50	5,261	28	8	—	5,347
Balance at March 31, 2020	<u>316</u>	<u>33,323</u>	<u>231</u>	<u>89</u>	<u>—</u>	<u>33,959</u>
Net balance	<u>\$ 7,210</u>	<u>\$ 431,081</u>	<u>\$ 271</u>	<u>\$ 67</u>	<u>\$ 166</u>	<u>\$ 438,795</u>
March 31, 2019						
	Buildings	Generation assets	Furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:						
Balance at January 1, 2019	\$ 7,334	\$ 458,675	\$ 391	\$ 131	\$ 110	\$ 466,641
Additions	—	2,043	—	—	—	2,043
Reclasificaciones	192	(106)	24	—	(110)	—
Balance at March 31, 2019	<u>7,526</u>	<u>460,612</u>	<u>415</u>	<u>131</u>	<u>—</u>	<u>468,684</u>
Accumulated depreciation						
Balance at January 1, 2019	65	7,028	106	54	—	7,253
Depreciation	50	5,255	23	7	—	5,335
Balance at March 31, 2019	<u>115</u>	<u>12,283</u>	<u>129</u>	<u>61</u>	<u>—</u>	<u>12,588</u>
Net balance	<u>\$ 7,411</u>	<u>\$ 448,329</u>	<u>\$ 286</u>	<u>\$ 70</u>	<u>\$ —</u>	<u>\$ 456,096</u>

The Company's entire property, plant and equipment guarantees the obligations acquired in the financing of the facility (Note 8).

Gas Natural Atlántico, S. de R. L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***7. Lease**

Below are the carrying amounts of right-of-use asset recognized and the movements during the period:

	Land
As of January 1, 2019	\$ 36,254
Amortization expense	\$ (1,291)
As of December 31, 2019	34,963
Amortization expense	(323)
As of March 31, 2020	\$ 34,640

Below are the carrying amounts of lease liability (in accrued expenses and other liabilities - short term and other liabilities - long term).

	<u>2020</u>	<u>2019</u>
Balance as of January 1	\$ 41,689	\$ 52,779
Accretion of interest	786	3,319
Payments	(678)	(14,409)
Balance at the end of the period	\$ 41,797	\$ 41,689
Current	\$ (807)	\$ (699)
Non-current	\$ (40,990)	\$ (40,990)

The maturity analysis of lease liabilities is disclosed in Note 11.

The following are the amounts recognized for the three months in 2020 and 2019 unaudited interim condensed statement of comprehensive income:

	<u>2020</u>	<u>2019</u>
Amortization expense of right-of-use assets (included in operating, general and maintenance expense)	\$ 323	\$ 5,282
Interest expense on lease liabilities (included in interest expense, net)	786	916
Total amount recognized in the unaudited interim condensed statement of comprehensive income	\$ 1,109	\$ 6,198

7. Lease (continued)

The balances of right-of-used asset and lease liability correspond to the following contracts:

- Land: Costa Norte LNG Terminal, S. de R.L. entered into a lease agreement with Panama Ports Company, S.A. (Lessor). The agreement is for the lease of a land space and the term of the Agreement expires on January 31, 2022 with an automatic renewal for an additional 25 year period, subject to the term of the Concession Agreement ceded by the Panamanian Government to the Lessor. The Company entered into a sub-lease agreement with Costa Norte LNG Terminal, S. de R.L. with the purpose to lease a land space of 8.8 hectares, for the construction, development and operation of a LNG power generation plant. The term of the sub-lease is the same agreed for the land-lease.

8. Loans payable, net

Line of credit

On March 24, 2020, the Company received \$15,000, as working capital, from its a line of credit with Banco Aliado, S.A. The facility will bear interest of LIBOR 3-months plus a 4.5% spread over a 12-months period.

Loan payable, net

On August 2, 2019, the Company acquired a syndicated loan for up to \$415,500, with a group of banks and The Bank of Nova Scotia (Panama), as an administrative agent, in order to refinance all amounts outstanding under its previous syndicated loan.

This loan is for a 2 year period bearing an interest rate of 3-months LIBOR plus a margin that increases from 2% to 3.75% throughout the term of the loan. The interest payments are required on a quarterly basis and principal payment is due at the loan maturity date, August 2, 2021.

On July 22, 2016, the Company signed a mortgage contract on its movable property and its inventory of LNG, with Banistmo Investment Corporation, S.A. as a fiduciary entity, with the objective of guaranteeing the obligations acquired in the syndicated loan. This contract remains in force as of March 31, 2020.

8. Loans payable, net (continued)

As of March 31, 2020, and December 31, 2019, loan balances payable, net of deferred financing costs are detailed below:

	<u>2020</u>	<u>2019</u>
Current loan payable	\$ 15,000	\$ 15,000
Current loan payable, net	<u>\$ 15,000</u>	<u>\$ 15,000</u>
Non-current loan payable	\$ 415,500	\$ 415,500
Deferred financing costs	(5,219)	(4,849)
Non-current loan payable, net	<u>\$ 410,281</u>	<u>\$ 410,651</u>

For the three months ended March 31, 2020 and 2019 interest expense associated with the loans was \$5,292 and \$6,816. Both expenses are included in interest expense, in the unaudited interim condensed statements of comprehensive income.

9. Operating, General and Maintenance Expense

For the three months period ended March 31, 2020 and 2019, the operating, general and maintenance expenses is as follows:

	<u>2020</u>	<u>2019</u>
Insurance	\$ 1,696	\$ 1,057
Salaries and other benefits	1,086	762
Right-of-use asset amortization (Note 7)	323	5,282
Maintenance services	244	142
Others	199	104
Management fee	173	185
Contract services	93	471
Professional fees	79	212
Bank charges	61	420
Operating lease costs	35	46
Basic services	2	10
	<u>\$ 3,991</u>	<u>\$ 8,691</u>

10. Interest expense, net

The interest expense, net for the three months period ended March 31, 2020 and 2019 was as follow:

	<u>2020</u>	<u>2019</u>
Interest expense - financial	\$ (5,406)	\$ (6,899)
Interest expense - lease	(786)	(916)
Subtotal	<u>(6,192)</u>	<u>(7,815)</u>
Amortization of deferred financing costs	(917)	(390)
Interest income - financial	124	445
Subtotal	<u>124</u>	<u>445</u>
Total	<u><u>\$ (6,985)</u></u>	<u><u>\$ (7,760)</u></u>

11. Risk and Capital Management

Risk Management

Liquidity risk

The table below summarizes the maturity profile of the financial liabilities based on contractual undiscounted payments as March 31, 2020:

	<i><u>Less than</u></i> <i><u>3 months</u></i>	<i><u>From 3 to 12</u></i> <i><u>Months</u></i>	<i><u>From 1 to 5</u></i> <i><u>Years</u></i>	<i><u>More than 5</u></i> <i><u>Years</u></i>	<i><u>Total</u></i>
As of March 31, 2020					
Loan payable, net	\$ 15,000	\$ —	\$ 410,281	\$ —	\$ 425,281
Accounts payable - supplier	5,943	—	—	—	5,943
Accounts payable - affiliates	—	42,445	—	—	42,445
Interest payable	—	2,444	—	—	2,444
Accrued expenses and other liabilities	1,330	699	—	—	2,029
Other liabilities	—	—	—	40,990	40,990
	<u><u>\$ 22,273</u></u>	<u><u>\$ 45,588</u></u>	<u><u>\$ 410,281</u></u>	<u><u>\$ 40,990</u></u>	<u><u>\$ 519,132</u></u>

12. Income tax

For the three months period ended March 31, 2020 and 2019, income tax expense was as follows:

	<u>2020</u>	<u>2019</u>
Current	\$ 802	\$ 336
Deferred	1,947	1,008
	<u>\$ 2,749</u>	<u>\$ 1,344</u>

13. Fair Value of Financial Instruments

The Company established a process for determining fair value of financial instruments. The fair value determination considers the market quotes prices. Nevertheless, in many occasions no quoted market prices exist for several of the Company's financial instruments. In cases in which market quoted prices are not available, the fair value is based on estimates using current value or other valuation techniques. These techniques are affected significantly by the assumptions employed, including the discount rate and future cash flows.

The estimate fair value of financial instruments as of March 31, 2020 and December 31, 2019, are detailed below:

	<u>2020</u>		<u>2019</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
<u>Financial Assets</u>				
Non-current derivative instruments	\$ —	\$ —	\$ 17,981	\$ 17,981
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17,981</u>	<u>\$ 17,981</u>
<u>Financial Liabilities</u>				
Non-current derivatives intruments	\$ 28,052	\$ 28,052	\$ —	\$ —
Current loan payable, net	15,000	15,000	15,000	15,000
Non-current loan payable, net	410,281	410,281	410,651	410,651
	<u>\$ 453,333</u>	<u>\$ 453,333</u>	<u>\$ 425,651</u>	<u>\$ 425,651</u>

The following methods and assumptions were used to estimate fair values:

- The carrying amount of certain financial assets, including cash and cash equivalents, accounts receivable and certain financial liabilities including accounts payable to suppliers, related parties and affiliates, due to their short maturity nature, is considered equal to their fair value.

13. Fair Value of Financial Instruments (continued)

- The fair values for the loans payable estimated as of March 31, 2020, and December 31, 2019, are based on information available at the date of the statements of financial position. The Company is not aware of any factors that may significantly affect the fair value estimate as of those dates. These loans were contracted at variable rate, therefore, the Company considers that the fair value approximates its carrying amount.
- Derivative instruments are recognized at fair value in the statements of financial position. The assumption used in the calculation of the fair value used by the Company for derivatives falls under Level 2 of the hierarchy.

Hierarchy of fair value of financial instruments

All assets and liabilities measured at fair value or on which the Company makes fair value disclosures are classified within the fair value hierarchy. Such classification is based on the lower level of information used to determine such value and which is significant for the determination of fair value as a whole.

The fair value hierarchy consists of the following three levels:

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

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The classification of the derivative is presented below as of March 31, 2020 and December 31, 2019:

Derivative Instrument	Clasificación	2020		
		Derivative instrument Liability		Other comprehensive income
		Current	Non -current	
SWAP	Financial instrument liability recognized with change in other comprehensive income	\$ —	\$ (28,052)	\$ (46,033)
	Total derivative instruments-level 2	\$ —	\$ (28,052)	\$ (46,033)

13. Fair Value of Financial Instruments (continued)

Derivative Instrument	Clasificación	2019		
		Derivative instrument Asset		Other comprehensive income
		Current	Non - current	
SWAP	Financial instrument asset recognized with change in other comprehensive income	\$ —	\$ 17,981	\$ (5,214)
	Total derivative instruments-level 2	\$ —	\$ 17,981	\$ (5,214)

As of March 31, 2020 and December 31, 2019, the Company has not made reclassifications between hierarchy levels.

14. Subsequent Events

Subsequent events were evaluated by the administration until August 5, 2020, the date on which unaudited interim condensed financial statements were authorized by the Controller for its issuance.

COVID-19

Last March 11, 2020 the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The quick evolution of the events, nationally and internationally, represents an unprecedented health crisis that will have macroeconomic and business effects. To face the economic and social impacts of COVID-19, among other measures the government of Panama has declared a state of national emergency, a state of public calamity and natural disaster, through resolution No.11 on March 13, 2020, and through the executive order No.489 on March 16, 2020, the Ministry of Health establishes additional sanitary measures to reduce, mitigate and control of the coronavirus COVID-19 disease pandemic in the country. The government also published other decrees during the month of March 2020, to establish sanitary control in epidemic areas and a curfew imposed throughout the country.

On May 11, 2020, though the resolution No.405 the Ministry of Health established the guidelines of the return to normality of the companies post Covid-19.

On March 31, 2020, Cabinet Resolution No.19 mandated the Distribution Companies to provide discounts on energy bills to certain consumers and provided for the funding of a tariff stabilization fund (Fondo de Estabilización Tarifaria) through which the Panamanian government is expected to compensate the Distribution Companies for discounts provided to consumers.

On May 4, 2020, Law 152 mandated a moratorium on payment of certain basic services, including electricity, cellular phone, internet for a period of 4 months for people and small business that met certain criteria. During this period, a service provider cannot disconnect service for users any cannot apply and late fees or interest.

14. Subsequent Events (continued)

COVID-19 (continued)

The effects of COVID-19 on the Economy in 2020

The COVID-19 pandemic has taken a substantial toll on the Panamanian Economy. The Panamanian government has enacted measures to ease the economic effect the pandemic has on the economy, including a prohibition on shutting off electricity services for non-payment and mandating the Distribution Companies to provide discounts to certain customers on their electricity bill. The discounts are to be funded through a tariff stabilization fund (*Fondo de Estabilización Tarifaria*) which has not yet been funded. This has caused the Distribution Companies to make only partial payments of the Company invoices under the PPA. This has caused the Distribution Companies to make only partial payments of the Company invoices under the PPA during April, May and June.

Although no official data has been published, the Company expects that electricity demand will fall which could also lower the average price for energy in the spot market which is largely mitigated by the Company's Purchase Power Agreements but could nonetheless affect the results of operation of the Company.

The Company believes that these events do not represent an adjustment to the unaudited interim condensed financial statements as of March 31, 2020; should there be an impact on operations, it would be reflected in its future results and cash flows.

Given the complexity of the situation and its quick evolution, it is not practical at this time to conduct a reliable, quantified estimate of its potential impact on the Company, which will be recorded prospectively in the 2020 annual accounts.

The Company is conducting the necessary measures to face this situation and minimize its impact, based on more updated estimates and treasury's position on that date, do not compromise the application of the going concern principle.

Financial Statements

Gas Natural Atlántico, S. de R. L.

*As of December 31, 2019 and 2018 and for the three years then ended
with Independent Auditor's Report*

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Independent Auditor's Report

The Partners
Gas Natural Atlántico, S. de R. L.

Opinion

We have audited the financial statements of Gas Natural Atlántico, S. de R. L., (the Company), which comprise the statement of financial position as of December 31, 2019 and 2018 and the statement of comprehensive income, statement of changes in stockholders' equity and statement of cash flows for the three years then ended as of December 31, 2019, 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 the Company as of December 31, 2019 and 2018; and its financial performance and its cash flows for the three years then ended as of December 31, 2019, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Panama (Decree No. 26 of May 17, 1984), and we have fulfilled our other ethical responsibilities in accordance with these 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 paragraph - Adoption of New Accounting Standards

As discussed in Note 3 New standards, interpretations and amendments adopted by the Company to the financial statements, the Company (as lessee) changed its method of accounting for leases in 2019 due to the adoption of IFRS 16 Leases. Our opinion is not qualified in this respect."

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Description of the matter:

Under IFRS 16 – Leases, the lessee is required to recognize the present value of future lease payments as a right-of-use asset and a corresponding financial liability.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application at January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application, therefore previous period comparative figures were not adjusted in the financial statements. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at January 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

As described in Note 13 to the financial statements, the initial application of IFRS 16 resulted in the recognition of a \$46.2 million right of use asset and a \$52.8 million lease liability as of January 1, 2019.

Auditing the adoption of IFRS 16 was complex as it involved evaluating significant judgments and assumptions applied by Management in relation to assessing the incremental borrowing rate, service component and extension options of leasing arrangements. Management has formed its judgments and assumptions based on historical experience, internal and external data points.

How We Addressed the Matter in Our Audit:

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's IFRS 16 adoption process including controls over management's review of the significant assumptions described above, the data inputs used by the Company in the calculations of right of use assets and lease liabilities and the recording of the balances in the financial statements.

To test the completeness and accuracy of the underlying data used to calculate the right of use asset and lease liability our procedures included, among others, comparing the leases' terms and conditions as per the contracts to the data used in the calculation and comparing the leases included in the adoption analysis to the leases to determine whether any agreements were omitted.

We involved our specialist to test the assumptions used in the model. We perform recalculations with the contract information and the discount rate used by the client.

In addition, we compared the Company's disclosures related to the adoption of IFRS 16 to the disclosure requirements.

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 IFRSs, 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.

Responsibilities of the Auditor with Regards to 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 in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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 auditor's 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

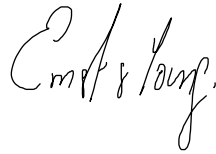
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 on the audit resulting in this independent auditor's report is Víctor M. Ramírez.

Panama, Republic of Panama
April 30, 2020



Gas Natural Atlántico, S. de R. L.

Statements of Financial Position

As of December 31, 2019 and 2018

(Expressed in thousands of dollars of the United States of America)

Notes		<u>2019</u>	<u>2018</u>
	ASSETS		
	Current assets		
4	Cash and cash equivalents	\$ 18,118	\$ 146
5	Restricted cash	7,825	7,124
	Accounts receivable:		
6	Trade	44,206	45,907
7	Related parties	3	538
7	Affiliates	9,066	95
	Others	6	420
7	Loan receivable from related party	1,500	—
8	Inventories	23,776	2,323
7	Prepaid expenses	6,836	31,778
15 & 22	Derivative instruments	—	1,343
	Total current assets	<u>111,336</u>	<u>89,674</u>
	Non-current assets		
9	Property, plant and equipment, net	444,112	459,388
	Restricted cash	211	126
10	Intangible assets, net	229	80
20	Deferred tax asset, net	7,013	3,188
15 & 22	Derivative instruments	17,981	11,596
13	Right-of-use asset, net	34,963	—
	Other assets	204	119
	Total non-current assets	<u>504,713</u>	<u>474,497</u>
	TOTAL ASSETS	<u><u>\$ 616,049</u></u>	<u><u>\$ 564,171</u></u>

Gas Natural Atlántico, S. de R. L.
Statements of Financial Position (Continued)

As of December 31, 2019 and 2018

(Expressed in thousands of dollars of the United States of America)

Notes		<u>2019</u>	<u>2018</u>
	LIABILITIES AND STOCKHOLDERS' EQUITY		
	Current liabilities		
	Accounts payable:		
12	Suppliers	\$ 7,954	\$ 13,817
7 & 13	Affiliates	33,148	25,045
7	Loan payables to affiliate	—	11,000
	Interest payable	284	7,794
20	Income tax payable, net	2,322	1,019
11 & 13	Accrued expenses and other liabilities	3,128	2,119
14 & 22	Loans payable, net	15,000	379,697
	Total current liabilities	<u>61,836</u>	<u>440,491</u>
	Non-current liabilities		
	Seniority premium	144	90
7 & 13	Deferred income	—	6,827
13	Other liabilities	40,990	—
14 & 22	Loans payable, net	410,651	—
	Total non-current liabilities	<u>451,785</u>	<u>6,917</u>
	STOCKHOLDERS' EQUITY		
16	Authorized capital	117,100	117,100
	Additional paid-in-capital	87	79
	Accumulated deficit	(22,625)	(9,690)
15 & 22	Other comprehensive income	7,886	9,274
	Deemed tax	(20)	—
	Total stockholders' equity	<u>102,428</u>	<u>116,763</u>
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 616,049</u>	<u>\$ 564,171</u>

The accompanying notes are an integral part of these financial statements.

Gas Natural Atlántico, S. de R. L.

Statements of Comprehensive Income

For the years ended December 31, 2019, 2018 and 2017

(Expressed in thousands of dollars of the United States of America)

Notes		<u>2019</u>	<u>2018</u>	<u>2017</u>
	Revenues			
7 & 21	Electricity sales	\$ 285,858	\$ 84,225	\$ —
7	Natural gas sales	2,399	2,465	—
	Total revenues	<u>288,257</u>	<u>86,690</u>	<u>—</u>
	Operating costs and expenses			
7	Fuel consumption	140,787	29,065	—
7	Electricity purchases	18,706	9,633	—
7	Terminal fee	34,267	14,991	—
7	Fuel cost of sales	2,399	1,876	—
	Other costs of electricity sales	1,222	311	—
	Transmission costs	3,654	1,312	—
9, 10 & 15	Depreciation and amortization	21,381	7,184	45
7, 13 & 17	Operating, general and maintenance expense	30,439	17,265	3,074
	Total operating costs and expenses	<u>252,855</u>	<u>81,637</u>	<u>3,119</u>
	Operating income (loss)	35,402	5,053	(3,119)
	Other (expenses) income			
7, 13 & 18	Interest expense, net	(44,434)	(9,539)	(2,079)
19	Other (expense) income, net	(3,927)	10	1
	Total other expenses, net	<u>(48,361)</u>	<u>(9,529)</u>	<u>(2,078)</u>
	Loss before income tax	(12,959)	(4,476)	(5,197)
20	Income tax	(24)	(5,258)	—
	Net (loss) income	<u>\$ (12,935)</u>	<u>\$ 782</u>	<u>\$ (5,197)</u>
	Net other comprehensive (loss) income that will be reclassified to profit or loss in subsequent periods:			
15 & 22	Changes in the fair value of derivative instruments	5,042	3,174	(1,847)
20	Deferred tax	460	(648)	524
15	Realized derivative instruments, net	(6,890)	174	(750)
	Other comprehensive (loss) income	<u>(1,388)</u>	<u>2,700</u>	<u>(2,073)</u>
	Total other comprehensive (loss) income	<u><u>\$ (14,323)</u></u>	<u><u>\$ 3,482</u></u>	<u><u>\$ (7,270)</u></u>

The accompanying notes are an integral part of these financial statements.

Gas Natural Atlántico, S. de R. L.

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2019, 2018 and 2017

(Expressed in thousands of dollars of the United States of America)

	Notes	<u>Authorized capital</u>	<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Other comprehensive income</u>	<u>Deemed tax</u>	<u>Total stockholders' equity</u>
Balance as of January 1, 2017		\$ 109,800	\$ 30	\$ (5,275)	\$ 8,647	\$ —	\$ 113,202
Net loss		—	—	(5,197)	—	—	(5,197)
Changes in the fair value of derivative instruments	15 & 22	—	—	—	(1,847)	—	(1,847)
Deferred tax	20	—	—	—	524	—	524
Realized derivative instruments	15 & 22	—	—	—	(750)	—	(750)
Total other comprehensive loss		—	—	(5,197)	(2,073)	—	(7,270)
Capital contribution	7	7,300	—	—	—	—	7,300
Shared based compensation		—	32	—	—	—	32
Balance as of December 31, 2017		117,100	62	(10,472)	6,574	—	113,264
Net income		—	—	782	—	—	782
Changes in the fair value of derivative instruments	15 & 22	—	—	—	3,174	—	3,174
Deferred tax	20	—	—	—	(648)	—	(648)
Realized derivative instruments, net	15 & 22	—	—	—	174	—	174
Total other comprehensive income		—	—	782	2,700	—	3,482
Shared based compensation		—	17	—	—	—	17
Balance as of December 31, 2018		117,100	79	(9,690)	9,274	—	116,763
Net loss		—	—	(12,935)	—	—	(12,935)
Changes in the fair value of derivative instruments	15 & 22	—	—	—	5,042	—	5,042
Deferred tax	20	—	—	—	460	—	460
Realized derivative instruments, net	15 & 22	—	—	—	(6,890)	—	(6,890)
Total other comprehensive loss		—	—	(12,935)	(1,388)	—	(14,323)
Shared based compensation		—	8	—	—	—	8
Deemed tax		—	—	—	—	(20)	(20)
Balance as of December 31, 2019		\$ 117,100	\$ 87	\$ (22,625)	\$ 7,886	\$ (20)	\$ 102,428

The accompanying notes are an integral part of these financial statements.

Gas Natural Atlántico, S. de R. L.

Statements of Cash Flows

For the years ended December 31, 2019, 2018 and 2017

(Expressed in thousands of dollars of the United States of America)

Notes	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash Flow from operating activities			
Net (loss) income	\$ (12,935)	\$ 782	\$ (5,197)
Adjustment to reconcile net (loss) income to net cash provided by (used in) operating activities:			
9 Depreciation	21,359	7,177	44
13 Right-of-use asset amortization	11,209	—	—
10 Amortization of intangible assets	7	1	1
15 Amortization of realized derivative instrument	15	7	—
19 Loss on early extinguishment of debt	4,066	—	—
18 Interest income	(1,256)	(349)	(208)
14 & 18 Interest expense	24,545	9,375	2,287
18 Amortization of deferred financing cost	3,644	513	—
18 Write-off of deferred financing costs	14,182	—	—
20 Income tax expense	(24)	(5,258)	—
Share-based compensation	8	17	32
Cash flows before working capital movements	64,820	12,265	(3,041)
6 (Increase) in accounts receivable	(13,660)	(46,040)	(134)
8 (Increase) in inventories	(21,453)	(2,323)	—
Decrease (increase) prepaid expenses	24,942	(30,702)	531
13 (Decrease) increase in deferred income	(6,827)	3,100	1,442
12 Increase (decrease) in accounts payable	4,293	11,051	(8,105)
(Decrease) increase in accrued expenses and other liabilities	(4,173)	1,242	172
Increase in seniority premium	54	37	38
Interest received	1,671	349	208
Payments of income tax	(2,038)	—	—
Net cash flows provided by (used in) operating activities	47,629	(51,021)	(8,889)
Cash flows from investing activities			
10 Acquisition of intangible assets	(156)	(76)	—
9 Acquisition of property, plant and equipment	(2,320)	(62,824)	(224,142)
Advances payments for the acquisition of property, plant and equipment	(106)	(20)	(2,871)
9 Loan disbursement to related party	(1,500)	—	—
5 Restricted cash	(786)	7,501	94
Net cash used in investing activities	(4,868)	(55,419)	(226,919)
Carried forward...	\$ 42,761	\$ (106,440)	\$ (235,808)

Gas Natural Atlántico, S. de R. L.**Statements of Cash Flows (continued)****For the years ended December 31, 2019, 2018 and 2017***(Expressed in thousands of dollars of the United States of America)*

		<u>2019</u>	<u>2018</u>	<u>2017</u>
	Brought forward...	\$ 42,761	\$(106,440)	\$(235,808)
	Cash flows from financing activities			
	Payment of interest	(31,965)	(1,401)	—
14	Proceeds from new loans	415,500	104,769	229,500
14	Payment of loan	(394,818)	—	—
14	Proceeds from line of credit	15,000	—	—
	Proceeds from intercompany loan	—	12,000	—
7	Payment of intercompany loan	(11,000)	(1,000)	—
14	Payment of financing costs	(7,554)	(10)	(780)
19	Premium payment of early extinguishment debt	(4,066)	—	—
9	Payment of financing for property, plant and equipment	(5,886)	(8,099)	(2)
	Capital contribution	—	—	7,300
	Net cash (used in) provided by financing activities	(24,789)	106,259	236,018
	Net increase (decrease) in cash and cash equivalents	17,972	(181)	210
	Cash and cash equivalents at the beginning of the year	146	327	117
	Cash and cash equivalents at the end of the year	\$ 18,118	\$ 146	\$ 327
	Supplementary disclosure			
	Property, plant and equipment purchases not paid at year end	\$ 26,125	\$ 30,575	\$ 15,785
	Interest paid, capitalized in property, plant and equipment	\$ —	\$ 19,267	\$ 7,745
	Accrued interest, capitalized in property, plant and equipment	\$ —	\$ —	\$ 4,690

The accompanying notes are an integral part of these financial statements.

1. Organization and Nature of Operations

Gas Natural Atlántico, S. de R.L. (the Company) was incorporated on April 6, 2015, with its owners, AES Elsta, B.V., incorporated under the laws of the Netherlands, a 100% indirect subsidiary of The AES Corporation (the Corporation), a global energy company, based in Arlington, Virginia, (United States of America), with 75% participation and Deeplight Corporation, related party, incorporated under the laws of the British Virgin Islands, with 25% participation.

On December 3, 2015, during a shareholder's meeting, a reduction of the ownership by AES Elsta, B.V. to 50.1% and an increase of the participation of Deeplight Corporation to 49.9% was approved.

On April 25, 2016, during a partners meeting, the participation of Deeplight Corporation was contributed towards Deeplight Holding, S.R.L., as part of a corporate restructuring.

On April 8, 2019, as a consequence of a corporate restructuring, through a shareholder's meeting, the Company approved the assign of 100% of the shares owned by AES Elsta, B.V. in favor to AES Global Power Holdings, B.V., a company registered under the laws of the Netherlands, indirectly owned by the Corporation. As of December 31, 2019, AES Global Power Holdings, B.V., has 586,671 (50.1%) shares of the Company and Deeplight Holding, S.R.L. has 584,329 (49.9%) shares.

The Company's objective is to establish, conduct, operate, maintain and manage power generation plants, based on natural gas, as well as the transmission and distribution facilities for the purchase and sale of capacity and energy generated with natural gas, and other related activities. On September 1, 2018, the Company began operations that consist of a 381 megawatts ("MW") power generation plant. The generation plant is in the Province of Colón, San Cristóbal, Telfers Avenue, Panama.

The Company generates and sells electricity in the Panamanian Electricity Market and Regional Electricity Market ("MER"), where the Panamanian Market is regulated by the Autoridad Nacional de los Servicios Públicos (ASEP by its initials in Spanish), formerly Regulator of Public Services.

As of December 31, 2019 and 2018, 91.86% of the firm capacity of the Company's thermal power plant is contracted under various energy and capacity purchase - sale agreements with distribution companies. These agreements have a term of ten years from September 1, 2018. The surplus energy is sold in the spot market at the prices established therein.

The main offices of the Company are located in Business Park II, Tower V, 11th floor, Paseo Roberto Motta, Costa del Este, Panama, Republic of Panama.

2. Basis of Preparation

The financial statements of Gas Natural Atlántico, S. de R.L. have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

2. Basis of Preparation (continued)

The financial statements were authorized by the Controller for issuance on April 30, 2020.

Basis for measurement

The financial statements have been prepared based on a historical cost basis, except for certain items that have been valued as indicated in the accounting policies detailed in Note 3.

Presentation currency

The functional currency of the Company is the dollar of the United States of America, which is the currency used in the Company's activities and significant contracts. The monetary unit of the Republic of Panama is the balboa. The balboa is on par and is free exchange with the dollar of the United States of America and is freely convertible.

Estimates and significant accounting assumptions

The preparation of the financial statements in accordance with IFRS requires the administration to make judgements, estimates and assumptions that affect the reported amounts in assets, liabilities, revenues and expenses. Actual results might differ from these estimates.

Estimates and assumptions are reviewed periodically. The results of the revisions of accounting estimates are recognized in the period in which they have been reviewed and any other future periods that they affect.

The relevant estimates that are particularly susceptible to significant changes are related to the estimation of the useful lives of the assets, the determination of contingent liabilities, the fair value of financial instruments and the valuation of deferred income taxes.

3. Summary of Accounting Policies

The accounting policies described below have been consistently applied in the years presented in these financial statements by the Company, except for IFRS 16.

Financial instruments

Initial recognition and measurement

Financial instruments are initially recognized when the Company becomes a contractual party of the instrument, with the exception of accounts receivable that are initially recognized when they originate.

3. Summary of Accounting Policies (continued)

A financial instrument, with the exception of accounts receivable that do not contain a significant financing component, is initially measured at its fair value plus transaction costs that are directly attributable to its acquisition or issue. Account receivables that do not contain a significant financing component are initially measured at the transaction price.

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The Company does not choose to irrevocably designate the measurement of financial assets at fair value through profit or loss or other comprehensive income.

Classification and measurement

Financial assets (including loans and accounts receivable) are not reclassified after initial recognition unless the Company changes the business model to manage financial assets, in which case all affected financial assets are reclassified on the first day of the first presentation period after the change in the business model, which is revised annually.

The Company measures financial assets at amortized cost if both of the following conditions are met:

- It is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, exchange gains or losses and impairment are recognized in profit or loss. Any gain or loss at the time of derecognizing assets is recognized in profit or loss.

A financial asset is measured at fair value through Other Comprehensive Income (OCI) if the following conditions are met:

- It is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments recognized at fair value through OCI are subsequently measured at fair value. Interest income, calculated using the effective interest method, exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. When the assets are derecognized, the gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

Investments in equity instruments recognized at fair value through OCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss, unless the dividend represents a recovery of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and they are not reclassified to profit or loss.

All financial assets that are not measured at amortized cost or fair through OCI, as described above, are measured at fair value through profit or loss. This measurement category includes all derivative financial instruments.

Evaluation of the business model

The Company performs an annual evaluation of its operations to determine how it manages its financial assets, designates its business model and the groups of financial assets to achieve a specific business objective, which will not depend on the intentions of management for an individual instrument.

The levels of aggregation considered by the administration to perform the evaluation of the business model are six: cash and cash equivalents; accounts receivable trade, accounts receivable related parties, accounts receivable affiliates, other accounts receivable and loan receivable from related party.

The Company's business model is to recover the contractual cash flows at maturity in order to comply with the administration's objectives. In situations of credit or liquidity risks, the Company may consider the sale of financial assets; however, the frequency, value and timing of sales of financial assets in prior periods are evaluated to determine whether they represent a change in the way financial assets are managed.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. The expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For the determination and valuation of the expected credit losses, the Company adopted the simplified approach and the presumption of "default" after 90 days, for all customers with the exception of accounts receivable from government customers for which the default was defined as of 365 days.

3. Summary Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

In the estimation of impairment, the Company uses historical information on the behavior of the portfolio and of the recoveries during the last three years, excluding balances with guarantees. This matrix is reviewed every three years, unless there are new conditions or changes that materially affect the behavior of the recovery of financial assets.

The Company used historical information and analyzed variables that affect and help to predict the behavior of the recoverability of financial assets, none of which showed an adequate correlation. However, the Company periodically performs qualitative risk analyzes to identify changes in the estimated losses. As of December 31, 2019 and 2018, the Company determined that there were no indications of doubtful accounts.

Financial asset derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; or when the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow in full without material delay to a third party under a pass-through arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Cash and cash equivalents

The Company considers as cash and cash equivalents its petty cash and bank deposits.

Restricted cash

Restricted cash includes cash and cash equivalents, which have restricted availability. The nature and restrictions includes restrictions imposed by signed agreements, which are established with the purpose of managing funds according to the financing agreements.

3. Summary of Accounting Policies (continued)

Inventory

The inventories, which mainly consist of gas, fuel, materials and spare parts are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories includes all costs of purchase, conversion and other costs incurred to give them its present location and condition. The cost of inventories is assigned using the weighted average cost method. The Company performs physical inventories and any difference is adjusted in the statements of comprehensive income.

Property, plant and equipment

Property, plant, and equipment is initially stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. When assets are sold or written off, the corresponding cost and accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is reflected in the statements of comprehensive income. When the property, plant and equipment have different useful lives, they are accounted for separately.

Depreciation

Depreciation is calculated according to the useful lives of the respective assets using the straight-line method. The depreciation rates used are based on the estimated useful lives of the assets and are detailed below:

	<u>Useful lives</u>
Buildings	20 to 38 years
Generation assets	5 to 38 years
Office furniture and equipment	3 to 15 years
Transportation equipment	3 to 5 years

The useful lives of the generation assets were determined based on their technical useful life, having as legal limitation the term of the lease of the land where the Company operates. The remaining period of the lease is 38 years from the date the generation assets were placed into operation. The residual value is considered only for those assets with an useful life of less than the concession term.

An item of property, plant and equipment is derecognized upon disposal or when the Company considers that no further economic benefits will be received from the asset in the future. Any loss or gain resulting from the disposal of an asset, calculated as the difference between its net carrying amount and the proceeds of the sale, is recognized in the statements of comprehensive income of the period in which the transaction occurs.

3. Summary of Accounting Policies (continued)

Major and minor maintenance

Disbursements for major maintenance represent the reconditioning of the plant or other assets. These expenses are capitalized and amortized based on the useful life of each asset. Minor maintenance expenses are charged directly to operating, general and maintenance expense in the statements of comprehensive income.

Construction in progress

Construction in progress payments, engineering costs, insurance, salaries, interest and other costs directly relating to construction in progress are capitalized during the construction period. Construction in progress balances are stated at cost and transferred to generation assets when an asset group is ready for its intended use.

Intangible Assets

Intangible assets acquired separately are initially recorded at cost. Subsequent to their initial recognition, intangible assets are accounted for at cost less accumulated amortization and the accumulated amount of any impairment loss as applicable.

The estimated useful lives for intangible assets are detailed below:

	<u>Useful lives</u>
Licenses and software	3 to 10 years

Impairment of non-financial assets

The Company reviews the carrying amounts of its non-financial assets at the end of each year in order to identify impairments or when facts or circumstances indicate that the amounts recorded may not be recoverable.

If such indication exists and the carrying amount exceeds the recoverable amount, the Company values the assets or cash-generating unit at their recoverable amount, defined as the greater of their fair value less selling costs and their value in use. The adjustments generated by this concept are recorded in the results of the year in which they are determined.

The Company evaluates at the end of each year if there is any indication of the impairment loss of the value for a non-financial asset. If there is such an indication, the Company re-estimates the recoverable value of the asset and, if applicable, reverses the loss by increasing the asset to its new recoverable amount, which will not exceed the net book value of the asset before recognizing the loss for deterioration, recognizing the credit in the statements of comprehensive income of the period.

3. Summary of Accounting Policies (continued)

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use asset

The Company recognizes right-of-use asset at the commencement date of the lease. Right-of-use asset are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The cost of right-of-use asset includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use asset are amortized on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset, as follows:

Land	28 years
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If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflect the exercise of a purchase option, amortization is calculated using the estimated useful life of the asset. The right-of-use asset are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

3. Summary of Accounting Policies (continued)

Lease liabilities (continued)

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low value assets

The Company applied the short-term lease recognition exemption to its short-term leases of machinery and equipment, if those leases have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases and leases of low value assets are recognized as expenses on a straight-line basis over the lease term.

Deferred financing costs

Financing costs related to long-term debt are deferred and amortized using the effective interest method, over the term of such financings. The total net balance of deferred financing costs is presented as a direct reduction from the face amount of the related debt. The Company recorded amortization expense of \$3,644 and \$513, net of capitalization, for the years ended December 31, 2019 and 2018, respectively. In 2017, 100% of deferred financing costs were capitalized.

The Company capitalizes as part of the cost of the assets those financing costs directly attributable to the acquisition, construction, production or installation of an asset that requires a period of time to be ready for its intended use. Financing costs that do not meet the criteria for capitalization are recorded in the statements of comprehensive income of the year in which they are incurred.

Financial liabilities

Recognition and measurement

Financial liabilities (including loans and accounts payables) are initially recognized at fair value plus costs directly attributable to the transaction. In case of maintaining a financial liability for trading, it would be measured at fair value with changes in results.

3. Summary of Accounting Policies (continued)

Financial liabilities (continued)

Recognition and measurement (continued)

After initial recognition, financial liabilities are measured at amortized cost; any difference between the financial liability (net of transaction costs) and the value of the deferred financing cost is recognized in the statements of comprehensive income over the period of the loans using the effective interest method. The Company recognizes gains or losses in the statements of comprehensive income of the period when the financial liability is written off.

The amortized cost of a financial instrument is defined as the amount at which the financial instrument was measured on the date of initial recognition less capital payments, plus or minus the accumulated amortization, applying the effective interest rate method, of any difference between the initial amount and the amount due, less any provision.

Derecognition of financial liabilities

Financial liabilities are derecognized by the Company when the obligation under the liability is discharged, canceled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of comprehensive income.

Provisions

A provision is recognized when the Company has a present obligation, legal or constructive, as the result of a past event, and it is probable that the Company will require cash resources to settle the obligation and the amount of the obligation can be measured reliably. The amount of the provisions recorded are assessed periodically and the necessary adjustments are recorded in the results of the year.

3. Summary of Accounting Policies (continued)

Revenue recognition and concentration

The company participated in the tender ETESA 01-15 and was awarded with three power purchase agreements, through these agreements the Company committed 92% of its installed capacity and related energy to Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET), Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI) y Elektra Noreste, S.A. (ENSA). Under requirements of the tender the agreements were structured the same. The Company owns a performance obligation on each of the agreements, since the energy and capacity were concluded to be a bundle that meets the series criteria and it occurs at a point in time, which is at month end when the energy delivered within the month is billed to the customer.

The Company also receives spot market revenues from sales of energy, auxiliary services and other market revenues, which is expected to be the only performance obligation and it occurs at a point in time, which is at month end when are delivered within the month is billed to the customer.

For the year ended December 31, 2019, 75.5% of electricity sales are derived from those agreements with EDEMET, EDECHI and ENSA. During 2017, the Company was under development.

Interest income

Interest income corresponds to interest earned on bank deposits, derivative instruments calculated at the applicable effective interest rate, and commercial interest income that is determined by customer contracts and other agreements.

Income tax

Income tax for the year includes both current tax and deferred tax. The income tax is recognized in the statements of comprehensive income of the current year or in equity, as appropriate. The current income tax refers to the estimated tax payable on the taxable profit of the year, using the rate enacted at the date of the statement of financial position. The deferred income tax is calculated based on the liability method, considering the temporary differences between the carrying value of the assets and liabilities reported for financial purposes, and the amounts used for tax purposes.

The amount of deferred income tax is based on the form of realization of the assets and payments of liabilities, considering the tax rate that is expected to be applied in the period in which it is estimated that the asset will be realized or that the liability will be paid. Deferred income tax assets are recognized to the extent that it is probable that sufficient taxable benefits will be available in the future, against which temporary differences may be used.

3. Summary of Accounting Policies (continued)

Commitments and contingencies

All losses from contingent liabilities arising from claims, litigation, agreements, penalties and others, are recognized when it is probable that the liability will have to be incurred and the amounts of expenses could be reasonably estimated. Legal costs related to contingencies are recognized as an expense when incurred.

Derivative instruments

The Company uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. The derivatives instruments in the statements of financial position are measured at fair value, regardless of their purpose or end. The accounting of the derivative varies depending on whether the derivative is considered a hedge for accounting purposes, or if the derivative instrument is a fair value or cash flow hedge.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

Derivatives are initially recognized at fair value on the date the contract is recorded and are subsequently valued at fair value on each date of the statements of financial position. The resulting gain or loss is recognized immediately, unless the derivative is designated as a hedging instrument in which case the recognition of gains and losses over time will depend on the nature of the hedging relationship.

The derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument goes beyond 12 months and is not expected to be realized or settled in less than this time. Other derivatives are presented as current assets or current liabilities, since the maturity is less than 12 months.

3. Summary of Accounting Policies (continued)

New and amended standards and interpretations

The Company has initially adopted some standards and modifications effective January 1, 2019 are described below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessors to recognize most leases on the statements of financial position.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application at January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application, therefore previous period comparative figures were not adjusted in the financial statements. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at January 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Leases previously accounted for as operating leases

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low value assets.

The right-of-use assets for most leases were recognized based on the carrying amount of the asset as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

3. Summary of Accounting Policies (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

The effect of adoption IFRS 16 as of January 1, 2019 was as follows:

- Right-of-use asset of \$46,172 were recognized and presented separately in the statements of financial position.
- Lease liabilities of \$52,779 were recognized and presented in the statements of financial position in accrued expenses and other liabilities for the short term portion and other liabilities for the long term portion.
- Deferred tax assets increased by \$1,652 because of the deferred tax impact of the change in assets and liabilities.

The lease liabilities as of January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018, as follows:

Reconciliation of commitment to lease liability:

Operating lease commitments as of December 31, 2018	\$ 125,795
Weighted average incremental borrowing rate as of January 1, 2019	6.67%
Discounted operating lease commitments as of January 1, 2019	52,779
Lease liabilities as of January 1, 2019	\$ 52,779

In connection with the transition to the new standard, management has applied judgment and formed assumptions in relation to assessing the incremental borrowing rate, service component and extension options of leasing arrangements. Management has formed its judgments and assumptions based on historical experience, internal and external data points.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation did not have an impact on the financial statements of the Company.

Standards issued but not yet effective

The Company does not believes any impact associated with the new and amended standards and interpretations issued but not yet effective, will be material to the financial statements of the Company.

4. Cash and cash equivalents

As of December 31, 2019 and 2018, cash and cash equivalents is composed of the following:

	<u>2019</u>	<u>2018</u>
Petty cash	\$ 3	\$ 3
Bank deposits	18,115	143
	<u>\$ 18,118</u>	<u>\$ 146</u>

5. Restricted cash

In May 2016, the Company signed a syndicated loan for up to \$394,818 with the objective of financing the construction of its electricity generation plant. The loan agreement establishes a structured mechanism for the administration of syndicated loan funds, which stipulates the segregation of cash balances, generating the classification of current and non-current restricted cash within the statements of financial position. As of December 31, 2018, the balance of current restricted cash derived from this loan agreement was \$7,124, and does not maintain a non-current restricted cash balance. This syndicated loan was paid on August 2019.

On August 2, 2019, the Company entered into a syndicated loan with some senior Lenders and the Bank of Nova Scotia, acting as administrative agent. The loan proceeds were used to repay the Company's outstanding principal, accrued interest and other fees associated with the syndicated loan obtained on May 2016. As required under the terms of the loan, the Company entered into a cash management agreement which sets the mechanism for the use and classification of the loan proceeds. As of December 31, 2019, the balance of current restricted cash derived from this loan agreement is \$7,825.

6. Accounts Receivable - Trade

As of December 31, 2019 and 2018, the balance of accounts receivable trade is detailed as follows:

	<u>2019</u>	<u>2018</u>
Spot and PPA electricity market agents	\$ 21,757	\$ 20,691
Other accounts receivable	22,449	25,216
Total	<u>\$ 44,206</u>	<u>\$ 45,907</u>

Accounts receivable generates interest according to the terms established in the energy sale contracts.

Other accounts receivables includes unbilled revenue.

Gas Natural Atlántico, S. de R. L.**Notes to the Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***6. Accounts Receivable - Trade (continued)**

A detail of the aging of accounts receivable, including those with delay in recovery but not impaired:

	<u>2019</u>	<u>2018</u>
Amount current	\$ 43,996	\$ 45,832
Overdue 31 to 60 days	21	4
Overdue 61 to 90 days	88	—
Overdue 91 or more	101	71
Total	<u><u>\$ 44,206</u></u>	<u><u>\$ 45,907</u></u>

7. Balances and Transactions with Affiliated and Related Parties

The balances and transactions with related parties as of December 31, 2019 and 2018, are as follows:

<u>In the statements of financial position</u>	<u>2019</u>	<u>2018</u>
<u>Accounts receivables - related parties:</u>		
Gas Natural Atlántico II, S. de R.L.	<u><u>\$ 3</u></u>	<u><u>\$ 538</u></u>
<u>Prepaid expenses</u>		
ASSA Compañía de Seguros, S.A.	\$ 4	\$ —
Banco General, S.A.	19	—
Total Gas & Power Limited London (formerly Engie, S.A.)	3,262	31,535
Petróleos Delta	—	3
	<u><u>\$ 3,285</u></u>	<u><u>\$ 31,538</u></u>
<u>Loan receivable from related party</u>		
Gas Natural Atlántico II, S. de R.L.	<u><u>\$ 1,500</u></u>	<u><u>\$ —</u></u>
<u>Loans payable, net</u>		
Banco General, S.A.	<u><u>\$ 57,236</u></u>	<u><u>\$ 20,815</u></u>
<u>Interest payable</u>		
Banco General, S.A.	<u><u>\$ 16</u></u>	<u><u>\$ 270</u></u>

Gas Natural Atlántico, S. de R. L.**Notes to the Financial Statements****As of December 31, 2019 and 2018**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

7. Balances and Transactions with Affiliated and Related Parties (continued)

In the statements of comprehensive income, the transactions with related parties during the years ended December 31, 2019, 2018 and 2017, are as follows:

<u>In the statements of comprehensive income</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Fuel consumption</u>			
Total Gas & Power Limited London (formerly Engie, S.A.)	\$ 124,111	\$ 28,760	\$ —
<u>Operating, general and maintenance expense:</u>			
ASSA Compañía de Seguros, S.A.	\$ 3,321	\$ 505	\$ 413
Petróleos Delta, S. A.	18	11	3
Prime Time Parking, S.A.	—	3	4
Banco General, S.A.	37	—	—
Vale General	5	—	—
	\$ 3,381	\$ 519	\$ 420
<u>Interest income</u>			
Gas Natural Atlántico II, S. de R. L.	\$ 3	\$ —	\$ —
<u>Interest expense</u>			
Banco General, S.A.	\$ 1,489	\$ 57	\$ 154
<u>Other income</u>			
Gas Natural Atlántico II, S. de R. L.	\$ —	\$ 538	\$ 500

Insurance

The Company maintains an all risk insurance policy with ASSA Compañía de Seguros, S.A. ("ASSA"). This insurance company, in turn, diversifies the risk by reinsuring with a group of insurance companies among which includes a related party of the Company, AES Global Insurance Corporation. The policy taken with ASSA covers all operational risks including machinery breakdown and business interruption. For this contract, the Company has recorded insurance expense of \$2,976, and \$874 for the years ended December 31, 2019, and 2018, respectively. These amounts are classified as operating, general and maintenance expense in the statements of comprehensive income. During 2017 the Company was under development.

7. Balances and Transactions with Affiliated and Related Parties (continued)

Insurance (continued)

As of December 31, 2019 and 2018, the Company held performance bonds with ASSA, for an amount of \$36,767 to guarantee the obligations of the contracts signed with the distribution companies effective until August 30, 2020 with annual renewal until the end of the contract term.

The Company maintains a performance bond with ASSA, in favor of the ASEP for an amount of \$762 to guarantee the obligations indicated in the final generation license as of August 31, 2019 until August 30, 2020; it must be renewed annually until the expiration of the generation license. This bond replaces the construction bond held by the Company in favor of the ASEP for an amount of \$32,280, which was in force until August 31, 2018.

As of December 31, 2019 and 2018, the Company maintains a payment guarantee with Banco General, S.A., in favor of Empresa de Transmisión Eléctrica, S.A. (ETESA) for an amount of \$3,599 to guarantee energy purchases in the spot market; \$20 for energy purchases in MER and \$467 to guarantee transmission costs payments (Note 21).

Loan receivable

On December 2019, the Company signed a loan agreement with Gas Natural Atlántico II, S.R.L. for a total of \$3,000, with an initial disbursement \$1,500. The loan is for a period of one year, accruing interest at annual rate of 6.50%. As of December 31, 2019 this loan receivable is presented in the statements of financial position.

Loan payable

On May 13, 2016, the Company acquired a syndicated loan for \$394,818, with a group of banks, where Banco General, S.A. participated holding 3.43% of such loan. On August 2, 2019, the Company acquired a new syndicated loan for \$415,500, with a group of banks where Banco General, S.A. also participated holding 14% of such loan in order to refinance all amounts outstanding under the syndicated loan of May 2016 (Note 14).

Fuel contracts

On February 25, 2016, the Company signed a contract for the purchase of liquefied natural gas (LNG) with Engie, S.A., effective from 2018 until February 2026. Subsequently, Engie, S.A. transferred its portfolio of LNG to Global LNG SAS, which in turn in August 2019, transferred the portfolio to Total Gas & Power Limited London.

Gas Natural Atlántico, S. de R. L.**Notes to the Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***7. Balances and Transactions with Affiliated and Related Parties (continued)**

The balances with affiliates as of December 31, 2019 and 2018, are as follows:

In the statements of financial position:**Accounts receivables - affiliate:**

	<u>2019</u>	<u>2018</u>
Costa Norte LNG Terminal S. de R.L.	\$ 5,861	\$ —
AES Changuinola, S.R.L.	2	—
AES Panamá, S.R.L.	3,203	19
AES Solutions, LLC	—	76
	<u>\$ 9,066</u>	<u>\$ 95</u>

Accounts payable - affiliate:

Costa Norte LNG Terminal S. de R.L.	\$ 19,828	\$ 22,205
AES Engineering, LLC	—	441
AES Changuinola, S.R.L.	1	—
AES Andres DR, S.A.	12,751	—
AES Panamá, S.R.L.	97	2,399
AES Solutions, LLC	412	—
AES Latin América S.de R. L.	59	—
	<u>\$ 33,148</u>	<u>\$ 25,045</u>

Loan payables to affiliate

Costa Norte LNG Terminal S. de R.L.	<u>\$ —</u>	<u>\$ 11,000</u>
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In the statements of comprehensive income, the transactions with related parties during the years ended December 31, 2019, 2018 and 2017, are as follows:

In the statements of comprehensive income**Electricity sales:**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
AES Panamá, S.R.L.	\$ 22,786	\$ 439	\$ —
AES Changuinola, S.R.L.	19	—	—
	<u>\$ 22,805</u>	<u>\$ 439</u>	<u>\$ —</u>

Natural gas sales:

Costa Norte LNG Terminal S. de R.L.	\$ 2,399	\$ —	\$ —
Atlantic Basic Services, LTD	—	2,465	—
	<u>\$ 2,399</u>	<u>\$ 2,465</u>	<u>\$ —</u>

Gas Natural Atlántico, S. de R. L.**Notes to the Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***7. Balances and Transactions with Affiliated and Related Parties (continued)**

<u>In the statements of comprehensive income</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Electricity purchases</u>			
AES Panamá, S.R.L.	\$ 1,037	\$ 5,324	\$ —
AES Changuinola, S.R.L.	1	2	—
Costa Norte LNG Terminal S. de R.L.	2,399	—	—
Atlantic Basic Services, LTD	—	1,876	—
AES Andres DR, S.A.	11,842	—	—
	<u>\$ 15,279</u>	<u>\$ 7,202</u>	<u>\$ —</u>
<u>Terminal fee</u>			
Costa Norte LNG Terminal S. de R.L.	<u>\$ 34,267</u>	<u>\$ 14,991</u>	<u>\$ —</u>
<u>Interest expense</u>			
Costa Norte LNG Terminal S. de R.L.	<u>\$ 91</u>	<u>\$ 40</u>	<u>\$ —</u>
<u>Operating, general and maintenance (management fee):</u>			
AES Solutions, LLC	\$ 369	\$ 398	\$ 455
AES Latin América S. de R.L.	345	—	—
	<u>\$ 714</u>	<u>\$ 398</u>	<u>\$ 455</u>
<u>Operating, general and maintenance (administrative service):</u>			
AES Engineering, LLC	<u>\$ —</u>	<u>\$ 1,368</u>	<u>\$ 1,000</u>

Lease

On January 26, 2016, the Company signed a land sublease contract to be used for the construction, development and operation of a LNG power generation plant with Costa Norte LNG Terminal, S. de R.L. (CONO). This contract is effective as of August 27, 2015, with annual automatic renewal (Note 13).

Liquefied Natural Gas Terminal

On May 11, 2016, the Company signed a contract for the use of the LNG terminal with CONO, where CONO will provide ship docking services, download, receipt and temporary storage of LNG, regasification and delivery of LNG. This contract is valid until May 1, 2028 and may be extended by a period equal to or less than 10 years.

7. Balances and Transactions with Affiliated and Related Parties (continued)

Liquefied Natural Gas Terminal (continued)

As of December 31, 2019, and 2018, accounts payable to CONO, related to this contract amounted to \$19,525 and \$21,930, respectively. For the years ended December 31, 2019, and 2018, expenses resulting from this contract were \$34,267 and \$14,991, respectively. During 2017, the Company was under a construction period and no such expenses occurred. In 2018, \$6,668 was capitalized into power generation plant. These expenses are presented as terminal fee in the statements of comprehensive income.

Sales and purchases of electricity

- On March 1, 2016, the Company signed with AES Panamá, S.R.L., a subsidiary of the Corporation, two framework contracts for the purchase and sale of firm capacity for a period of three years until March 1, 2019 with automatic extensions of each year, until notified.

Sales and purchases of LNG

- On June 28, 2018, the Company signed a contract for the purchase and sale of LNG with Atlantic Basin Services, LTD (ABS), a subsidiary of the Corporation, in a single transaction. For the year ended December 31, 2018, sales associated with this contract were \$2,465 and fuel cost of sales of \$1,876.
- On August, 2019, the Company sold LNG to CONO, in a single transaction. For the year ended December 31, 2019, sales associated with this contract were \$2,399 and fuel cost of sales of \$2,399.
- On August 28, 2019, the Company signed a purchase agreement of LNG with AES Andres DR, S.A., a subsidiary of the Corporation, in a single transaction of 1,500,000 million British Thermal Unit (MMBTU), for an amount of \$9,158, received on August 31, 2019.
- On September 27, 2019, the Company signed another purchase agreement of LNG with AES Andres DR, SA in a single transaction of 500,000 MMBTU, for an amount of \$2,683, received on September 28, 2019.

Affiliated Companies Loans

During 2018, the Company received two loans from Costa Norte LNG Terminal, S. de R.L. for a total of \$12,000. The loans have a maturity date for one year, accruing interest at annual rate of 1% plus 1 month LIBOR. In December 2018, the Company made a partial payment of principal in the amount of \$1,000. During 2019, the Company paid the remaining balance of \$11,000.

7. Balances and Transactions with Affiliated and Related Parties (continued)

As of December 31, 2018, the balance of interest payable is \$40 and the interest expenses associated with these loans are \$91 and \$40, for the years ended December 31, 2019 and 2018, respectively, and is included in the statements of financial position as accounts payable to affiliates and interest expense, net in the statements of comprehensive income.

Expense Reimbursement

On August 2, 2016, the Company signed an expense reimbursement agreement with the Corporation, effective as of October 1, 2015, for a maximum total amount of \$2,212, effective until the date of substantial completion of the generation plant in September 2018.

On August 2, 2016, the Company signed an expense reimbursement agreement with AES Andres DR, S.A., effective as of October 1, 2015, for a maximum total amount of \$1,116, effective until the date of substantial completion of the generation plant in September 2018.

On August 2, 2016, the Company signed an expense reimbursement contract with AES Panamá S.R.L., effective from January 1, 2016, for a maximum total amount of \$500, effective until the date of substantial completion of the generation plant in September 2018.

On December 7, 2017, the Company signed a unanimous consent to reimburse expenses with AES Latin America S. de R. L. and AES Changuinola, S.R.L., both subsidiaries of the Corporation, for an amount of \$10 and \$4, respectively.

Management fee expenses

On March 31, 2016, the Company signed a consulting services contract with AES Engineering LLC, a subsidiary of the Corporation, for an estimated total amount of \$3,000, due in February 2019 and it was not renewed.

On June 24, 2016, the Company signed an administration services contract with AES Solutions LLC, a subsidiary of the Corporation, being effective from such date until September 2028 for an annual amount of \$739.

On June 17, 2019, the Company signed a new management contract with AES Solution LLC and AES Latin America S. de R.L. and from the effective date of this new contract, AES Solution LLC transfers all the obligations and rights of the contract to AES Latin America S. de R.L. being thus the beneficiary of the services between Gas Natural Atlántico, S. de R.L. and AES Latin America S. de R.L.

On August 1, 2016, the Company signed an administration services contract with AES Solutions LLC, effective from May 13, 2016, for an annual amount of \$910, until the start date of operations of the generation plant in September 2018.

7. Balances and Transactions with Affiliated and Related Parties (continued)

During the year 2019, the transactions generated by this contract amounted to \$345 which are presented as Management fee in operating, general and maintenance expenses in the statements of comprehensive income.

Capital contributions

In 2017, the Company had received contributions from AES Global Power Holdings, B.V. and Deeplight Holdings, S. R. L. for an amount of \$7,300. During 2019 and 2018, the Company did not receive capital contributions.

8. Inventory

As of December 31, 2019 and 2018, the following summarizes the inventory balances:

	<u>2019</u>	<u>2018</u>
Spare parts	\$ 2,528	\$ 448
Diesel inventory	1,785	1,875
Gas inventory	19,463	—
Total of inventories	<u>\$ 23,776</u>	<u>\$ 2,323</u>

For the years ended December 31, 2019, 2018 and 2017, the Company did not recognize an obsolescence provision.

9. Property, plant and equipment, net

Property, Plant and Equipment, net, is detailed as follows:

	December 31, 2019					
	Buildings	Generation assets	Office furniture and equipment	Transportation equipment	Constructions in progress	Total
Cost:						
Beginning balance	\$ 7,334	\$ 458,675	\$ 391	\$ 131	\$ 110	\$ 466,641
Additions	—	5,753	81	25	224	6,083
Reclasifications	192	(192)	—	—	—	—
Ending balance	<u>7,526</u>	<u>464,236</u>	<u>472</u>	<u>156</u>	<u>334</u>	<u>472,724</u>
Accumulated depreciation						
Beginning balance	65	7,028	106	54	—	7,253
Depreciation	201	21,034	97	27	—	21,359
Ending balance	<u>266</u>	<u>28,062</u>	<u>203</u>	<u>81</u>	<u>—</u>	<u>28,612</u>
Net balance	<u>\$ 7,260</u>	<u>\$ 436,174</u>	<u>\$ 269</u>	<u>\$ 75</u>	<u>\$ 334</u>	<u>\$ 444,112</u>

Gas Natural Atlántico, S. de R. L.

Notes to the Financial Statements

As of December 31, 2019 and 2018

(Expressed in thousands of dollars of the United States of America, except for the stock information)

9. Property, plant and equipment, net (continued)

December 31, 2018						
	Buildings	Generation assets	Office furniture and equipment	Transportation equipment	Constructions in progress	Total
Cost:						
Beginning balance	\$ —	\$ 2	\$ 189	\$ 97	\$ 381,744	\$ 382,032
Additions	—	36	80	—	84,493	84,609
Reclasifications	7,334	458,637	122	34	(466,127)	—
Ending balance	7,334	458,675	391	131	110	466,641
Accumulated depreciation						
Beginning balance	—	—	43	33	—	76
Depreciation	65	7,028	63	21	—	7,177
Ending balance	65	7,028	106	54	—	7,253
Net balance	\$ 7,269	\$ 451,647	\$ 285	\$ 77	\$ 110	\$ 459,388

December 31, 2017						
	Buildings	Generation assets	Office furniture and equipment	Transportation equipment	Constructions in progress	Total
Cost:						
Beginning balance	\$ —	\$ —	\$ 112	\$ 77	\$ 139,929	\$ 140,118
Additions	—	2	77	20	241,815	241,914
Ending balance	—	2	189	97	381,744	382,032
Accumulated depreciation						
Beginning balance	—	—	18	14	—	32
Depreciation	—	—	25	19	—	44
Ending balance	—	—	43	33	—	76
Net balance	\$ —	\$ 2	\$ 146	\$ 64	\$ 381,744	\$ 381,956

On September 1, 2018, the construction in progress balances were transferred to generation assets upon the commercial operation date of the power plant. For the years ended December 31, 2018 and 2017, interest and deferred financing costs were capitalized for \$15,400 and \$13,043, respectively. During 2019, the Company did not capitalize interest and deferred financing costs.

The Company's entire property, plant and equipment guarantee the obligations acquired in the financing of the facility (Note 14).

Gas Natural Atlántico, S. de R. L.**Notes to the Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***10. Intangible assets, net**

The intangible assets are the following:

	2019			2018			2017		
	Cost	Accumulated amortization	Carrying amount	Cost	Accumulated amortization	Carrying amount	Cost	Accumulated amortization	Carrying amount
Licenses and software	\$ 44	\$ (10)	\$ 34	\$ 7	\$ (3)	\$ 4	\$ 7	\$ (2)	\$ 5
Construction in progress - software	195	—	195	76	—	76	—	—	—
Total	\$ 239	\$ (10)	\$ 229	\$ 83	\$ (3)	\$ 80	\$ 7	\$ (2)	\$ 5

The movement of intangible assets is detailed bellow:

	<u>Licenses and software</u>
Balances as of January 1, 2017	\$ 6
Amortization	(1)
Balances as of December 31, 2017	5
Additions	76
Amortization	(1)
Balances as of December 31, 2018	80
Additions	156
Amortization	(7)
Balances as of December 31, 2019	\$ 229

11. Accrued expenses and other liabilities

As of December 31, 2019, and 2018 the following summarizes the accrued expenses and other liabilities balances:

	<u>2019</u>	<u>2018</u>
Operating & maintenance agreement	\$ 1,058	\$ —
Interest-lease liability (Note 13)	699	—
Accrued benefits	678	1,804
Labor accruals	433	276
Other taxes payable	205	9
Other accruals	55	30
	\$ 3,128	\$ 2,119

As of December 31, 2019, the Company has a balance of \$1,058, related to unpaid invoices of spare parts for maintenance, related to the operating & maintenance agreement with General Electric International, Inc (Note 21).

12. Accounts payable to suppliers

As of December 31, 2019, and 2018, main accounts payable includes the following:

	<u>2019</u>	<u>2018</u>
Suppliers	\$ 6,971	\$ 12,841
Other accounts payable	983	976
	<u>\$ 7,954</u>	<u>\$ 13,817</u>

Accounts payable to suppliers mainly includes liabilities generated by the design, supply and construction contract for the generation plant (Note 21) and energy purchases.

13. Lease

In August 2015, Costa Norte LNG Terminal, S. de R.L. entered into a lease agreement with Panama Ports Company, S.A. (Lessor). The agreement is for the lease of a land space for the construction and operation of a LNG power plant, an LNG terminal and an LNG storage tank. The term of the Agreement expires on January 31, 2022 with an automatic renewal for an additional 25 year period, subject to the term of the Concession Agreement ceded by the Panamanian Government to the Lessor.

On January 26, 2016, the Company entered into a sub-lease agreement with Costa Norte LNG Terminal, S. de R.L. with the purpose to lease a land space of 8.8 hectares, for the construction, development and operation of a LNG power generation plant. The term of the sub-lease is the same agreed for the land-lease.

For 2018, the lease expense was recognized using the straight-line method, which generates a difference between the amount paid monthly and the expense. This difference is presented within the item of deferred income in the statements of financial position.

On December 22, 2017, an agreement was signed with Engie, S.A., for the lease of additional LNG storage units. The recognition of this lease was made in a linear manner, which generated a difference between the amount paid monthly and the expense. This difference was presented accumulated within the item of deferred income of the statements of financial position. The validity of this contract was for a period of 12 months, from September 1, 2018, when the Company began its operations. This contract was not renewed.

As of December 31, 2018, the balance presented an amount of \$6,827 as deferred income in the statements of financial position.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019 and recognized a right-of-use assets and a lease liability measured at the present value of lease payments to be made over the leases term related to this leases. (Note 3).

Gas Natural Atlántico, S. de R. L.**Notes to the Financial Statements****As of December 31, 2019 and 2018**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

13. Lease (continued)

Below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Land	Generation assets	Total
As of January 1, 2019	\$ 36,254	\$ 9,918	\$ 46,172
Amortization expense	(1,291)	(9,918)	(11,209)
As at December 31, 2019	\$ 34,963	\$ —	\$ 34,963

Below are the carrying amounts of lease liabilities (in accrued expenses and other liabilities - short term and other liabilities - long term).

	2019
As of January 1, 2019	\$ 52,779
Accretion of interest	3,319
Payments	(14,409)
As of December 31, 2019	\$ 41,689
Current (Note 11)	\$ (699)
Non-current	\$ (40,990)

The maturity analysis of lease liabilities is disclosed in Note 23.

The following are the amounts recognized in the 2019 statement of comprehensive income:

Amortization expense of right-of-use assets (included in operating, general and maintenance expense)	\$ 11,209
Interest expense on lease liabilities (included in interest expense, net)	3,319
Expense relating to leases of low-value assets (included in operating, general and maintenance expense)	2
Variable lease payments (included in other costs of electricity sales)	149
Total amount recognized in the statement of comprehensive income	\$ 14,679

14. Loans payable, net**Line of credit**

On February 22, 2019, the Company obtained a disbursement for \$15,000 under a credit line with Banco Aliado, S.A. (former Banco Panamá, S.A.) for working capital. This credit facility is for \$31,500, and collectively with CONO, and as of December 2019, the balance of this credit line is \$15,000. It was fully repaid on January 24, 2020.

14. Loans payable, net (continued)

Loan payable, net

On May 13, 2016, the Company acquired a syndicated loan for a total of \$394,818 with a group of banks and The Bank of Nova Scotia (Panama), S.A. as an administrative agent, in order to finance the project described in Note 1. The loan was valid for 12 years for commercial banks and 18 years for multilateral banks, accruing interest at an annual rate of 4% plus LIBOR 6 months for commercial banks and 4.50% plus LIBOR 6 months for multilateral banks, and semiannual interest payments at as of March 15, 2017 and semiannual principal payments as of September 15, 2019, respectively.

On July 22, 2016, the Company signed a mortgage contract on its movable property and its inventory of LNG, with Banistmo Investment Corporation, S.A. as a fiduciary entity, with the objective of guaranteeing the obligations acquired in the syndicated loan. This contract remains in force as of December 31, 2019.

On August 2, 2019, the Company acquired a syndicated loan for up to \$415,500, with a group of banks and The Bank of Nova Scotia (Panama), as an administrative agent, in order to refinance all amounts outstanding under the syndicated loan of May 13, 2016. Due to early extinguishment of prior debt, the Company paid a penalty of \$4,066, presented in the statements of comprehensive income as other (expense) income, net and recognized a write off of deferred financing cost by \$14,182, presented as interest expense, net in the statements of comprehensive income.

This loan is for a 2 year period bearing an interest rate of 3 month LIBOR plus a margin that increases from 2% to 3.75% throughout the term of the loan. The interest payments are required on a quarterly basis and principal payment is required at loan maturity date.

As of December 31, 2019, and 2018, loan balances payable, net of deferred financing costs are detailed below:

	<u>2019</u>	<u>2018</u>
Current loan payable	\$ 15,000	\$ 394,818
Deferred financing costs	—	(15,121)
Current loan payable, net	<u>\$ 15,000</u>	<u>\$ 379,697</u>
Non-current loan payable	\$ 415,500	\$ —
Deferred financing costs	(4,849)	—
Non-current loan payable, net	<u>\$ 410,651</u>	<u>\$ —</u>

14. Loans payable, net (continued)

	<u>2019</u>	<u>2018</u>
Deferred financing costs at the beginning of the year	\$ 15,121	\$ 15,624
Writte off - extinguishment of debt	(14,182)	—
Payment of new financing costs	7,554	10
Capitalized financing costs	—	822
Amortization of financing cost during the year	(3,644)	(1,335)
Total deferred financing cost at the end of the year	\$ 4,849	\$ 15,121

For the years ended December 31, 2019, 2018 and 2017, deferred financing costs have been amortized for \$3,644, \$1,335 and \$1,324, respectively. For the years ended December 31, 2018 and 2017, the Company had capitalized deferred financing costs of \$822 and \$1,324, respectively, for 2019 there have been no capitalization. The amortization of these deferred financial costs is in the interest expense, net in the statements of comprehensive income.

The maturities of the loan payable for the following five years are detailed below:

2020	\$ 15,000
2021	415,500
	<u>\$ 430,500</u>

For the years ended December 31, 2018 and 2017, commissions for commitments associated with the loan were recorded for an amount of \$555 and \$2,287, respectively. For the years ended December 31, 2019, 2018 and 2017, interest expense associated with the loans was \$24,304, \$23,774 and \$14,006, respectively, of which \$14,022 and \$11,719 were capitalized during 2018 and 2017, respectively. Both expenses are included in interest expense, in the statements of comprehensive income. No commissions nor capitalized interest were recorded during 2019.

15. Derivative Financial Instrument

The Company mitigates its exposure to economic risk associated with interest rate volatility through derivative financial instruments. The Company, maintained a derivative for the exchange of variable interest rate for fixed interest rate.

On October 18, 2016, the Company executed the derivative (interest rate swap) with a maturity date on March 15, 2034. This instrument covers the exposure of the Company to the interest rate volatility on the aggregate amount of disbursements that the Company received up to December 2018 of project financing. The derivative exchanges a 6-months LIBOR for a fixed interest rate of 1.988% until its expiration.

15. Derivative Financial Instrument (continued)

During the construction period, the interest received and paid derived from the swap, were recorded net of amortization as realized derivative instruments, net in the statements of changes in stockholders' equity. As of December 31, 2018, the interest received was \$168 and during 2017, the interest paid was \$750.

As of December 31, 2019, simultaneously with the extinguishment of the syndicated loan, the Company early terminated the swap agreements executed to hedge the variable portion of interest rate agreed under such debt. The Company incurred in liquidation costs of \$7,056, which are recorded net of amortization as realized derivative instrument in the statements of changes in stockholders' equity. This balance will be amortized until 2034, maturity date of the prior debt.

As consequence of the realized derivative instrument balance, for the years ended December 31, 2019 and 2018, \$15 and \$6, respectively, has been included in depreciation and amortization, in the statements of comprehensive income. During 2019, has been recorded interest expenses by \$151, while in 2018, has been recorded interest income by \$416, presented in the statements of comprehensive income. During 2017, it was not amortized.

On August 14, 2019, the Company, collectively with Costa Norte LNG Terminal, S. de R.L., entered into three rate swap transactions, with Citibank, N.A. with the objective of covering the Company's exposure to interest rate volatility by exchanging a 3-month LIBOR for a fixed interest rate of 1.5080%. The commencement date of the rate swap transactions is from June 30, 2021, for a period of 10 years.

The derivatives has been designated as a cash flow hedge instrument, therefore the unrealized portion is presented in the Company's financial statements as other accumulated comprehensive income. Any realized portion is accumulated during the construction period of the project and will be amortized from its commencement of commercial operation and during the useful life of the generation asset. The fair value of the derivative is presented on a separate line from the Company's statements of changes in stockholders' equity, changes in fair value are reflected in other comprehensive income.

As of December 31, 2019 and 2018, the classification of the derivative asset is as follows:

	<u>2019</u>	<u>2018</u>
<u>Derivative asset</u>		
Current	\$ —	\$ 1,343
Non-current	17,981	11,596
	<u>\$ 17,981</u>	<u>\$ 12,939</u>

16. Authorized capital

As of December 31, 2019 and 2018, the authorized share capital is \$150,000, of which \$117,100 has been subscribed and paid, represented by 1,171,000 shares with a per share nominal value of \$100.

17. Operating, General and Maintenance Expense

For the years ended December 31, 2019, 2018 and 2017, the operating, general and maintenance expenses is as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Right-of-use asset amortization (Note 13)	\$ 11,209	\$ —	\$ —
Insurance	4,735	1,532	803
Salaries and other benefits	3,516	2,322	80
Operating lease costs	3,201	8,953	202
Contract services	2,709	513	—
Professional fees	1,561	1,783	661
Others	1,247	857	705
Maintenance services	1,083	142	—
Management fee	715	398	455
Basic services	382	390	37
Other taxes	60	61	68
Advertising expenses	19	314	63
Expenses related to leases of low value and short term contracts (Note 13)	2	—	—
	<u><u>\$ 30,439</u></u>	<u><u>\$ 17,265</u></u>	<u><u>\$ 3,074</u></u>

18. Interest expense, net

The interest expense, net for the years ended December 31, 2019, 2018 and 2017, was as follow:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Interest expense - financial	\$ (24,545)	\$ (9,375)	\$ (2,287)
Interest expense - lease	(3,319)	—	—
Subtotal	<u>(27,864)</u>	<u>(9,375)</u>	<u>(2,287)</u>
Deferred financing costs	(3,644)	(513)	—
Write off of deferred financing costs due to early extinguishment debt (Note 14)	(14,182)	—	—
Interest income - financial	1,256	349	208
Subtotal	<u>1,256</u>	<u>349</u>	<u>208</u>
Total	<u><u>\$ (44,434)</u></u>	<u><u>\$ (9,539)</u></u>	<u><u>\$ (2,079)</u></u>

19. Other income (expense), net

For the years ended December 31, 2019, 2018 and 2017, other income (expense), net was as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Loss on early extinguishment of debt	\$ (4,066)	\$ —	\$ —
Other income, net	139	10	1
Total other (expense) income, net	<u>\$ (3,927)</u>	<u>\$ 10</u>	<u>\$ 1</u>

20. Income tax

For the years ended December 31, 2019, 2018 and 2017, income tax benefit was as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current	\$ 3,341	\$ 1,019	\$ —
Deferred	(3,365)	(6,277)	—
	<u>\$ (24)</u>	<u>\$ (5,258)</u>	<u>\$ —</u>

In Panama, in accordance with article 699 of the Fiscal Code, modified by article 9 of law 8 of March 15, 2010, effective as of January 1, 2010, the income tax for corporations engaged in electricity generation and electric power distribution will be calculated using an income tax rate of 25%.

Additionally, corporations whose taxable income exceeds \$1,500 annually will calculate the income tax by applying the corresponding tax rate to the one that is higher between:

- a) Net taxable income calculated by the established method (Traditional)
- b) The net taxable income resulting from applying the total taxable revenues by 4.67% (Alternate Method of calculating income tax - CAIR).

During the year ended December 31, 2019 and 2018, the Company generated net operating losses and as such the current income tax was determined under CAIR rules.

The provisions of article 710 of the current Tax Code establishes that taxpayers will present an estimated income statement that they will obtain in the year following that covered by the sworn statement, which must not be less than the income indicated in the affidavit. Taxpayers must make advance payments based on the determination of the estimated statement divided into three installments to be paid quarterly in the months of June, September and December.

20. Income tax (continued)

In 2019, the Company, made estimated income tax payments by \$1,019, based on the results obtained in the previous year. For the year 2018, the income tax caused was \$1,019 based on the results obtained the previous year.

According to the tax regulations, income tax returns of the Company are subject to review by the tax authorities for the last three fiscal years including the year ended December 31, 2019.

As of December 31, 2019 and 2018, the deferred income tax asset, net was composed of the following items:

	<u>2019</u>	<u>2018</u>
Deferred tax assets:		
Organization expenses	\$ 4,124	\$ 4,124
Net operating loss carry forward	3,076	—
Lease	1,682	1,273
Accumulated depreciation	1,901	2,035
Total deferred tax assets	<u>10,783</u>	<u>7,432</u>
Deferred tax liabilities:		
Non deductible amortization - lease capitalized	(1,088)	(1,142)
Salvage value of property, plant and equipment	(53)	(13)
Derivative - OCI	(2,629)	(3,089)
Total deferred tax liability	<u>(3,770)</u>	<u>(4,244)</u>
Total deferred tax asset, net	<u>\$ 7,013</u>	<u>\$ 3,188</u>

Organization Costs

Under income tax regulations, organizational and pre-operation expenses can be deducted in the year in which they are incurred or over a period of 5 years.

During the construction of the LNG power plant, the Company incurred costs and expenses that did not qualify for capitalization and were recognized in the year in which they incurred. An amount of \$20,152 for tax purposes was considerate as organizational costs and deferred. During the years ended December 31, 2019 and 2018, the Company maintained a remaining balance of organization cost of \$16,495, for both years, that can be used until 2023.

20. Income tax (continued)

Net Operating Loss Carry Forward

In accordance with Article 698- A of the Tax Code, the net operating loss carryforward by the Company may be deducted proportionally during the next 5 years in no more than 20% of said loss with a limit of 50% of the taxable income of each year.

The net operating loss carryforward to be deducted during the next 5 years is as follows:

Year	Amount
2020	\$ 2,461
2021	2,461
2022	2,461
2023	2,461
2024	2,461
Total	<u>\$ 12,305</u>

Lease

The Company, as lessee, adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application at January 1, 2019 , base on this, the deferred tax asset was adjusted considering the final balances as of December 31, 2019.

Tax on dividends

Shareholders pay an income tax of ten percent (10%), which is withheld from the dividends they receive. If no dividends are distributed, or the total distribution is less than forty percent (40%) of the taxable net income of the year, an advance of the dividend tax of four percent (4%) on the net gain must be paid until declaring dividends on these earnings.

This four percent (4%) rate is called the “Deemad Tax” and is considered an advance on the dividend tax. During the years ended December 31, 2019, 2018 and 2017, the Company did not pay deemad tax because it did not paid dividends.

Transfer Pricing Law

During the three years ended December 31, 2019, transfer pricing regulations remain in force. They cover any transaction the taxpayer carries out with related parties that are tax residents of other jurisdictions, provided that such transactions have an effect such as income, cost or deductions in determining the tax base for income tax purposes, in the fiscal period in which the transaction is carried out.

20. Income tax (continued)

Taxpayers must comply annually, with the obligation to submit a transfer pricing report (report 930) 6 months after the closing date of the fiscal period. In addition, they must have a study containing the information and analysis supporting whether its transactions with related parties are in accordance with the provisions established in the fiscal code. The Company estimates that transactions carried out with related parties will not have a significant impact on the provision of income tax for 2019, 2018 and 2017.

21. Commitments and Contingencies

EPC Contract

On January 29, 2016, the Company signed contracts with Posco Engineering & Construction Co. Ltd (POSCO) for the design, supply of materials, construction and commissioning of the generation plant for an estimated total amount of \$322,800. Subsequently, work order changes were issued that increased the initial price of the contract to \$338,858 plus value-added tax of \$23,104, respectively. As of December 31, 2019, the Company does not maintain accounts payable related to the contract.

After the date of entry into commercial operation of the plant, POSCO filed claims of losses amounting to \$16,760 related to contractual breaches. At the same time, the Company filed a joint claim amounting to \$14,680 related to operational losses incurred by POSCO delays. During December 2018, the Company agreed to pay POSCO \$2,080, while POSCO promised to conclude the remaining tests of the generation plant.

Fuel contracts

On February 25, 2016, the Company signed a contract for the purchase of LNG with Total Gas & Power Limited London (formerly Engie, S.A.), effective from 2018 until February 2026.

Power Purchase Agreement (PPA)

On August 31, 2015, the Company participated in the ETESA long-term bidding process 01-15 and on September 28, 2015 ETESA notified the award of the main offer submitted by the Company for the supply of 350MW of power.

On October 29, 2015, the Company signed the power purchase agreements associated with the three distribution companies as a result of the award (EDEMET 16-15, EDECHI 17-15 and ELEKTRA 04-15) to start supply from May 1, 2018 for a period of 10 years.

21. Commitments and Contingencies (continued)

Subsequently, on May 11, 2016, amendment No. 1 was signed adapting the interconnection point, and on April 12, 2017, amendment No. 2 was signed changing the supply period from September 1, 2018 to August 31, 2028.

Credit facilities

On February 22, 2019, the Company entered into a line of credit with Banco Aliado, S.A. (former Banco Panama, S.A.) collectively with CONO by \$31,500. For this credit line, the Company obtained a disbursement for \$15,000 for working capital. This credit facility was fully repaid on January 24, 2020.

In August 2016, the Company contracted a \$25,000 line of credit with Global Bank, S. A. In February 2018, a letter of credit was issued in favor of Total Gas and Power Limited London, to support the purchase of the liquefied gas associated with this line of credit. The maturity date of this line of credit is on October 20, 2020.

The Company contracted a letter of credit for \$4,086 with Banco General, S.A. to guarantee energy purchases in occasional market and MER and transmission costs payments. This letter of credit is part of a credit facility totaling \$10,000. The maturity date of this line of credit is on December 20, 2020.

Services

On June 2, 2016, the Company signed an operating & maintenance agreement for the generation plant with General Electric International, Inc. for an estimated total amount of \$44,000, through June 2041. As of December 31, 2019, the Company has received spare parts totaling \$5,524 related to this contract, which are pending payment and are presented in the financial statements as accounts payable to suppliers.

22. Fair Value of Financial Instruments

The Company established a process to determine fair value of financial instruments. The fair value determination considers the market quotes prices. Nevertheless, in many occasions no quoted market prices exist for several of the Company's financial instruments. In cases in which market quoted prices are not available, the fair value is based on estimates using current value or other valuation techniques. These techniques are affected significantly by the assumptions employed, including the discount rate and future cash flows.

22. Fair Value of Financial Instruments (continued)

The estimate fair value of financial instruments as of December 31, 2019 and 2018, are detailed below:

	2019		2018	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
<u>Financial Assets</u>				
Current derivative instruments	\$ —	\$ —	\$ 1,343	\$ 1,343
Non-current derivative instruments	17,981	17,981	11,596	11,596
	<u>\$ 17,981</u>	<u>\$ 17,981</u>	<u>\$ 12,939</u>	<u>\$ 12,939</u>
<u>Financial Liabilities</u>				
Current loan payable, net	\$ 15,000	\$ 15,000	\$ 379,697	\$ 379,697
Non-current loan payable, net	410,651	410,651	—	—
	<u>\$ 425,651</u>	<u>\$ 425,651</u>	<u>\$ 379,697</u>	<u>\$ 379,697</u>

The following methods and assumptions were used to estimate fair values:

- The carrying amount of certain financial assets, including cash and cash equivalents, accounts receivable and certain financial liabilities including accounts payable to suppliers, related parties and affiliates, due to their short maturity nature, is considered equal to their fair value.
- The fair values for the loans payable estimated as of December 31, 2019, and 2018, are based on information available at the date of the statements of financial position. The Company is not aware of any factors that may significantly affect the fair value estimate as of that date. These loans were contracted at variable rate, therefore, the Company considers that the fair value approximates to the carrying amount.
- Derivative instruments are recognized at fair value in the statements of financial position. The assumption used in the calculation of the fair value used by the Company for derivatives falls on Level 2 of the hierarchy.

Hierarchy of fair value of reasonable financial instruments

All assets and liabilities measured at fair value or on which the Company makes fair value disclosures are classified within the fair value hierarchy. Such classification is based on the lower level of information used to determine such value and which is significant for the determination of fair value as a whole.

22. Fair Value of Financial Instruments (continued)

The fair value hierarchy consists of the following three levels:

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

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The classification of the derivative is presented below:

Derivative Instrument	Clasificación	2019			2018		
		Derivative instrument Asset		Other comprehensive income	Derivative instrument Asset		Other comprehensive income
		Current	Non - current		Current	Non - current	
SWAP	Financial instrument Asset and Liability recognized with change in other comprehensive income	\$ —	\$ 17,981	\$ 5,042	\$ 1,343	\$ 11,596	\$ 3,174
	Total derivative instruments-level 2	\$ —	\$ 17,981	\$ 5,042	\$ 1,343	\$ 11,596	\$ 3,174

As of December 31, 2019 and 2018, the Company has not made reclassifications between hierarchy levels.

23. Risk and Capital Management

Risk Management

The Company has exposure to the following risks in the use of financial instruments:

- Market risk
- Fuel price risk
- Credit risk
- Liquidity risk
- Interest rate risk

23. Risk and Capital Management (continued)

Risk Management (continued)

This note presents information about the Company's exposures to each of the above risks, the objectives of the Company, the policies and procedures to measure and manage the risk and the management of the Company's capital. The financial statements also include additional quantitative disclosures.

The administration is responsible for establishing and monitoring the frame of reference of the Company's risk management, which is also responsible for the development and monitoring of the Company's risk management policies.

Market risk

Market risk is the risk that changes in the market prices of energy sales as well as interest rates affect the Company's income or the value of the financial instruments. The objective of market risk management is to manage and control exposures to market risk within acceptable parameters, while optimizing risk performance.

The price of energy in the occasional market varies depending on the dry or rainy season and the extreme climatic conditions that may occur in the geography regions where the hydroelectric plants operate, the fuel prices of the international market and availability of thermal power and energy demand of the country.

The Company maintains contracts with the distribution companies and affiliates, for capacity and energy supply. For 2019, the Company maintains 91.86% of its firm contracted capacity and it is estimated that this percentage of contracting will be at these levels for future periods. In this way, the administration minimizes the impact of changing sales prices in the occasional market. However, at any time, in the months of low contributions, the Company could resort to the purchase of energy in the occasional market at prices higher than the prices established in the current sales contracts, but this condition will depend on the prices of the fuels used for generation (LNG).

Considering the prior evaluation and approval of the administration, the Company only invests in savings accounts with fixed interest rates.

Fuel price risk

The Company maintains contracts for the sale of energy and capacity with distribution companies, and affiliated companies, with the purpose of minimizing exposure to the risk of price changes in the occasional market.

The fuel used by the Company's generating units is LNG. High fuel prices can increase the cost of generation and therefore financial conditions and operating results. The Company administration monitors the risk through proper planning of fuel purchases with short-term suppliers.

23. Risk and Capital Management (continued)

Credit risk

The Company has exposure to credit risk on the financial assets held.

Credit risk is the risk that the debtor or issuer of a financial asset, owned by the Company, does not comply fully and on time, with any payment that must be made in accordance with the agreed terms and conditions at the time the Company acquired or originated the respective financial asset.

In the case of the contract market, payment guarantee bonds are maintained, while for the spot market, all transactions are managed by the National Dispatch Center (CND) through a collection system via an administration and Collection Bank.

In the case of the contract market, payment guarantee bonds are maintained, while for the spot market, all transactions are managed by the CND through a collection system via a Management and Collections Bank.

To guarantee payment, the CND indicates each market agent the amount of the payment guarantee (“Bank letter”) that it must keep in force to guarantee timely payment according to a payment schedule sent by the CND together with the Document of Economic Transactions, and generally ranges within 30 days.

Due to the above and commercial rules, the credit risk of spot market transactions is minimal, since they are managed by a Management and Collection Bank that the CND runs, and where each market agent must maintain a payment guarantee that backs up energy transactions.

At the dates of the statements of financial position there are no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the balance of accounts receivable included in the statements of financial position.

Liquidity risk

It consists of the risk that the Company cannot fulfill all its obligations due to, among others, the deterioration of the quality of the client portfolio, the excessive concentration of liabilities, the lack of liquidity of the assets, or the financing of long-term assets with short-term liabilities.

The Company administration monitors liquidity risk through a planning of cash flows to ensure compliance with the commitments. Monitoring consists of preparing a projected report of expected cash flows and planned disbursements, which is reviewed monthly.

To project the expected cash flows, the Company considers the collection date of its financial instruments and the planned disbursements based on the due date of the obligations.

23. Risk and Capital Management (continued)

The table below summarises the maturity profile of the financial liabilities based on contractual undiscounted payments as December 31, 2019 and 2018:

	<i><u>Less than 3 months</u></i>	<i><u>From 3 to 12 Months</u></i>	<i><u>From 1 to 5 Years</u></i>	<i><u>More than 5 Years</u></i>	<i><u>Total</u></i>
As of December 31, 2019					
Loan payable, net	\$ 15,000	\$ —	\$ 410,651	\$ —	\$ 425,651
Accounts payable - supplier	7,954	—	—	—	7,954
Accounts payable - affiliates	—	33,148	—	—	33,148
Accrued interest	—	284	—	—	284
Accrued expenses and other liabilities	2,429	699	—	—	3,128
Other liabilities	—	—	—	40,990	40,990
	<u>\$ 25,383</u>	<u>\$ 34,131</u>	<u>\$ 410,651</u>	<u>\$ 40,990</u>	<u>\$ 511,155</u>

	<i><u>Less than 3 months</u></i>	<i><u>From 3 to 12 Months</u></i>	<i><u>From 1 to 5 Years</u></i>	<i><u>More than 5 Years</u></i>	<i><u>Total</u></i>
As of December 31, 2018					
Loan payable, net	\$ —	\$ 379,697	\$ —	\$ —	\$ 379,697
Accounts payable - supplier	13,817	—	—	—	13,817
Accounts payable - affiliates	—	25,045	—	—	25,045
Loan payable to the affiliate	—	11,000	—	—	11,000
Accrued interest	—	7,794	—	—	7,794
Accrued expenses and other liabilities	2,119	—	—	—	2,119
	<u>\$ 15,936</u>	<u>\$ 423,536</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 439,472</u>

Interest rate risk

On August 2, 2019, the Company acquired a syndicated loan for up to \$415,500, with a group of banks and The Bank of Nova Scotia (Panamá), S.A. as an administrative agent. This loan is for a 2 years period bearing an interest rate of 3 month LIBOR plus a margin that increase from 2% to 3.75% throughout the term of the loan. The funds of this loan were used to pay off the principal and balance of interest pending under the syndicated loan of May 13, 2016.

The LIBOR rate is an international reference rate that fluctuates based on interbank market conditions. The Company is exposed to the impact of the volatility of the LIBOR rate changes on its obligations at floating rates.

23. Risk and Capital Management (continued)

Interest rate risk (continued)

The Company does not expect significant impacts on its financial statements as a result of the volatility of the LIBOR rate on the cash flows associated with the loan. During 2019 the market conditions were favorable and in accordance with the considerations projected by the Company and in a prospective manner it is expected to replace, in the medium term, the balance of your current loan with a long-term fixed-rate loan.

Capital management

The Company manages its capital by maintaining a healthy financial structure, optimizing debt balances, minimizing risks for creditors and maximizing return for members.

24. Changes in liabilities of financing activities

The changes in liabilities of financing activities are as follow:

2019								
	Balance as of January 1, 2019	Cash flow received	Cash flow payments	Deferred financing cost	Write off of deferred financing cost	Accretion of interest	Non - cash movements	Balance as of December 31, 2019
Loans payable, net	\$ 390,697	\$ 430,500	\$(413,372)	\$ 3,644	\$ 14,182	\$ —	\$ —	\$ 425,651
Leases	—	—	(14,409)	—	—	3,319	52,779	41,689
	\$ 390,697	\$ 430,500	\$(427,781)	\$ 3,644	\$ 14,182	\$ 3,319	\$ 52,779	\$ 467,340

2018								
	Balance as of January 1, 2018	Cash flow received	Cash flow payments	Deferred financing cost	Write off of deferred financing cost	Accretion of interest	Non - cash movements	Balance as of December 31, 2018
Loans payable, net	\$ 272,964	\$ 116,769	\$ (1,010)	\$ 1,974	\$ —	\$ —		\$ 390,697

25. Subsequent Events

On January 24, 2020, the Company paid \$15,000 of the credit line with Banco Aliado, S.A. (formerly Banco Panamá, S.A.)

On March 2020, the Company obtained a disbursement of \$ 15,000 under a line of credit with Banco Aliado, S.A. (formerly Banco Panamá, S.A.), for a period not exceeding 12 months from the date of disbursement.

25. Subsequent Events (continued)

On March 23, 2020, the Company disbursed an amount of \$1,500, for the loan agreement signed with Gas Natural Atlántico II, S.R.L. and additionally, received a repayment to this loan of \$500, dated April 13, 2020, maintaining a balance of loan receivable to related party of \$2,500, as of the date of issuance of these financial statements.

COVID-19:

Last March 11, 2020 the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The quick evolution of the events, nationally and internationally, represents an unprecedented health crisis that will have macroeconomic and business effects. To face the economic and social impacts of COVID-19, among other measures the government of Panama has declared a state of national emergency, a state of public calamity and natural disaster, through resolution No.11 on March 13, 2020, and through the executive order No.489 on March 16, 2020, the Ministry of Health establishes additional sanitary measures to reduce, mitigate and control of the coronavirus COVID-19 disease pandemic in the country.

The government also published other decrees during the month of March 2020, to establish sanitary control in epidemic areas and a curfew imposed throughout the country.

The Company believes that these events do not represent an adjustment to the annual accounts of the year ended December 31, 2019; should there be an impact on operations, it would be reflected in its future results and cash flows.

Given the complexity of the situation and its quick evolution, it is not practical at this time to conduct a reliable, quantified estimate of its potential impact on the Company, which will be recorded prospectively in the 2020 annual accounts.

The Company is conducting the necessary measures to face this situation and minimize its impact, considering that it is a temporary situation that, based on more updated estimates and treasury's position on that date, do not compromise the application of the going concern principle.

Additionally, since December 31, 2019 and until the reporting date, no additional relevant events have occurred that would require disclosures or adjustments to the financial statements.

Unaudited interim condensed financial statements

Costa Norte LNG Terminal, S. de R. L.

*As of March 31, 2020 and December 31, 2019 and for
the three month periods ended March 31, 2020 and 2019*

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Costa Norte LNG Terminal, S. de R. L.**Unaudited Interim Condensed Statements of Financial Position****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America)*

Notes		<u>2020</u>	<u>2019</u>
		(Unaudited)	(Audited)
ASSETS			
Current assets			
4	Cash and cash equivalents	\$ 2,998	\$ 10,059
	Restricted cash	5,000	3,814
	Accounts receivable:		
5	Affiliates	28,254	19,882
	Others	774	776
7	Trade receivables - sublease	2,744	2,644
	Inventories	490	544
	Prepaid expenses	2,481	646
	Total current assets	42,741	38,365
Non-current assets			
6	Terminal and equipment, net	469,996	469,891
	Restricted cash	206	200
11	Deferred tax asset, net	7,618	2,044
12	Derivative instrument	—	8,443
7	Trade receivables - sublease	38,791	38,783
7	Right-of-use asset, net	86,416	87,219
	Other assets	2,547	2,606
	Total non-current assets	605,574	609,186
	TOTAL ASSETS	\$ 648,315	\$ 647,551

Costa Norte LNG Terminal, S. de R. L.

Unaudited Interim Condensed Statements of Financial Position (Continued)

As of March 31, 2020 and December 31, 2019

(Expressed in thousands of dollars of the United States of America)

Notes	<u>2020</u> (Unaudited)	<u>2019</u> (Audited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable:		
	\$ 11,261	\$ 9,069
5 Suppliers		
	6,904	6,917
5 Affiliates		
	1,204	54
Interest payable		
11 Income tax payable, net	557	235
	4,233	4,197
Accrued expenses and other liabilities		
Total current liabilities	<u>24,159</u>	<u>20,472</u>
Non-current liabilities		
	60	39
Seniority premium		
7 Other liabilities	142,987	142,987
12 Derivative liabilities	13,190	—
8 Loan payable, net	191,818	191,941
Total non-current liabilities	<u>348,055</u>	<u>334,967</u>
STOCKHOLDERS' EQUITY		
	285,700	285,700
Authorized capital		
	85	84
Additional paid-in-capital		
	4,324	4,177
Retained earnings		
	(13,978)	2,181
Other comprehensive (loss) income		
Deemed tax	(30)	(30)
Total stockholders' equity	<u>276,101</u>	<u>292,112</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		
	<u>\$ 648,315</u>	<u>\$ 647,551</u>

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

Costa Norte LNG Terminal, S. de R. L.

Unaudited Interim Condensed Statements of Comprehensive Income

For the three months ended March 31, 2020 and 2019

(Expressed in thousands of dollars of the United States of America)

Notes		<u>2020</u>	<u>2019</u>
		(Unaudited)	
	Revenue		
5	Terminal services	\$ 10,878	\$ 8,736
	Operating costs and expenses		
7 & 9	Operating, general and maintenance expense	1,901	2,020
6	Depreciation and amortization	3,831	2,380
	Total operating costs and expenses	<u>5,732</u>	<u>4,400</u>
	Operating income	5,146	4,336
	Other income (expenses)		
10	Interest expense, net	(4,872)	(1,997)
	Other income, net	8	1
	Total other expense, net	<u>(4,864)</u>	<u>(1,996)</u>
	Income before income tax expense	282	2,340
11	Income tax expense	135	660
	Net income	<u>\$ 147</u>	<u>\$ 1,680</u>
	Net other comprehensive (loss) income that will be reclassified to profit or loss in subsequent periods:		
	Realized derivative instrument, net	88	86
12	Changes in the fair value of derivative instruments	(21,633)	(2,443)
	Deferred tax	5,386	1,058
	Other comprehensive loss	<u>(16,159)</u>	<u>(1,299)</u>
	Total other comprehensive (loss) income	<u>\$ (16,012)</u>	<u>\$ 381</u>

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

Costa Norte LNG Terminal, S. de R. L.

Unaudited Interim Condensed Statements of Changes in Stockholders' Equity

For the three months ended March 31, 2020 and 2019

(Expressed in thousands of dollars of the United States of America)

	Notes	Authorized capital	Additional paid-in- capital	Accumulated deficit	Deemed tax	Other comprehensive (loss) income	Total shareholders' equity
Balance as of January 1, 2019		\$ 265,700	\$ 79	\$ 8,322	\$ —	\$ 2,725	\$ 276,826
Net income		—	—	1,680	—	—	1,680
Realized derivative instrument, net		—	—	—	—	86	86
Changes in fair value of financial instruments	12	—	—	—	—	(2,443)	(2,443)
Deferred tax		—	—	—	—	1,058	1,058
Total of other comprehensive loss		—	—	1,680	—	(1,299)	381
Capital contribution		20,000	—	—	—	—	20,000
Balance as of March 31, 2019 (unaudited)		\$ 285,700	\$ 79	\$ 10,002	\$ —	\$ 1,426	\$ 297,207
Balance as of January 1, 2020		\$ 285,700	\$ 84	\$ 4,177	\$ (30)	\$ 2,181	\$ 292,112
Net income		—	—	147	—	—	147
Realized derivative instrument, net		—	—	—	—	88	88
Changes in fair value of financial instruments	12	—	—	—	—	(21,633)	(21,633)
Deferred tax		—	—	—	—	5,386	5,386
Total of other comprehensive loss		—	—	147	—	(16,159)	(16,012)
Shared based compensation		—	1	—	—	—	1
Balance as of March 31, 2020 (unaudited)		\$ 285,700	\$ 85	\$ 4,324	\$ (30)	\$ (13,978)	\$ 276,101

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

Costa Norte LNG Terminal, S. de R. L.

Unaudited Interim Condensed Statements of Cash Flows

For the three months ended March 31, 2020 and 2019

(Expressed in thousands of dollars of the United States of America)

Notes		<u>2020</u>	<u>2019</u>
		(Unaudited)	
	Cash flows from operating activities		
	Net income	\$ 147	\$ 1,680
	Adjustment to reconcile net income to net cash used in operating activities:		
6	Depreciation	3,829	2,380
	Amortization of realized derivative instrument	2	—
7	Right-of-use asset amortization	803	803
10	Interest income - financial	(33)	(125)
10	Interest expense - financial	2,515	179
10	Amortization of deferred financing costs	433	8
11	Income tax expense	135	660
	Share-based compensation	1	—
	Cash flows before working capital movements	7,832	5,585
	Increase in accounts receivable	(8,478)	(10,633)
	Decrease (increase) in inventories	54	(156)
	Increase in income tax payable, net	—	(298)
	(Increase) decrease in prepaid expenses	(1,835)	211
	(Increase) decrease in other long term assets	(2)	47
	Increase (decrease) in accounts payable	498	(2,057)
	Increase (decrease) in accrued expenses and other liabilities	36	(147)
	Increase in seniority premium	21	23
	Decrease in deferred rent	—	(326)
	Commitment fee paid	—	(237)
	Interest receivable	33	125
	Net cash flows used in operating activities	(1,841)	(7,863)
	Cash flows from investing activities		
6	Acquisition of terminal equipment	(1,924)	(12,164)
	Restricted cash	(1,192)	(26,749)
5	Collection of intercompany loan receivable	—	8,000
	Net cash used in investing activities	(3,116)	(30,913)
	Carried forward...	\$ (4,957)	\$ (38,776)

Costa Norte LNG Terminal, S. de R. L.**Unaudited Interim Condensed Statements of Cash Flows (Continued)****For the three months ended March 31, 2020 and 2019***(Expressed in thousands of dollars of the United States of America)*

		<u>2020</u>	<u>2019</u>
		(Unaudited)	
	Brought forward...	\$ (4,957)	\$ (38,776)
	Cash flows from financing activities		
	Interest payment	(1,973)	—
8	Proceeds from new loans	—	55,791
	Payment of financing costs	(131)	—
	Payment of financing for terminal equipment	—	(37,222)
	Capital contribution	—	20,000
	Net cash (used in) provided from financing activities	<u>(2,104)</u>	<u>38,569</u>
	Decrease in cash and cash equivalents	(7,061)	(207)
	Cash and cash equivalents at the beginning of the year	10,059	283
	Cash and cash equivalents at the end of the period	<u>\$ 2,998</u>	<u>\$ 76</u>
	Supplementary disclosure		
	Terminal equipment purchases not paid at end of the period	<u>\$ 10,005</u>	<u>\$ 18,342</u>
	Accrued interest capitalized in terminal equipment	<u>\$ —</u>	<u>\$ 554</u>
	Interest paid capitalized in terminal equipment	<u>\$ 110</u>	<u>\$ 4,654</u>

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

Costa Norte LNG Terminal, S. de R. L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***1. Organization and Nature of Operations**

Costa Norte LNG Terminal, S. de R. L. (the Company), was incorporated on September 14, 2015, with its owners, AES Global Power Holding, B.V., a company incorporated under the laws of the Netherlands, indirect subsidiary of The AES Corporation, owns 1,431,357 (50.1%) shares and Deeplight Holding, S.R.L. a related party, incorporated under the laws of the British Virgin Islands, has 1,425,643 (49.9%) shares.

The Company's objective is to operate and manage gas terminals and wholesale liquefied natural gas (LNG). On August 20, 2019, the Company began operations of a Liquefied Natural Gas (LNG) reception terminal, with its respective storage tank. The project is in the Province of Colon, County of San Cristóbal, Telfers Avenue, Panama, Republic of Panama.

The main offices of the Company are located in Business Park II, Tower V, 11th floor, Paseo Roberto Motta, Costa del Este, Panama, Republic of Panama.

2. Basis of Preparation

The unaudited interim condensed financial statements for the three months ended March 31, 2020 and 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The unaudited interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual audited financial statements as of December 31, 2019.

3. Summary of Accounting Policies

The accounting policies adopted in the preparation of the unaudited interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2019.

4. Cash and cash equivalents

As of March 31, 2020 and December 31, 2019, cash and cash equivalents are composed of the following:

	<u>2020</u>	<u>2019</u>
Bank deposits	\$ 2,991	\$ 10,052
Petty cash	7	7
	<u>\$ 2,998</u>	<u>\$ 10,059</u>

Costa Norte LNG Terminal, S. de R. L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***5. Balances and Transactions with Affiliates and Related Parties**

In the unaudited interim condensed statements of comprehensive income, the transactions with related parties during the three months ended March 31, 2020, and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
<u>In the unaudited interim condensed statements of comprehensive income</u>		
<u>Terminal services:</u>		
Total Gas & Power Limited London	\$ 2,271	\$ —
Gas Natural Atlántico, S. de R. L.	8,607	8,736
	<u><u>\$ 10,878</u></u>	<u><u>\$ 8,736</u></u>
<u>Operating, general and maintenance expenses:</u>		
Assa Compañía de Seguros, S.A.	\$ 369	\$ 66
Petróleos Delta, S.A.	4	1
Inversiones Vismar, S.A.	257	—
	<u><u>\$ 630</u></u>	<u><u>\$ 67</u></u>
<u>Other expenses, net:</u>		
Banco General, S.A.	<u><u>\$ 277</u></u>	<u><u>\$ 6</u></u>

Affiliates

The balances with affiliates as of March 31, 2020 and December 31, 2019, are as follows:

<u>In the unaudited interim condensed statements of financial position</u>		
	<u>2020</u>	<u>2019</u>
<u>Accounts receivable affiliates:</u>		
Gas Natural Atlántico, S. de R. L.	\$ 28,200	\$ 19,828
AES Panamá S.R.L.	54	54
	<u><u>\$ 28,254</u></u>	<u><u>\$ 19,882</u></u>
<u>Accounts payable affiliates:</u>		
Gas Natural Atlántico, S. de R. L.	\$ 5,861	\$ 5,861
AES Panamá S.R.L.	1	1
AES Solutions, LLC	1,017	1,017
AES Latin América S. de R.L.	25	25
AES Andres DR, S.A.	—	8
Dominican Power Partners	—	5
	<u><u>\$ 6,904</u></u>	<u><u>\$ 6,917</u></u>

Costa Norte LNG Terminal, S. de R. L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***5. Balances and Transactions with Affiliates and Related Parties (Continued)**

The transactions with affiliates for the three months ended March 31, 2020 and 2019 in the unaudited interim condensed statements of comprehensive income, are as follows:

In the unaudited interim condensed statements of comprehensive income

	<u>2020</u>	<u>2019</u>
<u>Operating, general and maintenance expenses (management fee):</u>		
AES Latin América S. de R.L.	\$ 74	\$ —
AES Solutions, LLC	—	79
	<u>\$ 74</u>	<u>\$ 79</u>

Capital contributions

During the three months ended March 31, 2019, the Company received contributions from AES Global Power Holdings, B.V. and Deeplight Holdings, S. R. L. for an amount of \$20,000.

6. Terminal and equipment, net

Activity in the terminal and equipment, net for the three months ended March 31, 2020 and 2019 is detailed as follows:

	March 31, 2020				
	LNG Facility, dock and pipeline	Furniture and Equipment	Vehicles	Construction in progress	Total
Cost:					
Balance at January 1, 2020	\$ 472,653	\$ 143	\$ 235	\$ 11,650	\$ 484,681
Additions	—	3	—	3,931	3,934
Reclasifications	163	—	—	(163)	—
Balance at March 31, 2020	<u>472,816</u>	<u>146</u>	<u>235</u>	<u>15,418</u>	<u>488,615</u>
Accumulated depreciation:					
Balance at January 1, 2020	14,661	61	68	—	14,790
Depreciation	3,809	8	12	—	3,829
Balance at March 31, 2020	<u>18,470</u>	<u>69</u>	<u>80</u>	<u>—</u>	<u>18,619</u>
Net balance	<u>\$ 454,346</u>	<u>\$ 77</u>	<u>\$ 155</u>	<u>\$ 15,418</u>	<u>\$ 469,996</u>

Costa Norte LNG Terminal, S. de R. L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***6. Terminal and equipment, net (Continued)**

	March 31, 2019				
	LNG Facility, dock and pipeline	Furniture and Equipment	Vehicles	Construction in progress	Total
Cost:					
Balance at January 1, 2019	\$ 258,643	\$ 77	\$ 119	\$ 171,687	\$ 430,526
Additions	—	28	—	14,360	14,388
Reclasifications	—	18	—	(18)	—
Balance at March 31, 2019	258,643	123	119	186,029	444,914
Accumulated depreciation:					
Balance at January 1, 2019	3,129	33	38	—	3,200
Depreciation	2,368	6	6	—	2,380
Balance at March 31, 2019	5,497	39	44	—	5,580
Net balance	\$ 253,146	\$ 84	\$ 75	\$ 186,029	\$ 439,334

For the three months ended March 31, 2020 and 2019, interest and deferred financing costs of \$153 and \$2,757, respectively, have been capitalized.

The total value of the LNG facility, wharf and pipeline of the Company guarantees the obligations acquired in the financing (Note 8).

7. Lease

As Lessee:

Below is the carrying amounts of the right-of-use asset recognized and the movements during the period:

	Land
As of January 1, 2019	\$ 90,431
Amortization expense	(3,212)
As of December 31, 2019	87,219
Amortization expense	(803)
As of March 31, 2020	\$ 86,416

Costa Norte LNG Terminal, S. de R. L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***7. Lease (continued)**

Below are the carrying amounts of lease liability (in accrued expenses and other liabilities - short term and other liabilities - long term).

	<u>2020</u>	<u>2019</u>
Balance as of January 1	\$ 145,424	\$ 143,752
Accretion of interest	2,743	10,897
Payments	(2,363)	(9,225)
Balance at the end of the period	<u>\$ 145,804</u>	<u>\$ 145,424</u>
Current	<u>\$ (2,817)</u>	<u>\$ (2,437)</u>
Non-current	<u>\$ (142,987)</u>	<u>\$ (142,987)</u>

The following are the amounts recognized for the three months ended March 31, 2020 and 2019, included in the unaudited interim condensed statements of comprehensive income:

	<u>2020</u>	<u>2019</u>
Amortization expense of right-of-use asset (included in operating, general and maintenance expense)	\$ 803	\$ 803
Interest expense on lease liabilities (included in interest expense, net)	2,743	2,712
Total amount recognized in unaudited interim condensed statements of comprehensive income	<u>\$ 3,546</u>	<u>\$ 3,515</u>

The balances of right-of-used asset and lease liability correspond to the following contracts:

- Land: The Company entered into a lease agreement with Panama Ports Company, S.A., which established the terms and conditions of the land lease located on Telfers Avenue, Province of Colon, Republic of Panama (the principal-lease). Subsequently, on January 18, 2016, Panama Ports Company, S.A, approved the retroactive assignment of this contract to the Company. The term of the contract is until January 31, 2022, the date on which the concession of Panama Ports Company, S.A. expires. This concession has an automatic renewal for an additional period of 25 years.

As Lessor:

The Company entered into a sub-lease agreement with Gas Natural Atlantico, S, de R.L. The term of the sub-lease is the same agreed for the principal-lease. The interest income recorded during the three months ended March 31, 2020 and 2019, from the sub-lease in the unaudited interim condensed statements of comprehensive income was \$786 and \$777, respectively.

When the Company is an intermediate lessor under sub-leases, it accounts for its interests in the principal-Lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use arising from the principal-lease, not with reference to the underlying asset.

Costa Norte LNG Terminal, S. de R. L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

7. Lease (continued)

The following table sets out a maturity analysis of receivables, showing the un-discounted lease payments to be received after the reporting, as of March 31, 2020 and December 31, 2019:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 2,744	\$ 2,644
One to two years	2,826	2,724
Two to three years	2,911	2,805
Three to four years	2,999	2,890
Four to expiration date	99,228	102,967
Total of undiscounted lease payments	<u>110,708</u>	<u>114,030</u>
Unearned income	(69,173)	(72,603)
Net investment at the end of the periods	<u>\$ 41,535</u>	<u>\$ 41,427</u>
Current	<u>\$ 2,744</u>	<u>\$ 2,644</u>
Non-current	<u>\$ 38,791</u>	<u>\$ 38,783</u>

8. Loan payables, net

On August 2, 2019, the Company acquired a syndicated loan for up to \$194,500, with a group of banks and The Bank of Nova Scotia (Panama), as an administrative agent, in order to refinance all amounts outstanding under its prior syndicated loan.

This loan is for a 2 year period bearing an interest rate of 3 month LIBOR plus a margin that increases from 2% to 3.75% throughout the term of the loan. The interest payments are required on a quarterly basis and principal payment is required at loan maturity date.

As of March 31, 2020 and December 31, 2019, loan balances, net of deferred financing costs are the following:

	<u>2020</u>	<u>2019</u>
Long term loan	\$ 194,500	\$ 194,500
Deferred financing costs	(2,682)	(2,559)
Loan payable, net	<u>\$ 191,818</u>	<u>\$ 191,941</u>

For the three months ended March 31, 2020 and 2019 interest expense was \$2,539 and \$2,759 respectively, of which \$110 and \$2,610 were capitalized. Both expenses are included in interest expense, net in the unaudited interim condensed statements of comprehensive income.

Costa Norte LNG Terminal, S. de R. L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

9. Operating, General and Maintenance Expenses

For the three months period ended March 31, 2020 and 2019 the operating, general and maintenance expenses are as follows:

	<u>2020</u>	<u>2019</u>
Right-of-use asset amortization	\$ 803	\$ 803
Insurance	376	60
Contract services	205	228
Salaries and other benefits	179	219
Others	128	207
Maintenance expenses	123	43
Administrative expenses	74	79
Professional fees	13	381
	<u>\$ 1,901</u>	<u>\$ 2,020</u>

10. Interest expense, net

The interest expense, net for the three months period ended March 31, 2020 and 2019 was as follow:

	<u>2020</u>	<u>2019</u>
Interest expense - financial	\$ (2,515)	\$ (179)
Interest expense - finance lease	(2,743)	(2,712)
Subtotal	<u>(5,258)</u>	<u>(2,891)</u>
Amortization of deferred financing costs	(433)	(8)
Interest income - finance lease	786	777
Interest income - financial	33	125
Subtotal	<u>819</u>	<u>902</u>
Total	<u>\$ (4,872)</u>	<u>\$ (1,997)</u>

Costa Norte LNG Terminal, S. de R. L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***11. Income tax**

For the three months period ended March 31, 2020 and 2019, income tax expense was as follows:

	<u>2020</u>	<u>2019</u>
Current	\$ 322	\$ 862
Deferred	(187)	(202)
	<u>\$ 135</u>	<u>\$ 660</u>

12. Fair Value of Financial Instruments

The Company established a process for determining fair value of financial instruments. The fair value determination considers the market quotes prices. Nevertheless, in many occasions no quoted market prices exist for several of the Company's financial instruments.

In cases in which market quoted prices are not available, the fair value is based on estimates using current value or other valuation techniques. These techniques are affected significantly by the assumptions employed, including the discount rate and future cash flows.

The estimate fair value of financial instruments as of March 31, 2020 and December 31, 2019 are detailed below:

	<u>2020</u>		<u>2019</u>	
	Book value	Fair value	Book value	Fair value
<u>Financial Assets</u>				
Non-current derivative instruments	\$ —	\$ —	\$ 8,443	\$ 8,443
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,443</u>	<u>\$ 8,443</u>
<u>Financial Liabilities</u>				
Non-current loan payable, net	\$ 191,818	\$ 191,818	\$ 191,941	\$ 191,941
Non-current derivative instruments	13,190	13,190	—	—
	<u>\$ 205,008</u>	<u>\$ 205,008</u>	<u>\$ 191,941</u>	<u>\$ 191,941</u>

The following methods and assumptions were used to estimate fair values:

- The carrying amount of certain financial assets, including cash and cash equivalents, accounts receivable and certain financial liabilities including accounts payable, due to their short maturity nature, is considered equal to their fair value.

12. Fair Value of Financial Instruments (continued)

- The fair value of the loan payable estimated as of March 31, 2020 and December 31, 2019 is based on information available at the dates of the unaudited interim condensed statements of financial position. The Company is not aware of any factors that may significantly affect the fair value estimate as of those dates. These loans were contracted at variable rate, therefore, the Company considers the fair value approximates its carrying amount.
- Derivative instruments recognized at fair value in the unaudited interim condensed statements of financial position. The assumption used in the calculation of the fair value used by the Company for derivatives falls under Level 2 of the hierarchy.

Hierarchy of fair value of financial instruments

All assets and liabilities measured at fair value or on which the Company makes fair value disclosures are classified within the fair value hierarchy. Such classification is based on the lower level of information used to determine such value and which is significant for the determination of fair value as a whole.

The fair value hierarchy consists of the following three levels:

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

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The classification of the derivative is presented below:

Derivative instrument	Classification	2020		
		Derivative Liability		Other comprehensive loss
		Current	Non current	
SWAP	Financial instrument liability at fair value with changes in other comprehensive income	\$ —	\$ 13,190	\$ (21,633)
	Total of derivative Level 2	<u>\$ —</u>	<u>\$ 13,190</u>	<u>\$ (21,633)</u>

Costa Norte LNG Terminal, S. de R. L.**Notes to the Unaudited Interim Condensed Financial Statements****As of March 31, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America, except for the stock information)***12. Fair Value of Financial Instruments (continued)**

Derivative instrument	Classification	2019		
		Derivative Asset		Other comprehensive loss
		Current	Non current	
SWAP	Financial instrument asset at fair value with changes in other comprehensive income	\$ —	\$ 8,443	\$ (2,443)
	Total of derivative Level 2	\$ —	\$ 8,443	\$ (2,443)

As of March 31, 2020 and December 31, 2019, the Company has not made reclassifications between hierarchy levels.

13. Risk and Capital Management**Risk Management***Liquidity risk*

The table below summarizes the maturity profile of the financial liabilities based on contractual undiscounted payments as March 31, 2020:

	<i><u>Less than 3 months</u></i>	<i><u>From 3 to 12 Months</u></i>	<i><u>From 1 to 5 years</u></i>	<i><u>More than 5 years</u></i>	<i><u>Total</u></i>
As of March 31, 2020					
Loan payable, net	\$ —	\$ —	\$ 191,818	\$ —	\$ 191,818
Accounts payable - supplier	11,261	—	—	—	11,261
Accounts payable - affiliates	—	6,904	—	—	6,904
Interest payable	—	1,204	—	—	1,204
Accrued expenses and other liabilities	4,233	—	—	—	4,233
Other liabilities	—	—	—	142,987	142,987
	<u>\$ 15,494</u>	<u>\$ 8,108</u>	<u>\$ 191,818</u>	<u>\$ 142,987</u>	<u>\$ 358,407</u>

14. Subsequent Events

Subsequent events were evaluated by the administration until August 5, 2020, the date on which unaudited interim condensed financial statements were authorized by the Controller for its issuance.

14. Subsequent Events (continued)

COVID-19

Last March 11, 2020 the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The quick evolution of the events, nationally and internationally, represents an unprecedented health crisis that will have macroeconomic and business effects. To face the economic and social impacts of COVID-19, among other measures the government of Panama has declared a state of national emergency, a state of public calamity and natural disaster, through resolution No.11 on March 13, 2020, and through the executive order No.489 on March 16, 2020, the Ministry of Health establishes additional sanitary measures to reduce, mitigate and control of the coronavirus COVID-19 disease pandemic in the country. The government also published other decrees during the month of March 2020, to establish sanitary control in epidemic areas and a curfew imposed throughout the country.

On May 11, 2020, through the resolution No.405 the Ministry of Health established the guidelines of the return to normality of the companies post Covid-19.

On May 4, 2020, Law 152 mandated a moratorium on payment of certain basic services, including electricity, cellular phone, internet for a period of 4 months for people and small business that met certain criteria. During this period, a service provider cannot disconnect service for users any cannot apply and late fees or interest.

Although the Company's revenue is derived from contracts with Gas Natural Atlántico and Total Gas & Power Limited London, it may be possible that the effects of COVID-19 on the operations of these companies may impact the operations of the Company.

The Company believes that these events do not represent an adjustment to the unaudited interim condensed financial statements as of March 31, 2020; should there be an impact on operations, it would be reflected in its future results and cash flows.

Given the complexity of the situation and its quick evolution, it is not practical at this time to conduct a reliable, quantified estimate of its potential impact on the Company, which will be recorded prospectively in the 2020 annual accounts.

The Company is conducting the necessary measures to face this situation and minimize its impact, based on more updated estimates and treasury's position on that date, do not compromise the application of the going concern principle.

Financial Statements

Costa Norte LNG Terminal, S. de R. L.

*As of December 31, 2019 and 2018 and for the three years then ended
with Independent Auditor's Report*

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Independent Auditor's Report

The Partners
Costa Norte LNG Terminal, S. de R. L.

Opinion

We have audited the financial statements of Costa Norte LNG Terminal, S. de R. L., (the Company), which comprise the statement of financial position as of December 31, 2019 and 2018 and the statement of comprehensive income, statement of changes in stockholders' equity and statement of cash flows for the three years then ended as of December 31, 2019, 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 the Company as of December 31, 2019 and 2018; and its financial performance and its cash flows for the three years then ended as of December 31, 2019, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Panama (Decree No. 26 of May 17, 1984), and we have fulfilled our other ethical responsibilities in accordance with these 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 paragraph - Adoption of New Accounting Standards

As discussed in Note 3 New standards, interpretations and amendments adopted by the Company to the financial statements, the Company (as lessee) changed its method of accounting for leases in 2019 due to the adoption of IFRS 16 Leases. Our opinion is not qualified in this respect."

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Description of the matter:

Under IFRS 16 – Leases, the lessee is required to recognize the present value of future lease payments as a right-of-use asset and a corresponding financial liability.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application at January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application, therefore previous period comparative figures were not adjusted in the financial statements. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at January 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

As described in Note 10 to the financial statements, the initial application of IFRS 16 resulted in the recognition of a \$90.4 million right of use asset and a \$143.8 million lease liability as of January 1, 2019.

Auditing the adoption of IFRS 16 was complex as it involved evaluating significant judgments and assumptions applied by Management in relation to assessing the incremental borrowing rate, service component and extension options of leasing arrangements. Management has formed its judgments and assumptions based on historical experience, internal and external data points.

How We Addressed the Matter in Our Audit:

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's IFRS 16 adoption process including controls over management's review of the significant assumptions described above, the data inputs used by the Company in the calculations of right of use assets and lease liabilities and the recording of the balances in the financial statements.

To test the completeness and accuracy of the underlying data used to calculate the right of use asset and lease liability our procedures included, among others, comparing the leases' terms and conditions as per the contracts to the data used in the calculation and comparing the leases included in the adoption analysis to the leases to determine whether any agreements were omitted.

We involved our specialist to test the assumptions used in the model. We perform recalculations with the contract information and the discount rate used by the client.

In addition, we compared the Company's disclosures related to the adoption of IFRS 16 to the disclosure requirements.

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 IFRSs, 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.

Responsibilities of the Auditor with Regards to 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 in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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 auditor's 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 on the audit resulting in this independent auditor's report is Víctor M. Ramírez.



Panama, Republic of Panama
April 30, 2020

Costa Norte LNG Terminal, S. de R. L.

Statements of Financial Position

As of December 31, 2019 and 2018

(Expressed in thousands of dollars of the United States of America)

Notes		<u>2019</u>	<u>2018</u>
	ASSETS		
	Current assets		
4	Cash and cash equivalents	\$ 10,059	\$ 283
5	Restricted cash	3,814	—
	Accounts receivable:		
6	Affiliates	19,882	22,205
	Others	776	123
10	Trade receivables - sublease	2,644	—
6	Loans receivable from affiliate	—	11,000
	Inventories	544	150
12 & 13	Derivative instrument	—	444
	Prepaid expenses	646	839
	Total current assets	<u>38,365</u>	<u>35,044</u>
	Non-current assets		
7	Terminal and equipment, net	469,891	427,326
5	Restricted cash	200	1,262
16	Deferred tax asset, net	2,044	522
12 & 13	Derivative instrument	8,443	4,297
10	Deferred income	—	5,094
10	Trade receivables - sublease	38,783	—
10	Right-of-use asset, net	87,219	—
	Other assets	2,606	338
	Total non-current assets	<u>609,186</u>	<u>438,839</u>
	TOTAL ASSETS	<u><u>\$ 647,551</u></u>	<u><u>\$ 473,883</u></u>

Costa Norte LNG Terminal, S. de R. L.
Statements of Financial Position (Continued)

As of December 31, 2019 and 2018

(Expressed in thousands of dollars of the United States of America)

Notes		<u>2019</u>	<u>2018</u>
	LIABILITIES AND STOCKHOLDERS' EQUITY		
	Current liabilities		
	Accounts payable:		
8	Suppliers	\$ 9,069	\$ 54,332
6	Affiliates	6,917	128
	Interest payable	54	2,514
16	Income tax payable, net	235	294
12 & 13	Derivative liabilities	—	59
9	Accrued expenses and other liabilities	4,197	965
11 & 13	Loans payable, net	—	120,461
	Total current liabilities	<u>20,472</u>	<u>178,753</u>
	Non-current liabilities		
	Seniority premium	39	86
10	Other liabilities	142,987	17,771
12 & 13	Derivative liabilities	—	447
11 & 13	Loan payable, net	191,941	—
	Total non-current liabilities	<u>334,967</u>	<u>18,304</u>
	STOCKHOLDERS' EQUITY		
14	Authorized capital	285,700	265,700
	Additional paid-in-capital	84	79
	Retained earnings	4,177	8,322
	Deemed Tax	(30)	—
12	Other comprehensive income	2,181	2,725
	Total stockholders' equity	<u>292,112</u>	<u>276,826</u>
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 647,551</u></u>	<u><u>\$ 473,883</u></u>

The accompanying notes are an integral part of these financial statements.

Costa Norte LNG Terminal, S. de R. L.

Statements of Comprehensive Income

For the years ended December 31, 2019, 2018 and 2017

(Expressed in thousands of dollars of the United States of America)

Notes		<u>2019</u>	<u>2018</u>	<u>2017</u>
	Revenue			
6	Terminal services	\$ 37,617	\$ 21,930	\$ —
	Operating costs and expenses			
15	Operating, general and maintenance expense	10,099	9,881	6,655
7 & 12	Depreciation and amortization	11,592	3,157	26
	Total operating costs and expenses	<u>21,691</u>	<u>13,038</u>	<u>6,681</u>
	Operating income (loss)	15,926	8,892	(6,681)
	Other income (expenses)			
17	Interest expense, net	(18,578)	(127)	(661)
18	Other (expense) income, net	(2,098)	3,938	3,947
	Total of other (expense) income, net	<u>(20,676)</u>	<u>3,811</u>	<u>3,286</u>
	(Loss) income before income tax expense (benefit)	(4,750)	12,703	(3,395)
16	Income tax expense (benefit)	(605)	(2,186)	390
	Net (loss) income	<u>\$ (4,145)</u>	<u>\$ 14,889</u>	<u>\$ (3,785)</u>
	Net other comprehensive (loss) income that will be reclassified to profit or loss in subsequent periods:			
12	Realized derivative instrument, net	(5,085)	(88)	(363)
13	Changes in the fair value of financial instruments	4,208	659	(583)
16	Deferred tax	333	(165)	(894)
	Other comprehensive (loss) income	(544)	406	(1,840)
	Total other comprehensive (loss) income	<u>\$ (4,689)</u>	<u>\$ 15,295</u>	<u>\$ (5,625)</u>

The accompanying notes are an integral part of these financial statements.

Costa Norte LNG Terminal, S. de R. L.

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2019, 2018 and 2017

(Expressed in thousands of dollars of the United States of America)

	Notes	Authorized capital	Additional paid-in- capital	Accumulated deficit	Deemed tax	Other comprehensive income	Total shareholders' equity
Balance as of January 1, 2017		\$ 103,500	\$ 16	\$ (2,782)	\$ —	\$ 4,159	\$ 104,893
Net loss		—	—	(3,785)	—	—	(3,785)
Realized derivative instrument	12	—	—	—	—	(363)	(363)
Changes in fair value of financial instruments	12 & 13	—	—	—	—	(583)	(583)
Deferred tax	16	—	—	—	—	(894)	(894)
Total of other comprehensive loss		—	—	(3,785)	—	(1,840)	(5,625)
Capital contribution	6 & 14	93,100	—	—	—	—	93,100
Shared based compensation		—	41	—	—	—	41
Balance as of December 31, 2017		196,600	57	(6,567)	—	2,319	192,409
Net income		—	—	14,889	—	—	14,889
Realized derivative instrument, net	12	—	—	—	—	(88)	(88)
Changes in fair value of financial instruments	12 & 13	—	—	—	—	659	659
Deferred tax	16	—	—	—	—	(165)	(165)
Total of other comprehensive income		—	—	14,889	—	406	15,295
Capital contribution	6 & 14	69,100	—	—	—	—	69,100
Shared based compensation		—	22	—	—	—	22
Balance as of December 31, 2018		265,700	79	8,322	—	2,725	276,826
Net loss		—	—	(4,145)	—	—	(4,145)
Realized derivative instrument, net	12	—	—	—	—	(5,085)	(5,085)
Changes in fair value of financial instruments	12 & 13	—	—	—	—	4,208	4,208
Deferred tax	16	—	—	—	—	333	333
Total of other comprehensive loss		—	—	(4,145)	—	(544)	(4,689)
Capital contribution	6 & 14	20,000	—	—	—	—	20,000
Shared based compensation		—	5	—	—	—	5
Deemed tax		—	—	—	(30)	—	(30)
Balance as of December 31, 2019		\$ 285,700	\$ 84	\$ 4,177	\$ (30)	\$ 2,181	\$ 292,112

The accompanying notes are an integral part of these financial statements.

Costa Norte LNG Terminal, S. de R. L.**Statements of Cash Flows****For the year ended December 31, 2019, 2018 and 2017***(Expressed in thousands of dollars of the United States of America)*

Notes	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash Flow from operating activities			
Net (loss) income	\$ (4,145)	\$ 14,889	\$ (3,785)
Adjustment to reconcile net (loss) income before income tax to net cash provided by (used in) operating activities:			
7 & 12 Depreciation and amortization	11,592	3,157	26
11 & 18 Loss on early extinguishment of debt	2,178	—	—
10 Right-of-use asset amortization	3,212	—	—
17 Interest income	(364)	(499)	(174)
17 Interest expense	10,695	624	835
17 Amortization of deferred financial costs	1,072	2	—
17 Write-off of deferred financing costs	7,088	—	—
16 Income tax expenses	(605)	(2,186)	390
Share-based compensation	5	22	41
Cash flows before working capital movements	<u>30,728</u>	<u>16,009</u>	<u>(2,667)</u>
Decrease (increase) in accounts receivable	2,034	(22,091)	2,364
Increase in inventories	(394)	(150)	—
16 Increase in income tax, net	(673)	(32)	(57)
Decrease (increase) in prepaid expenses	193	(564)	(185)
Increase other long-term assets	(1,478)	—	—
8 (Decrease) increase in accounts payable	(10,618)	3,248	(2,125)
Increase (decrease) in accrued expenses and other liabilities	3,232	(134)	359
(Decrease) increase in seniority premium	(47)	18	56
10 Decrease in deferred rent	—	(1,367)	(1,442)
Increase in deferred income	—	4,769	5,031
11 Commitment fee paid	—	(1,612)	(1,013)
Interest received	—	499	174
Net cash flows provided by (used in) operating activities	<u>22,977</u>	<u>(1,407)</u>	<u>495</u>
Carried forward...	\$ 22,977	\$ (1,407)	\$ 495

Costa Norte LNG Terminal, S. de R. L.

Statements of Cash Flows (Continued)

For the year ended December 31, 2019, 2018 and 2017

(Expressed in thousands of dollars of the United States of America)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Brought forward...	\$ 22,977	\$ (1,407)	\$ 495
Cash flows from investing activities			
Advances for the acquisition of terminal equipment	(2,338)	(3)	(1,299)
7 Acquisition of terminal equipment	(44,667)	(47,225)	(91,558)
5 Restricted cash	(2,752)	28,880	(11,585)
6 Intercompany loan disbursement	—	(12,000)	—
6 Collection of intercompany loan receivable	11,000	1,000	—
Net cash used in investing activities	<u>(38,757)</u>	<u>(29,348)</u>	<u>(104,442)</u>
Cash flows from financing activities			
11 Payment of loans	(183,683)	—	—
11 Proceeds from new loans	250,292	57,371	32,000
18 Premium payment of early extinguishment debt	(2,178)	—	—
11 Payment of financing costs	(3,890)	(932)	(1,232)
Payment of financing for terminal equipment	(54,985)	(94,985)	(19,461)
Capital contribution	20,000	69,100	93,100
Net cash provided from financing activities	<u>25,556</u>	<u>30,554</u>	<u>104,407</u>
Increase (decrease) in cash and cash equivalents	9,776	(201)	460
Cash and cash equivalents at the beginning of the year	283	484	24
Cash and cash equivalents at the end of the year	<u>\$ 10,059</u>	<u>\$ 283</u>	<u>\$ 484</u>
Supplementary disclosure			
Terminal equipment purchases not paid at year end	<u>\$ 8,214</u>	<u>\$ 56,007</u>	<u>\$ 73,007</u>
Accrued interest capitalized in terminal equipment	<u>\$ —</u>	<u>\$ 5,446</u>	<u>\$ 2,457</u>
Interest paid capitalized in terminal equipment	<u>\$ 7,689</u>	<u>\$ 1,408</u>	<u>\$ 1,009</u>

The accompanying notes are an integral part of these financial statements.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

1. Organization and Nature of Operations

Costa Norte LNG Terminal, S. de R. L. (the "Company"), was incorporated on September 14, 2015, with its owners, AES Elsta, B.V., a 100% indirect subsidiary of The AES Corporation (the Corporation) a global energy company, based in Arlington, Virginia, (United States of America), incorporated under the laws of the Netherlands, with 75% participation and Deeplight Corporation, a related party, incorporated under the laws of the British Virgin Islands, with 25% participation.

On December 3, 2015, during a partners meeting, a reduction of the ownership by AES Elsta, B.V. to 50.1% and an increase of the participation of Deeplight Corporation to 49.9% was approved.

On April 25, 2016, during a partners meeting, the participation of Deeplight Corporation was contributed towards Deeplight Holding, S.R.L., as part of a corporate restructuring.

As a consequence of a corporate restructuring on April 8, 2019, through a shareholders' meeting, the Company approved to assign of 100% of the shares owned by AES Elsta, B.V. in favor to AES Global Power Holdings, B.V., a company registered under the laws of the Netherlands, indirectly owned in 100% by the Corporation. As of December 31, 2019, AES Global Power Holdings, B.V. has 1,431,357 (50.1%) shares of the Company and Deeplight Holding, S.R.L. has 1,425,643 (49.9%) shares.

The Company's objective is to operate and manage gas terminals and wholesale liquefied natural gas (LNG). On August 20, 2019, the Company began operations of a Liquefied Natural Gas (LNG) reception terminal, with its respective storage tank. On September 1, 2018, the Company partially started its operations by partially activating phase 1 of the LNG terminal. The project is in the Province of Colon, County of San Cristóbal, Telfers Avenue, Panama, Republic of Panama.

The main offices of the Company are located in Business Park II, Tower V, 11th floor, Paseo Roberto Motta, Costa del Este, Panama, Republic of Panama.

2. Basis of Preparation

The financial statements of Costa Norte LNG Terminal, S. de R.L. have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements were authorized by the Controller for issuance on April 30, 2020.

Basis for measurement

The financial statements have been prepared based on a historical cost basis, except for certain items that have been valued as indicated in the accounting policies detailed in Note 3.

2. Basis of Preparation (continued)

Presentation currency

The functional currency of the Company is the dollar of the United States of America, which is the currency used in the Company's activities and significant contracts. The monetary unit of the Republic of Panama is the balboa. The balboa is on par and is free exchange with the dollar of the United States of America and is freely convertible.

Estimates and significant accounting assumptions

The preparation of the financial statements in accordance with IFRS requires the administration to make judgements, estimates and assumptions that affect the reported amounts in assets, liabilities, revenues and expenses. Actual results might differ from these estimates.

Estimates and assumptions are reviewed periodically. The results of the revisions of accounting estimates are recognized in the period in which they have been reviewed and any other future periods that they affect.

The relevant estimates that are particularly susceptible to significant changes are related to the estimation of the useful lives of the assets, the determination of contingent liabilities, the fair value of financial instruments and the valuation of deferred income taxes.

3. Summary of Accounting Policies

The accounting policies described below have been consistently applied in the years presented in these financial statements by the Company, except for IFRS 16.

Financial instruments

Initial recognition and measurement

Financial instruments are initially recognized when the Company becomes a contractual party of the instrument, with the exception of accounts receivable that are initially recognized when they originate.

A financial instrument, with the exception of accounts receivable that do not contain a significant financing component, is initially measured at its fair value plus transaction costs that are directly attributable to its acquisition or issue. Account receivables that do not contain a significant financing component are initially measured at the transaction price.

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Initial recognition and measurement (continued)

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The Company does not choose to irrevocably designate the measurement of financial assets at fair value through profit or loss or other comprehensive income.

Classification and measurement

Financial assets (including loans and accounts receivable) are not reclassified after initial recognition unless the Company changes the business model to manage financial assets, in which case all affected financial assets are reclassified on the first day of the first presentation period after the change in the business model, which is revised annually.

The Company measures financial assets at amortized cost if both of the following conditions are met:

- It is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, exchange gains or losses and impairment are recognized in profit or loss. Any gain or loss at the time of derecognizing assets is recognized in profit or loss.

A financial asset is measured at fair value through Other Comprehensive Income (OCI) if the following conditions are met:

- It is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments recognized at fair value through OCI are subsequently measured at fair value. Interest income, calculated using the effective interest method, exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. When the assets are derecognized, the gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

Investments in equity instruments recognized at fair value through OCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss, unless the dividend represents a recovery of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and they are not reclassified to profit or loss.

All financial assets that are not measured at amortized cost or fair through OCI, as described above, are measured at fair value through profit or loss. This measurement category includes all derivative financial instruments.

Evaluation of the business model

The Company performs an annual evaluation of its operations to determine how it manages its financial assets, designates its business model and the groups of financial assets to achieve a specific business objective, which will not depend on the intentions of management for an individual instrument.

The levels of aggregation considered by the administration to perform the evaluation of the business model are five: cash and cash equivalents, accounts receivable affiliates, other accounts receivable, trade receivable - sublease and loan receivable from affiliate.

The Company's business model refers to recover the contractual cash flows at maturity in order to comply with the administration's objectives. In situations of credit or liquidity risks, the Company may consider the sale of financial assets; however, the frequency, value and timing of sales of financial assets in prior periods are evaluated to determine whether they represent a change in the way financial assets are managed.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. The expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For the determination and valuation of the expected credit losses, the Company adopted the simplified approach and the presumption of "default" after 90 days for all customers.

3. Summary of Accounting Policies (continued)

Impairment of financial assets (continued)

In the estimation of impairment, the Company uses historical information on the behavior of the portfolio and of the recoveries during the last three years, excluding balances with guarantees. This matrix is reviewed every three years, unless there are new conditions or changes that materially affect the behavior of the recovery of financial assets.

The Company used historical information and analyzed variables that affect and help to predict the behavior of the recoverability of financial assets, none of which showed an adequate correlation. However, the Company periodically performs qualitative risk analyzes to identify changes in the estimated losses. As of December 31, 2019 and 2018, the Company determined that there were no indications of doubtful accounts.

Financial asset derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; or when the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow in full without material delay to a third party under a pass-through arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Cash and cash equivalents

The Company considers as cash and cash equivalents its petty cash and bank deposits.

Restricted cash

Restricted cash includes cash and cash equivalents, which have restricted availability. The nature and restrictions includes restrictions imposed by signed agreements, which are established with the purpose of managing funds according to the financing agreements.

3. Summary of Accounting Policies (continued)

Inventory

The inventories, which mainly consist of materials and spare parts are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories includes all costs of purchase, conversion and other costs incurred to give them its present location and condition. The cost of inventories is assigned using the weighted average cost method. The Company performs physical inventories and any difference is adjusted in the statements of comprehensive income.

Terminal (LNG facility, dock, pipeline) and equipment

The LNG, dock, pipeline and equipment facility are recorded at historical acquisition cost less accumulated depreciation and accumulated impairment losses, if any.

When the assets are sold or written off, the corresponding cost and accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is reflected in the statements of comprehensive income. When terminal and equipment have different useful lives, they are accounted for separately.

Depreciation

Depreciation is calculated according to the useful lives of the respective assets using the straight-line method. The depreciation rates used are based on the estimated useful lives of the assets and are detailed below:

	<u>Useful lives</u>
LNG Facility, dock and pipeline	5 to 37 years
Office furniture and equipment	3 to 5 years
Transportation equipment	3 to 5 years

The useful lives of the assets of the LNG Facility, dock and pipeline, was determined based on their technical use life, having as legal limitation the term of the lease contract for the land where the Company operates. The remaining period of the lease is 37 years from the date the LNG Facility, dock and pipeline were put into operation during phase 1. The residual value is considered only for those assets with a useful life of less than the concession term.

A component of the LNG facility, dock, pipeline and equipment is derecognized upon disposal or when the Company considers that no further benefits will be received from the asset in the future. Any loss or gain resulting from the disposal of an asset, calculated as the difference between its net carrying amount and the proceeds of the sale, is recognized in the statements of comprehensive income of the period in which the transaction occurs.

3. Summary of Accounting Policies (continued)

Major and minor maintenance

Disbursements for major maintenance represent the reconditioning of the LNG facility or other assets. These expenses are capitalized and amortized based on the useful life of each asset. Minor maintenance expenses are charged directly to operating, general and maintenance expense in the statements of comprehensive income.

Construction in progress

Construction progress are comprised of payments, engineering costs, insurance, salaries, interest and other costs directly relating to the construction stage of the facilities of a terminal for the reception of liquefied natural gas, with its respective storage tank. Construction in progress balances are stated at cost and transferred to terminal dock facility when an asset group is ready for its intended use.

Impairment of non-financial assets

The Company reviews the carrying amounts of its non-financial assets at the end of each year in order to identify impairments when facts or circumstances indicate that the amounts recorded may not be recoverable.

If such indication exists and the carrying amount exceeds the recoverable amount, the Company values the assets or cash-generating units at their recoverable amount, defined as the greater of their fair value less selling costs and their value in use. The adjustments generated by this concept are recorded in the results of the year in which they are determined.

The Company evaluates at the end of each year if there is any indication of the impairment loss of value for a non-financial asset. If there is such an indication, the Company re-estimates the recoverable value of the asset and, if applicable, reverses the loss by increasing the asset to its new recoverable amount, which will not exceed the net book value of the asset before recognizing the loss for deterioration, recognizing the credit in the statements of comprehensive income.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the assets.

3. Summary of Accounting Policies (continued)

Leases (continued)

Right-of-use asset

The Company recognizes right-of-use asset at the commencement date of the lease. Right-of-use asset are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability.

The cost of right-of-use asset includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use asset are amortized on a straight line basis over the shorter of the lease term and the estimated useful life of the asset, as follows:

- Land 28 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflect the exercise of a purchase option, amortization is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, of the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

3. Summary of Accounting Policies (continued)

Leases (continued)

Short term leases and leases of low value assets

The Company applied the short-term lease recognition exemption to its short-term leases of machinery and equipment, if those leases have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases and leases of low value assets are recognized as expenses on a straight-line basis over the lease term.

Sub-leases

When the Company is an intermediate lessor under sub-leases, it accounts for its interests in the principal-lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use arising from the principal-lease, not with reference to the underlying asset.

Amounts due from lessees under finance lease are recorded as receivable at the amount of the Company's net investment in the lease. Finance lease income is allocated to accounting periods as to reflect a constant period rate of return on the Company's net investment in the lease.

Deferred financing costs

Financing costs related to long-term debt are deferred and amortized using the effective interest method, over the term of such financings. The total net balance of deferred financing costs are presented as a direct reduction from the face amount of the related debt. The Company recorded amortization expense of \$1,072, and \$2, net of capitalization, for the years ended December 31, 2019 and 2018. In 2017, 100% of deferred financing costs were capitalized.

The Company capitalizes as part of the cost of the assets those financing costs directly attributable to the acquisition, construction, production or installation of an asset that requires a period of time to be ready for its intended use. Financing costs that do not meet the criteria for capitalization are recorded in the statements of comprehensive income of the year in which they are incurred.

Financial liabilities

Recognition and measurement

Financial liabilities (including loans and accounts payable) are initially recognized at fair value plus costs directly attributable to the transaction. In case of maintaining a financial liability for trading, it would be measured at fair value with changes in results.

3. Summary of Accounting Policies (continued)

Financial liabilities (continued)

Recognition and measurement (continued)

After initial recognition financial liabilities are measured at amortized cost; any difference between the financial liability (net of transaction costs) and the value of the deferred financing cost is recognized in the statements of comprehensive income over the period of the loans using the effective interest method. The Company recognizes gains or losses in the statements of comprehensive income of the period when the financial liability is written off.

The amortized cost of a financial instrument is defined as the amount at which the financial instrument was measured on the date of initial recognition less capital payments, plus or minus the accumulated amortization, applying the effective interest rate method, of any difference between the initial amount and the amount due, less any provision.

Derecognition of financial liabilities

Financial liabilities are derecognized by the Company when the obligation under the liability is discharged, canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of comprehensive income.

Provisions

A provision is recognized when the Company has a present obligation, legal or constructive, as the result of a past event, and it is probable that the Company will require cash resources to settle the obligation and the amount of the obligation can be measured reliably. The amount of the provisions recorded are assessed periodically and the necessary adjustments are recorded in the results of the year.

Revenue recognition and concentration

Revenue from terminal services (services for ship docking, unloading, receiving and temporary storage of LNG, regasification and delivery of LNG) are recognized upon the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services, valued at the rate specified in the respective contracts. The performance obligations are generally satisfied over time and use the same method to measure progress and is billed to the customer, the performance obligations meet the criteria to be considered a series.

3. Summary of Accounting Policies (continued)

Revenue recognition and concentration

For the years ended December 31, 2019 and 2018 100% of the revenues were derived from the agreement with Gas Natural Atlántico, S. de R. L., a subsidiary of the Corporation and Total Gas & Power Limited London. No revenue was recorded during 2017 since the Company was under development stage.

Interest income

Interest income corresponds to interest earned on bank deposits and derivative instruments calculated at the applicable effective interest rate.

Income tax

The income tax for the year includes both current tax and deferred tax. The income tax is recognized in the statements of comprehensive income of the current year or in equity, as appropriate. The current income tax refers to the estimated tax payable on the taxable profit of the year, using the rate enacted at the date of the statements of financial position. The deferred income tax is calculated based on the liability method, considering the temporary differences between the book value of the assets and liabilities reported for financial purposes, and the amounts used for tax purposes.

The amount of deferred income tax is based on the form of realization of the assets and liabilities, considering the tax rate that is expected to be applied in the period in which it is estimated that the asset will be realized or that the liability will be paid. Deferred income tax assets are recognized to the extent that it is probable that sufficient taxable benefits will be available in the future, against which temporary differences may be used.

On August 4, 2017, the Company obtained the endorsement of the Operation and Administration Contract for a Fuel Free Zone, which has the benefit of exemption from certain taxes, fees, dues, rights and other tax contributions due to the introduction, export or re-export of certain crude oil and its derivatives, as well as inputs, raw materials, supplements or additives, machinery, equipment, materials, spare parts, containers, receptacles, equipment and other goods provided they enter the Petroleum Free Zones to be used in relation to the activities of storage and sale of natural gas within the Fuel Free Zone.

Commitments and contingencies

All losses from contingent liabilities arising from claims, litigation, agreements, penalties and others, are recognized when it is probable that the liability will have to be incurred and the amounts of expenses could be reasonably estimated. Legal costs related to contingencies are recognized as an expense when incurred.

3. Summary of Accounting Policies (continued)

Derivative instruments

The Company uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. The derivatives instruments in the statements of financial position are measured at fair value, regardless of their purpose or end. The accounting of the derivative varies depending on whether the derivative is considered a hedge for accounting purposes, or if the derivative instrument is a fair value or cash flow hedge.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.
- Hedges of a net investment in a foreign operation.

Derivatives are initially recognized at fair value on the date the contract is recorded and are subsequently valued at fair value on each date of the statements of financial position. The resulting gain or loss is recognized immediately, unless the derivative is designated as a hedging instrument in which case the recognition of gains and losses over time will depend on the nature of the hedging relationship.

The derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument goes beyond twelve months and is not expected to be realized or settled in less than this time. Other derivatives are presented as current assets or current liabilities, since the maturity is less than 12 months.

New and amended standards and interpretations

The Company has initially adopted some standards and modifications effective January 1, 2019 are described below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires leases to recognize most leases on the statements of financial position.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

3. Summary of Accounting Policies (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application at January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application, therefore previous period comparative figures were not adjusted in the financial statements. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at January 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Leases previously accounted for as operating leases

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low value assets.

The right-of-use assets for most leases were recognized based on the carrying amount of the asset as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The effect of adoption IFRS 16 as of January 1, 2019 was as follows:

As a Lessee:

- Right-of-use asset of \$90,432 were recognized and presented separately in the statements of financial position.
- Lease liability of \$143,752 were recognized and presented in the statements of financial position in accrued expenses and other current liabilities and other non-current liabilities.
- Deferred tax asset increased by \$13,330 because of the deferred tax impact of the change in assets and liabilities.

3. Summary of Accounting Policies (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

The lease liability as of January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018, as follows:

Reconciliation of commitments to lease liability:

Operating lease commitments as of December 31, 2018	\$ 397,779
Weighted average incremental borrowing rate as of January 1, 2019	7.58%
Discount operating lease commitments as of January 1, 2019	143,752
Lease liability as of January 1, 2019	\$ 143,752

In connection with the transition to the new standard, management has applied judgment and formed assumptions in relation to assessing the incremental borrowing rate, service component and extension options of leasing arrangements. Management has formed its judgments and assumptions based on historical experience, internal and external data points.

As a lessor:

Trade receivable- sub-lease \$40,950 was recognized and presented in the statements of financial position on January 1, 2019, as trade receivable current and trade receivable non-current.

Reconciliation of interest income to trade receivables:

Finance lease income as of December 31, 2018	\$ 114,030
Weighted average incremental borrowing rate as of January 1, 2019	7.58%
Net investment as of January 1, 2019	\$ 40,950
Trade receivable - sublease as of January 1, 2019	\$ 40,950

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation did not have an impact on the financial statements of the Company.

Standards issued but not yet effective

The Company does not believe any impact associated with the new and amended standards and interpretations issued but not yet effective, will be material to the financial statements of the Company.

Costa Norte LNG Terminal, S. de R. L.**Notes to the Financial Statements****As of December 31, 2019 and 2018**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

4. Cash and cash equivalents

As of December 31, 2019 and 2018, cash and cash equivalents is composed of the following:

	<u>2019</u>	<u>2018</u>
Bank deposits	\$ 10,052	\$ 276
Petty cash	7	7
	<u>\$ 10,059</u>	<u>\$ 283</u>

5. Restricted cash

On May 2016, the Company signed a syndicated loan for up to \$127,891 with the objective of financing the construction of its terminal equipment. The loan agreement establishes a structured mechanism for the administration of syndicated loan funds, which stipulates the segregation of cash balances, generating the classification of current and non-current restricted cash within the statements of financial position. As of December 31, 2018, the balance of current restricted cash derived from this loan agreement was \$1,126 and does not maintain a non-current restricted. This syndicated loan was paid on August 2019.

On August 2, 2019, the Company entered into a syndicated loan with some senior Lenders and the Bank of Nova Scotia, acting as administrative agent. The loan proceeds were used to repay the Company's outstanding principal, accrued interest and other fees associated with the syndicated loan obtained on May 2016. As required under the terms of the loan, the Company entered into a cash management agreement which sets the mechanism for the use and classification of the loan proceeds. As of December 31, 2019, the balance of current restricted cash derived from this loan agreement is \$3,814.

6. Balances and Transactions with Affiliates and Related Parties

In the statements of comprehensive income, the transactions with related parties during the years ended December 31, 2019, 2018 and 2017, are as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>In the statements of comprehensive income</u>			
<u>Terminal services:</u>			
Gas Natural Atlantico, S. de R.L.	\$ 34,390	\$ 21,930	\$ —
Total Gas & Power Limited, London	3,227	—	—
	<u>\$ 37,617</u>	<u>\$ 21,930</u>	<u>\$ —</u>

Costa Norte LNG Terminal, S. de R. L.**Notes to the Financial Statements****As of December 31, 2019 and 2018**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

6. Balances and Transactions with Affiliates and Related Parties (continued)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>In the statements of comprehensive income</u>			
<u>Operating, general and maintenance expenses:</u>			
ASSA Compañía de Seguros, S.A.	\$ 468	\$ 241	\$ 187
Petróleos Delta, S. A.	2	1	1
Vale General, S. A	4	—	—
	<u>\$ 474</u>	<u>\$ 242</u>	<u>\$ 188</u>
 <u>Other expenses, net:</u>			
Banco General, S.A.	<u>\$ 711</u>	<u>\$ 17</u>	<u>\$ 61</u>

Use of the LNG Terminal

On May 11, 2016, the Company signed a contract for the use of the LNG terminal with Gas Natural Atlántico, S. de R. L. (GANA), whereby the Company will provide services for ship docking, unloading, receiving and temporary storage of LNG, regasification and delivery of LNG. This contract is valid until May 1, 2028 with option to be extended based on the terms agreed by both parties.

As of December 31, 2019 and 2018, the accounts receivable from GANA, related to this contract amount to \$19,828 and \$21,930, respectively. For the years ended December 31, 2019 and 2018, revenues associated with this contract were \$34,267 and \$21,930 respectively. During 2017, the Company's facility was under construction.

Use, operation and coordination of the LNG Terminal

On May 5, 2017, the Company signed a contract with Colón LNG Marketing, S. de R.L. and Total Gas & Power Limited London for the use of the LNG terminal owned by CONO. Additionally, this contract governs the commercialization of LNG or re-gasified gas with the effective clients at such date or future clients of the terminal. The contract is for a 10-year period upon May 1, 2019. As of December 31, 2019, revenues from this contract are \$3,227 presented as terminal service in the statements of comprehensive income.

Affiliates

The balances with affiliates as of December 31, 2019 and 2018, are as follows:

Costa Norte LNG Terminal, S. de R. L.**Notes to the Financial Statements****As of December 31, 2019 and 2018**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

6. Balances and Transactions with Affiliates and Related Parties (continued)

<u>In the statements of financial position</u>	<u>2019</u>	<u>2018</u>
<u>Accounts receivable affiliates:</u>		
Gas Natural Atlántico, S. de R. L.	\$ 19,828	\$ 22,205
AES Panamá S.R.L.	54	—
	<u>\$ 19,882</u>	<u>\$ 22,205</u>
 <u>Loans receivable from affiliates:</u>		
Gas Natural Atlántico, S. de R. L.	<u>\$ —</u>	<u>\$ 11,000</u>
 <u>Accounts payable affiliates:</u>		
Gas Natural Atlántico, S. de R. L.	\$ 5,861	\$ —
The AES Corporation	—	32
AES Engineering, LLC	—	73
AES Panamá S.R.L.	1	—
AES Solutions, LLC	1,017	23
AES Latin América S. de R.L.	25	—
AES Andres DR, S.A.	8	—
Dominican Power Partners	5	—
	<u>\$ 6,917</u>	<u>\$ 128</u>

Loans to affiliate

During 2018, the Company granted two loans to GANA for a total of \$12,000. The loans have a maturity date for one year, accruing an annual rate of 1% plus 1-month LIBOR. In December 2018, the Company received a partial payment of principal in the amount of \$1,000. The remaining \$11,000 associated to this loan were paid during 2019. As of December 31, 2019 and 2018, the interests income associated with these loans were \$91 and \$40, respectively and it is included in the statements of comprehensive income as interest expense, net.

Expense Reimbursement

On August 2, 2016, the Company signed an expense reimbursement agreement with the Corporation, effective as of October 1, 2015, for a total amount of \$4,700, effective until May 31, 2019.

On August 2, 2016, the Company signed an expense reimbursement contract with AES Panamá S.R.L., a subsidiary of the Corporation, effective from January 1, 2016, for a maximum total amount of \$300, effective until the date of substantial termination of the LNG terminal. On April 10, 2017, Amendment No. 1 was signed through which the total amount of the contract was modified to \$603.

On December 7, 2017, the Company signed a unanimous consent to reimburse expenses with AES Latin America S.R.L., a subsidiary of the Corporation, for an amount of \$19.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

6. Balances and transactions with affiliates and related parties (continued)

Administrative services

On March 31, 2016, the Company signed a consulting services contract with AES Engineering LLC, a subsidiary of the Corporation, for an amount of \$3,000, due in February 2019.

On August 1, 2016, the Company signed an administration services contract with AES Solutions LLC, effective from May 13, 2016, for an annual amount of \$390, until the start date of operations of the LNG facility in August 2019.

On June 24, 2016, the Company signed an administration services contract with AES Solutions LLC, a subsidiary of the Corporation, being effective from such date until September 2028 for an annual amount of \$317.

On June 17, 2019, the Company signed a new management contract with AES Solution LLC and AES Latin America S. de R.L. and from the effective date of this new contract, AES Solution LLC transfers all the obligations and rights of the contract to AES Latin America S. de R.L. being thus the benefits of the services between CONO and AES Latin America S. de R.L.

Capital contributions

As of December 31, 2019, and 2018, the Company had received contributions from AES Global Power Holdings, B.V. and Deeplight Holdings, S. R. L. for an amount of \$20,000 and \$69,100, respectively.

Insurance

The Company maintains an all risk insurance policy with ASSA Compañía de Seguros, S.A. ("ASSA"). This insurance company, in turn, diversifies the risk by reinsuring with a group of insurance companies among which includes a related party of the Company, AES Global Insurance Corporation. The policy taken with ASSA covers all operational risks including machinery breakdown and business interruption. For this contract, the Company has recorded insurance expense of \$654 and \$599 for the years ended December 31, 2019, 2018, respectively. During 2017, the Company's facility was under construction. These amounts are presented as operating, general and maintenance expense in the statements of comprehensive income.

As of December 31, 2019, and 2018, the Company maintains compliance bonds with ASSA, to guarantee the obligations of the operation and administration contract of a Fuel Free Zone effective until May 31, 2021 for an amount of \$30,000.

Costa Norte LNG Terminal, S. de R. L.**Notes to the Financial Statements****As of December 31, 2019 and 2018***(Expressed in thousands of dollars of the United States of America, except for the stock information)***7. Terminal and equipment, net**

The terminal and equipment, net is detailed as follows:

	December 31, 2019				
	LNG Facility, dock and pipeline	Office furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:					
Beginning balance	\$ 258,643	\$ 77	\$ 119	\$ 171,687	\$ 430,526
Additions	34	48	116	53,957	54,155
Reclasificaciones	213,976	18	—	(213,994)	—
Ending balance	472,653	143	235	11,650	484,681
Accumulated depreciation:					
Beginning balance	3,129	33	38	—	3,200
Depreciation	11,532	28	30	—	11,590
Ending balance	14,661	61	68	—	14,790
Net balance	\$ 457,992	\$ 82	\$ 167	\$ 11,650	\$ 469,891

	December 31, 2018				
	LNG facility, dock and pipeline	Office furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:					
Beginning balance	\$ —	\$ 61	\$ 67	\$ 301,050	301,178
Additions	18	16	52	129,262	129,348
Reclasificaciones	258,625	—	—	(258,625)	—
Ending balance	258,643	77	119	171,687	430,526
Accumulated depreciation:					
Beginning balance	—	19	24	—	43
Depreciation	3,129	14	14	—	3,157
Ending balance	3,129	33	38	—	3,200
Net balance	\$ 255,514	\$ 44	\$ 81	\$ 171,687	\$ 427,326

Costa Norte LNG Terminal, S. de R. L.**Notes to the Financial Statements****As of December 31, 2019 and 2018**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

7. Terminal and equipment, net (continued)

	December 31, 2017			
	Office furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:				
Beginning balance	\$ 61	\$ 67	\$ 127,219	\$ 127,347
Additions	—	—	173,831	173,831
Ending balance	61	67	301,050	301,178
				—
Accumulated depreciation:				
Beginning balance	7	10	—	17
Depreciation	12	14	—	26
Ending balance	19	24	—	43
Net balance	\$ 42	\$ 43	\$ 301,050	\$ 301,135

As of December 31, 2019, the balances of construction in progress mainly include the costs of design, supply, construction and commissioning of the terminal loading truck.

On September 1, 2018, GANA's commercial operation date was declared. As a result, the commercial operation date to the Company's LNG terminal was partially declared in order to permit the reception of LNG vessels at the Company's terminal for the purpose of the generation of electricity at GANA's power plant.

As result of the partial commercial operation an amount of \$258,625 was transferred from construction in progress to LNG facility dock and pipeline. On August 20, 2019, the remaining portion of the LNG terminal and the LNG storage tank were placed into service and a balance of \$213,980 was transferred from construction in progress to LNG Facility, dock and pipeline.

For the years ended December 31, 2019 and 2018, interest and deferred financing costs of \$8,745 and \$11,699, respectively, have been capitalized.

The total value of the LNG facility, wharf and pipeline of the Company guarantees the obligations acquired in the financing (Note 11).

Costa Norte LNG Terminal, S. de R. L.**Notes to the Financial Statements****As of December 31, 2019 and 2018**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

8. Accounts payable to suppliers

As of December 31, 2019 and 2018, the main accounts payable includes:

	<u>2019</u>	<u>2018</u>
Suppliers	\$ 8,878	\$ 53,896
Other accounts payable	191	287
Commitment fees	—	149
	<u>\$ 9,069</u>	<u>\$ 54,332</u>

Accounts payable with suppliers mainly consists in outstanding invoices with Posco Engineering & Construction Co. Ltd (POSCO) from the contract for the design, supply and construction of the LNG facility, dock and pipeline.

9. Accrued expenses and other liabilities

As of December 31, 2019 and 2018, the accrued expenses and other liabilities balances are as follows:

	<u>2019</u>	<u>2018</u>
Accrued benefits	\$ 993	\$ 334
Other tax payables	350	334
Labor accruals	292	208
Other accruals	125	88
Lease liability (Note 10)	2,437	—
	<u>\$ 4,197</u>	<u>\$ 964</u>

10. Lease

As Lessee:

On August 27, 2015, AES Bocas del Toro Hydro, S.A, entered into a lease agreement with Panama Ports Company, S.A., which established the terms and conditions of the land lease located on Telfers Avenue, Province of Colon, Republic of Panama (the principal-lease). Subsequently, on January 18, 2016, Panama Ports Company, S.A, approved the retroactive assignment of this contract to the Company.

The purpose of the lease is for the construction of a natural gas storage tank and a terminal. The term of the contract is until January 31, 2022, the date on which the concession of Panama Ports Company, S.A. expires. This concession has an automatic renewal for an additional period of 25 years.

10. Lease (continued)

For 2018, the lease expense was recognized using the straight-line method, which generates a difference between the amount paid monthly and the expense. This difference is presented within the item of deferred income in the statements of financial position. As of December 31, 2018 the deferred income amounts in \$17,771 and is presented in the statements of financial position as other liabilities non-current. During the years ended December 31, 2018 and 2017, the lease expense was \$13,726 and \$13,726, for each, of which \$7,900 and \$9,791 were capitalized, respectively. The rent expenses included in operating, general and maintenance expenses in 2018 and 2017 were \$5,826 and \$3,935, respectively.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019 and recognizes right-of-use assets and a lease liability measured at the present value of lease payments to be made over the lease term related to this lease. (Note 3).

Land lease:

Below is the carrying amounts of the right-of-use asset recognized and the movements during the period:

	Land
As of January 1, 2019	\$ 90,431
Amortization expense	(3,212)
As of December 31, 2019	\$ 87,219

Below are the carrying amounts of lease liabilities (in accrued expenses and other liabilities - short term and other liabilities - long term).

	2019
As of January 1, 2019	\$ 143,752
Accretion of interest	10,897
Payments	(9,225)
As of December 31, 2019	\$ 145,424
Current (Note 9)	\$ (2,437)
Non-current	\$ (142,987)

The maturity analysis of lease liabilities are disclosed in Note 20.

Costa Norte LNG Terminal, S. de R. L.**Notes to the Financial Statements****As of December 31, 2019 and 2018**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

10. Lease (continued)

The following are the amounts recognized in the 2019 statement of comprehensive income:

Amortization expense of right-of-use asset (included in operating, general and maintenance expense)	\$ 3,212
Interest expense on lease liabilities (included in interest expense, net)	10,897
Expense relating to leases of low-value assets (included in operating, general and maintenance expenses)	320
Total amount recognized in statements of comprehensive income	\$ 14,429

As Lessor:

On January 26, 2016, the Company entered into a sub-lease agreement with Gas Natural Atlantico, S, de R.L. with the purpose of lease a land space of 8.8 hectares, for the construction, development and operation of a LNG power generation plant. The term of the sub-lease is the same agreed for the principal-Lease.

For the periods prior to the adoption of IFRS 16 the revenue related to the portion of land subleased to GANA was recognized on a straight-line basis. The differences between the invoiced balance and the straight-line income was accrued as a deferred income in the statements of financial position, as of December 31, 2018 the amount was \$5,094.

The Company concluded that under IFRS 16 sub-lease shall be accounted as a finance lease because its term is for the whole contractual remaining period of the principal-Lease. The interest income recorded during 2019 from the sub-lease in the statements of comprehensive income is \$3,121.

The following table sets out a maturity analysis of receivables, showing the un-discounted lease payments to be received after the reporting date.

	<u>2019</u>
Less than one year	\$ 2,644
One to two years	2,724
Two to three years	2,805
Three to four years	2,890
Four to expiration date	102,967
Total of undiscounted lease payments	114,030
Unearned income	(72,603)
Net investment as of December 31, 2019	\$ 41,427
Current	\$ 2,644
Non-current	\$ 38,783

(Expressed in thousands of dollars of the United States of America, except for the stock information)

10. Lease (continued)

When the Company is an intermediate lessor under sub-leases, it accounts for its interests in the principal-Lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use arising from the principal-lease, not with reference to the underlying asset.

11. Loans payables, net

On May 13, 2016, the Company acquired a syndicated loan for a total of \$138,105 with a group of banks and The Bank of Nova Scotia (Panama), S.A. as an administrative agent, in order to finance the project described in Note 1. The loan was valid for 12 years for commercial banks and 18 years for multilateral banks, accruing interest at an annual rate of 4% plus LIBOR 6 months for commercial banks and 4.50% plus LIBOR 6 months for multilateral banks, and semiannual interest payments beginning at as of March 15, 2017 and semiannual principal payments beginning as of September 15, 2019. During the years ended December 31, 2019, 2018 and 2017, the disbursements received from this loan amount in \$55,792, \$57,371 and 32,000, respectively.

On July 22, 2016, the Company signed a mortgage contract on its movable property and its inventory of liquefied natural gas, with Banistmo Investment Corporation, S.A. as a fiduciary entity, with the objective of guaranteeing the obligations acquired in the syndicated loan.

On August 2, 2019, the Company acquired a syndicated loan for up to \$194,500, with a group of banks and The Bank of Nova Scotia (Panama), as an administrative agent, in order to refinance all amounts outstanding under the syndicated loan of May 2016. Due to early extinguishment of previous debt, the Company paid a penalty of \$2,178, presented in the statements of comprehensive income as other (expense) income, net and recognized a write-off of deferred financing cost by \$7,088, presented as interest expense, net in the statements of comprehensive income.

This loan is for a 2 year period bearing an interest rate of 3 month LIBOR plus a margin that increases from 2% to 3.75% throughout the term of the loan. The interest payments are required on a quarterly basis and principal payment is required at loan maturity date

As of December 31, 2019 and 2018, loan balances payable, net of deferred financing costs are detailed below:

	<u>2019</u>	<u>2018</u>
Current loan	\$ —	\$ 127,891
Deferred financing costs, net	—	(7,430)
Current loan payable, net	<u><u>\$ —</u></u>	<u><u>\$ 120,461</u></u>
Non-current loan	\$ 194,500	\$ —
Deferred financing costs, net	(2,559)	—
Non-current loan payable, net	<u><u>\$ 191,941</u></u>	<u><u>\$ —</u></u>

Costa Norte LNG Terminal, S. de R. L.**Notes to the Financial Statements****As of December 31, 2019 and 2018**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

11. Loans payables, net (continued)

	<u>2019</u>	<u>2018</u>
Deferred financing costs at the beginning of the year	\$ 7,430	\$ 7,424
Writte off - extinguishment of debt	(7,088)	—
Payment of financing costs	3,890	8
Capitalized financing costs	624	685
Amortization of financing cost during the year	(2,297)	(687)
Total deferred financing cost at the end of the year	<u>\$ 2,559</u>	<u>\$ 7,430</u>

For the years ended December 31, 2019, 2018 and 2017, deferred financing costs have been amortized for \$2,297, \$687 and \$592, respectively, of which \$624, \$685 and \$592, have been capitalized, respectively. The amortization of these deferred financial costs is in the interest expense, net in the statements of comprehensive income.

As of December 31, 2019 and 2018, commissions for commitments associated with the loan had been recorded for the amounts of \$30 and \$591, respectively. For the years ended December 31, 2019, 2018 and 2017 interest expenses associated with the loan for \$10,549, \$6,886 and \$3,010 respectively, of which \$7,688, \$6,854 and \$3,010 were capitalized during the periods of 2019, 2018 and 2017. Both expenses are included in interest expense, net in the statements of comprehensive income.

12. Derivative Financial Instrument

The Company mitigates its exposure to economic risk associated with interest rate volatility through derivative financial instruments. The Company, maintained a derivative for the exchange of variable interest rate for fixed interest rate.

On October 18, 2016, the Company executed an interest rate swap with a maturity date on March 15, 2034. This instrument covers the exposure of the Company to the interest rate volatility on the aggregate amount of disbursements that the Company received up to December 2018 of project financing. The derivative exchanges a 6-months LIBOR rate for a fixed interest rate of 1.988% until its expiration.

During the construction period, the Company recorded the interests received and paid from the swap as realized derivative instruments, as other comprehensive income in the statements of changes in stockholders' equity. As of December 31, 2018 and 2017, the swap interest income, net were \$88 and \$363, respectively.

12. Derivative Financial Instrument (continued)

As December 31, 2019, simultaneously with the extinguishment of the syndicated loan, the Company early terminated the swap agreements executed to hedge the variable portion of interest rate agreed under such debt. The Company incurred in liquidation costs of \$5,386, which are recorded net of amortization as realized derivative instrument in the statements of changes in stockholders' equity. This balance will be amortized until 2034, maturity date of the prior debt.

As consequence of the realized derivative instrument balance, for the year ended December 31, 2019, the Company has been amortized \$2, include in depreciation and amortization and \$115 in interest expenses, net in the statements of comprehensive income. For the years ended December 31, 2018 and 2017 there were no amortization expense related to realized derivatives.

On August 14, 2019, the Company, collectively with Gas Natural Atlantico, S. de R.L., entered into three rate swap transactions, with Citibank, N.A. with the purpose of cover the Company's exposure to interest rate volatility by exchanging a 3-month LIBOR for a fixed interest rate of 1.5080%. The commencement date of the rate swap transactions is from June 30, 2021, for a period of 10 years.

The derivatives has been designated as a cash flow hedge instrument, therefore the unrealized portion is presented in the Company's financial statements as other accumulated comprehensive income. Any realized portion is accumulated during the construction period of the project and will be amortized from its commencement of commercial operation and during the useful life of the LNG terminal. The fair value of the derivative is presented on a separate line from the Company's statements of change in equity in other comprehensive income.

As of December 31, 2019 and 2018, the classification of the derivative asset is as follows:

	<u>2019</u>	<u>2018</u>
<u>Derivative asset</u>		
Current	\$ —	\$ 444
Non-current	8,443	4,297
	<u>\$ 8,443</u>	<u>\$ 4,741</u>

13. Fair Value of Financial Instruments

The Company established a process for determine fair value of financial statements. The fair value determination considers the market quotes prices. Nevertheless, in many occasions no quoted market prices exist for several of the Company's financial instruments. In cases in which market quoted prices are not available, the fair value is based on estimates using current value or other valuation techniques. These techniques are affected significantly by the assumptions employed, including the discount rate and future cash flows.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

13. Fair Value of Financial Instruments (continued)

The estimate fair value of financial instruments as of December 31, 2019 and 2018, are detailed below:

	2019		2018	
	Book Value	Fair Value	Book Value	Fair Value
<u>Financial Assets</u>				
Current derivative instruments	\$ —	\$ —	\$ 444	\$ 444
Non-current derivative instruments	8,443	8,443	4,297	4,297
	<u>\$ 8,443</u>	<u>\$ 8,443</u>	<u>\$ 4,741</u>	<u>\$ 4,741</u>
	2019		2018	
	Book Value	Fair Value	Book Value	Fair Value
<u>Financial Liabilities</u>				
Current loan payable, net	\$ —	\$ —	\$ 120,461	\$ 120,461
Non-current loan payable, net	191,941	191,941	—	—
	<u>\$ 191,941</u>	<u>\$ 191,941</u>	<u>\$ 120,461</u>	<u>\$ 120,461</u>

The following methods and assumptions were used to estimate fair values:

- The carrying amount of certain financial assets, including cash and cash equivalents, accounts receivable and certain financial liabilities including accounts payable to suppliers and affiliates, due to their short maturity nature, is considered equal to their fair value.
- The fair value of the loans payable estimated as of December 31, 2019, and 2018, are based on information available at the date of the statements of financial position. The Company is not aware of any factors that may significantly affect the fair value estimate as of that date. These loans were contracted at variable rate, therefore, the Company considers that the fair value approximates to the carrying amount.
- Derivative instruments recognized at fair value in the statements of financial position. The assumption used in the calculation of the fair value used by the Company for derivatives falls on Level 2 of the hierarchy.

Hierarchy of fair value of reasonable financial instruments

All assets and liabilities measured at fair value or on which the Company makes fair value disclosures are classified within the fair value hierarchy. Such classification is based on the lower level of information used to determine such value and which is significant for the determination of fair value as a whole.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

13. Fair Value of Financial Instruments (continued)

The fair value hierarchy consists of the following three levels:

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

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The classification of the derivative is presented below:

		2019			
Derivative instrument	Clasificación	Derivative Asset		Derivative Liabilities	Other comprehensive loss
		Current	Non current	Current	
SWAP	Financial assets and liabilities at fair value with changes in other comprehensive income	\$ —	\$ 8,443	\$ —	\$ 4,208
	Total of derivative Level 2	\$ —	\$ 8,443	\$ —	\$ 4,208
		2018			
Derivative instrument	Clasificación	Derivative Asset		Derivative Liabilities	Other comprehensive income
		Current	Non current	Current	
SWAP	Financial assets and liabilities at fair value with changes in other comprehensive income	\$ 444	\$ 4,297	\$ 59	\$ 659
	Total of derivative Level 2	\$ 444	\$ 4,297	\$ 59	\$ 659

As of December 31, 2019 and 2018, the Company has not made reclassifications between hierarchy levels.

14. Authorized capital

On August 6, 2018, the Company increased its authorized share capital to \$350,000, of which \$285,700 has been subscribed and paid, represented by 2,857,000 shares with a nominal value per share of \$100.

During the periods ended December 31, 2019 and 2018, the Company received capital contributions of \$20,000 and \$69,100, respectively.

Costa Norte LNG Terminal, S. de R. L.**Notes to the Financial Statements****As of December 31, 2019 and 2018**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

15. Operating, General and Maintenance Expenses

For the years ended December 31, 2019, 2018 and 2017, the operating, general and maintenance expenses are as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Right-of-use asset amortization (Note 10)	\$ 3,212	\$ —	\$ —
Rent expense	—	5,831	4,044
Contract services	2,645	1,133	292
Professional fees	677	933	389
Salaries and other benefits	1,300	815	512
Expenses related to leases of low value and short term contracts (Note 10)	320	—	—
Insurance	765	241	187
Others	598	582	354
Administrative expenses	—	171	199
Other taxes	87	70	499
Maintenance expenses	199	41	—
Advertising expenses	107	38	87
Training and travel expenses	189	26	92
	<u>\$ 10,099</u>	<u>\$ 9,881</u>	<u>\$ 6,655</u>

16. Income tax

Income tax for the year includes both current and deferred tax. Income tax is recognized in the statements of comprehensive income of the current year, except for taxes related to elements directly linked to the equity, in which case they will be recognized in the statements of change in shareholders' equity.

Current income tax refers to the estimated tax payable on the taxable income for the year, using the rate in effect at the date of the statements of comprehensive income and any other adjustments to the tax payable from previous years.

Deferred income tax is calculated based on the liability method, considering the temporary differences in assets and liabilities reported for financial purposes and the amounts used for tax purposes.

The value resulting from these differences will be recognized as a deferred tax asset or liability in the statements of financial position and is based on the manner in which the temporary differences are made in the respective fiscal year, using the rate of income tax in force at the date of the corresponding tax year.

Deferred income tax assets are recognized to the extent that sufficient taxable profits are likely to be available in the future, against which temporary differences can be used.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

16. Income tax (continued)

On August 4, 2017, the Company obtained the approval of the Operation and Administration Agreement of a Fuel Free Zone, which is benefited by the exemption from taxes, fees, tax rates, duties and other tax contributions on the occasion of the introduction, export or re-export of crude oil and its derivatives, as well as any supplies, raw materials, supplements or additives, machinery, equipment, materials, spare parts, containers, equipment and other goods whenever they enter the Free Zone to be used in connection with the storage and sale of natural gas within the Fuel Free Zone.

For the years ended December 31, 2019, 2018 and 2017, the income tax expense (benefit) is as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current	\$ 584	\$ 327	\$ 29
Deferred	(1,189)	(2,513)	361
	<u><u>\$ (605)</u></u>	<u><u>\$ (2,186)</u></u>	<u><u>\$ 390</u></u>

In Panama, in accordance with article 699 of the Fiscal Code, modified by article 9 of law 8 of March 15, 2010, effective as of January 1, 2010, the income tax for corporations engaged in electricity generation and electric power distribution will be calculated using an income tax rate of 25%.

Additionally, corporations whose taxable income exceeds \$1,500 annually will calculate the income tax by applying the corresponding tax rate to the one that is higher between:

- a) Net taxable income calculated by the established method (Traditional)
- b) The net taxable income resulting from applying the total taxable revenues by 4.67% (Alternate Method of calculating income tax - CAIR).

During the year ended December 31, 2019, the Company generated net operating losses and as such, the current income tax was determined under CAIR rules.

During the years ended December 31, 2018 and 2017, the Company generate taxable income therefore, the estimated current income tax has been determined under the traditional method, applying the 30% rate.

The provisions of article 710 of the current Tax Code establishes that taxpayers will present an estimated income statement that they will obtain in the year following that covered by the sworn statement, which must not be less than the income indicated in the affidavit. Taxpayers must make advance payments based on the determination of the estimated statement divided into three installments to be paid quarterly in the months of June, September and December.

Costa Norte LNG Terminal, S. de R. L.**Notes to the Financial Statements****As of December 31, 2019 and 2018**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

16. Income tax (continued)

For the period year ended December 31, 2019, the Company paid advance tax payments for an amount of \$321 which were made based on the results obtained in the previous year. For 2018, the company paid advance tax payments for an amount of \$29 which were made based on the results obtained in 2017.

According to the tax regulations, income tax returns of the Company are subject to review by the tax authorities for the last three fiscal years including the year ended December 31, 2019.

As of December 31, 2019 and 2018, the deferred income tax asset, net was composed of the following items:

	<u>2019</u>	<u>2018</u>
<u>Deferred tax assets:</u>		
Lease	\$ 2,581	\$ 3,169
Net operating loss carry forward	1,765	—
Accumulated depreciation	928	964
Total	<u>5,274</u>	<u>4,133</u>
<u>Deferred tax liabilities:</u>		
Accelerated depreciation	(872)	(872)
Non deductible amortization - sub lease capitalized	(1,612)	(1,674)
Salvage value of fixed assets	(19)	(5)
Derivative - OCI	(727)	(1,060)
Total	<u>(3,230)</u>	<u>(3,611)</u>
Total deferred tax asset, net	<u>\$ 2,044</u>	<u>\$ 522</u>

Lease

The Company, as lessee, adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application at January 1, 2019, based on this, the deferred tax asset was adjusted considering the final balances as of December 31, 2019.

Sub Lease

The Company entered into a sub-lease agreement with Gas Natural Atlantico, S, de R.L. with the purpose of lease a land space of 8.8 hectares, for the construction, development and operation of a LNG power generation plant. The Company concluded that under IFRS 16 the sub-lease shall be accounted as a finance lease because its term, the deferred tax was modified considering the balances at December 31, 2019.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

16. Income tax (continued)

Net operating Loss Carry Forward

In accordance with Article 698- A of the Tax Code, the loss of current operations reflected by the Company may be deducted proportionally during the next 5 years; in no more than 20% of said loss with a limit of 50% of the taxable income of each year.

Year	Amount
2020	\$ 223
2021	223
2022	223
2023	223
2024	223
Total	<u><u>\$ 1,115</u></u>

Tax on dividends

Shareholders pay an income tax of ten percent (10%), which is withheld from the dividends they receive. If no dividends are distributed, or the total distribution is less than forty percent (40%) of the taxable net income of the year, an advance of the dividend tax of four percent (4%) on the net gain must be paid until declaring dividends on these earnings.

This four percent (4%) rate is called the “Deemad Tax” and is considered an advance on the dividend tax. During the years ended December 31, 2019, 2018 and 2017, the Company did not pay deemad tax because it did not paid dividends.

Transfer Pricing Law

During the three years ended December 31, 2019, transfer pricing regulations remain in force. They cover any transaction the taxpayer carries out with related parties that are tax residents of other jurisdictions, provided that such transactions have an effect such as income, cost or deductions in determining the tax base for income tax purposes, in the fiscal period in which the transaction is carried out.

Taxpayers must comply annually, with the obligation to submit a transfer pricing report (report 930) 6 months after the closing date of the fiscal period. In addition, they must have a study containing the information and analysis supporting whether its transactions with related parties are in accordance with the provisions established in the fiscal code. The Company estimates that transactions carried out with related parties will not have a significant impact on the provision of income tax for 2019, 2018 and 2017.

Costa Norte LNG Terminal, S. de R. L.**Notes to the Financial Statements****As of December 31, 2019 and 2018**

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17. Interest expense, net

The interest expense, net for the years ended December 31, 2019, 2018 and 2017, was as follow:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Interest expense - financial	\$ (3,006)	\$ (624)	\$ (835)
Interest expense - lease	(10,897)	—	—
Subtotal	<u>(13,903)</u>	<u>(624)</u>	<u>(835)</u>
Deferred financing costs	(1,072)	(2)	—
Write-off of deferred financing costs due to early extinguishment of debt (Note 11)	(7,088)	—	—
Interest income - lease (Note 10)	3,121	—	—
Interest income - financial	364	499	174
Subtotal	<u>3,485</u>	<u>499</u>	<u>174</u>
Total	<u><u>\$ (18,578)</u></u>	<u><u>\$ (127)</u></u>	<u><u>\$ (661)</u></u>

18. Other Income (expense), net

For the years ended December 31, 2019, 2018 and 2017, other income (expense), net is as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Loss on early extinguishment of debt	\$ (2,178)	\$ —	\$ —
Sublease	—	3,934	3,944
Other income, net	80	4	2
Total other (expense) income, net	<u><u>\$ (2,098)</u></u>	<u><u>\$ 3,938</u></u>	<u><u>\$ 3,947</u></u>

19. Commitments and Contingencies**EPC Contract**

On July 11, 2019, the Company entered into a construction contract for the design and construction of the Company's Truck Loading Station. The contracts were jointly signed with CBI Panama, S.A. and CSA Trading Company, Ltd. The contracts are for a one year period and it is expected that the total amount to be paid amounts to \$13,000.

Letter of credit

On February 22, 2019, the Company entered into a line of credit with Banco Aliado, S.A. (formerly Banco Panamá, S.A.) which will provide of up to \$16,500 to guarantee the payments of the land lease agreement signed between the Company and Panama Ports Company, S.A. through a letter of credit. This letter of credit is part of a credit facility totaling \$31,500 with a cross-guarantee with Gas Natural Atlántico S. de R. L. The maturity date of this facility is on August 2, 2020.

20. Risk and Capital Management

Risk Management

The Company has exposure to the following risks in the use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Interest rate risk

This note presents information about the Company's exposures to each of the above risks, the objectives of the Company, the policies and procedures to measure and manage the risk and the management of the Company's capital. The financial statements also include additional quantitative disclosures.

The administration is responsible for establishing and monitoring the frame of reference of the Company's risk management. administration is also responsible for the development and monitoring of the Company's risk management policies.

Market risk

Market risk is the risk that changes in the market prices of gas sales as well as interest rates affect the Company's income or the value of financial instruments. The objective of market risk management is to manage and control exposures to market risk within acceptable parameters, while optimizing risk performance. On the other hand, considering the previous evaluation and the approval of the administration, the Company only invests in savings accounts with fixed rates.

Credit risk

The Company has exposure to credit risk on the financial assets held.

Credit risk is the risk that the debtor or issuer of a financial asset, owned by the Company, does not comply fully and on time, with any payment that must be made in accordance with the agreed terms and conditions at the time the Company acquired or originated the respective financial asset.

At the date of the statements of financial position there are no significant concentrations of credit. The maximum exposure to credit risk is represented by the balance of accounts receivable included in the statements of financial position.

Liquidity risk

It consist of the risk that the Company cannot fulfill all its obligations due to, among others, the deterioration of the quality of the client portfolio, the excessive concentration of liabilities, the lack of liquidity of the assets, or the financing of long-term assets with short-term liabilities.

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20. Risk and Capital Management (continued)*Liquidity risk (continued)*

The administration monitors liquidity risk through a planning of cash flows to ensure compliance with the commitments. Monitoring consists of preparing a projected report of expected cash flows and planned disbursements, which is reviewed monthly.

To project the expected cash flows, the Company considers the collection date of its financial instruments and the planned disbursements based on the due date of the obligations.

The table below summarises the maturity profile of the financial liabilities based on contractual undiscounted payments as December 31, 2019 and 2018:

	<i><u>Less than 3 months</u></i>	<i><u>From 3 to 12 Months</u></i>	<i><u>From 1 to 5 years</u></i>	<i><u>More than 5 years</u></i>	<i><u>Total</u></i>
As of December 31, 2019					
Loan payable, net	\$ —	\$ —	\$ 191,941	\$ —	\$ 191,941
Accounts payable - supplier	9,069	—	—	—	9,069
Accounts payable -affiliates	—	6,917	—	—	6,917
Accrued interest	—	54	—	—	54
Accrued expenses and other liabilities	1,760	2,437	—	—	4,197
Other liabilities	—	—	—	142,987	142,987
	<u>\$ 10,829</u>	<u>\$ 9,408</u>	<u>\$ 191,941</u>	<u>\$ 142,987</u>	<u>\$ 355,165</u>
	<i><u>Less than 3 months</u></i>	<i><u>From 3 to 12 Months</u></i>	<i><u>From 1 to 5 years</u></i>	<i><u>More than 5 years</u></i>	<i><u>Total</u></i>
As of December 31, 2018					
Loan payable, net	\$ —	\$ 120,461	\$ —	\$ —	\$ 120,461
Accounts payable - supplier	54,332	—	—	—	54,332
Accounts payable -affiliates	—	128	—	—	128
Accrued interest	—	2,514	—	—	2,514
Accrued expenses and other liabilities	965	—	—	—	965
	<u>\$ 55,297</u>	<u>\$ 123,103</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 178,400</u>

Interest rate risk

On August 2, 2019, the Company acquired a syndicated loan for up to \$194,500, with a group of banks and The Bank of Nova Scotia (Panama), as an administrative agent. This loan is for a 2 years period bearing an interest rate of 3 month LIBOR plus a margin that increase from 2% to 3.75% throughout the term of the loan. The funds of this loan were used to pay off the principal and balance of interest pending under the syndicated loan of May 13, 2016.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

20. Risk and Capital Management (continued)

Interest rate risk (continued)

The LIBOR rate is an international reference rate that fluctuates based on interbank market conditions. The Company is exposed to the impact of the volatility of the LIBOR rate changes on its obligations at floating rates.

The Company does not expect significant impacts on its financial statements as a result of the volatility of the LIBOR rate on the cash flows associated with the loan. During 2019 the market conditions were favorable and in accordance with the considerations projected by the Company and in a prospective manner it is expected to replace, in the medium term, the balance of your current loan with a long-term fixed-rate loan.

Capital management

The Company manages its capital by maintaining a healthy financial structure, optimizing debt balances, minimizing risks for creditors and maximizing return for members.

21. Changes in liabilities of financing activities

The changes in liabilities of financing activities are as follow:

2019								
	As of January 1, 2019	Cash flow received	Cash flow payments	Deferred financing cost	Write off of deferred financing cost	Accretion of interest	Non-cash movements	As of December 31, 2019
Loan payable, net	\$ 120,461	\$ 250,292	\$(187,573)	\$ 1,673	\$ 7,088	\$ —	\$ —	\$ 191,941
Other liabilities	—	—	(9,225)	—	—	10,897	143,752	145,424
	<u>\$ 120,461</u>	<u>\$ 250,292</u>	<u>\$(196,798)</u>	<u>\$ 1,673</u>	<u>\$ 7,088</u>	<u>\$ 10,897</u>	<u>\$ 143,752</u>	<u>\$ 337,365</u>
2018								
	As of January 1, 2018	Cash flow received	Cash flow payments	Deferred financing cost	Write off of deferred financing cost	Accretion of interest	Non-cash movements	As of December 31, 2018
Loan payable, net	<u>\$ 63,096</u>	<u>\$ 57,371</u>	<u>\$ (932)</u>	<u>\$ 926</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 120,461</u>

(Expressed in thousands of dollars of the United States of America, except for the stock information)

22. Subsequent Events

COVID-19:

Last March 11, 2020 the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The quick evolution of the events, nationally and internationally, represents an unprecedented health crisis that will have macroeconomic and business effects. To face the economic and social impacts of COVID-19, among other measures the government of Panama has declared a state of national emergency, a state of public calamity and natural disaster, through resolution No.11 on March 13, 2020, and through the executive order No.489 on March 16, 2020, the Ministry of Health establishes additional sanitary measures to reduce, mitigate and control of the coronavirus COVID-19 disease pandemic in the country.

The government also published other decrees during the month of March 2020, to establish sanitary control in epidemic areas and a curfew imposed throughout the country.

The Company believes that these events do not represent an adjustment to the annual accounts of the year ended December 31, 2019; should there be an impact on operations, it would be reflected in its future results and cash flows.

Given the complexity of the situation and its quick evolution, it is not practical at this time to conduct a reliable, quantified estimate of its potential impact on the Company, which will be recorded prospectively in the 2020 annual accounts.

The Company is conducting the necessary measures to face this situation and minimize its impact, considering that it is a temporary situation that, based on more updated estimates and treasury's position on that date, do not compromise the application of the going concern principle.

Additionally, since December 31, 2019 and until the reporting date, no additional relevant events have occurred that would require disclosures or adjustments to the financial statements.

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Unaudited interim condensed financial statements

AES Panama Generation Holdings, S.R.L.

As of March 31, 2020

AES Panama Generation Holdings, S.R.L.

Statements of Financial Position

As of March 31, 2020

(Expressed in thousands of dollars of the United States of America)

ASSETS

Other account receivable		100
Total assets	\$	100

LIABILITIES AND STOCKHOLDERS' EQUITY

Stockholders' equity		
Authorized capital		100
Total liabilities and stockholders' equity	\$	100



Yessenia I. Quintero

CPA 8686

1. Organization and Nature of Operations

AES Panama Generation Holdings, S.R.L. (the Company) was incorporated on March 20, 2020 under the laws of the Republic of Panama, with its owners AES EDC Holding, LLC, established under the laws of Delaware, United State of America, with 50% of participation (50,000 shares) and AES Foreign Energy Holdings, LLC., established under the laws of Delaware, United State of America, with 50% of participation (50,000 shares) both companies indirectly owned 100% by the AES Corporation.

The objects of the Company are: Direction, administration and/or support of operations, strategic planning services, business development, personnel training, operation control and/or logistic, technical assistance, technical support, logistics and marketing, development and research, financial and/or administrative assistance, electronic processing of any activity and technical services to clients that have acquired certain products.

The main offices of the Company are located in Panama Pacifico, Arraijan, Republic of Panama, but the Company may have branches or offices in any part of the world, as established by the Administrators.

AES Panama Generation Holdings, S.R.L.

Fitch Ratings assigned AES Panama Generation Holdings, S.R.L. Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) of 'BBB-' and a 'AA+(pan)' National Long-Term Rating. The Outlook on all ratings is Stable. In addition, Fitch assigned 'BBB-' and 'AA+(pan)' ratings the company's senior secured notes.

AES Panama Generation will issue a total of approximately USD1.489 billion in debt, including an USD830 million bond due 2030, a USD553 million bond due 2027 and a USD104 million loan. The proceeds will refinance the outstanding debt of AES Panama S.R.L., AES Changuinola S.R.L. and AES Colon, which is a 381MW liquid natural gas (LNG)-fired power plant, Gas Natural Atlantico S.R.L., and an LNG storage facility, Costa Norte LNG Terminal S.R.L., combined.

Changuinola's amortizing bond Tranche A, which totaled USD110 million as of March 31, 2020, will remain outstanding and be repaid according to its amortization schedule. The transaction will also repay a USD62 million loan to build a transmission line from AES Colon's power plant to the country's electric grid and finance the construction of 52MW of solar panels at AES Panama.

Following the transaction, intercompany loans (ICLs) will be made to each operating company to refinance its respective debts and AES Corporation's (BBB-/Stable) shares in the operating companies will be held in a trust as collateral for the notes. Although the notes are not directly secured by any tangible assets in the operating companies, they are secured by the ICLs, AES Corporation's equity pledge and the collateral trust accounts.

The issuer will also enter into a USD50 million committed credit liquidity facility from a consortium of global banks, which will make payments on the notes should one of the ICLs default. The issuer would repay the credit facility with dividends drawn from AES Corporation's shares in the trust and no dividends could be upstreamed to AES Corporation until the credit facility is fully repaid.

AES Panama Generation's ratings reflect the consolidated credit profiles of its operating companies. Fitch expects AES Panama Generation to deleverage to 3.6x gross leverage by 2023 from 6.5x in 2019 due to scheduled debt amortizations, increased storage fees at its Costa Norte LNG terminal and contracted price step-ups on its hydro power purchase agreements (PPAs) with distribution companies.

The company's portfolio diversification, which includes hydro, LNG and renewables, and its strong market position with approximately 37% of Panama's electricity generation add stability to its expected robust cash flows. Fitch considers that a parent and subsidiary relationship exists between AES Panama Generation and AES Corporation due to the latter's pledge of shares but Fitch rates AES Panama Generation on a standalone basis as it does not assume any implicit support from the parent company.

Key Rating Drivers

Medium-Term Leverage to Moderate: Fitch expects the company's combined leverage to moderate to 5.1x in 2020 and 4.8x in 2021 as hydrology conditions return to their long-term average levels. Further deleveraging is anticipated in 2022 to 4.3x due to a 5.5% step-up in contracted energy prices with distribution companies in that year. Fitch expects 3.6x gross and 3.4x net leverage in 2023 due to increased LNG storage terminal fees and further debt amortization with FFO interest coverage rising to 4.7x from 3.9x in 2020.

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term Foreign Currency IDR	BBB-	Stable	New Rating Aug. 3, 2020
Long-Term Local Currency IDR	BBB-	Stable	New Rating Aug. 3, 2020
National Long-Term Rating	AA+(pan)	Stable	New Rating Aug. 3, 2020

[Click here for full list of ratings](#)

Applicable Criteria

[National Scale Rating Criteria \(June 2020\)](#)

[Corporate Rating Criteria \(May 2020\)](#)

[Parent and Subsidiary Rating Linkage \(September 2019\)](#)

Related Research

[Panamanian Electricity Sector \(Infrastructure Investments and Natural Gas to Reduce Price Volatility\) \(September 2019\)](#)

[Coronavirus Impact on Latin American Utilities \(Portfolio Screener\) \(April 2020\)](#)

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Diversification Mitigates Hydrology Risk: The addition of AES Colon's 381MW LNG plant, along with a 55MW wind acquisition in May 2020 and 52MW of solar in 2021, is expected to provide efficient hydrology risk management. In 2019, the Colon power plant's generated roughly 27% of the country's supply. The 107MW of wind and solar capacity will be expected to perform better during the dry season from December to April and during dry years. The company will also keep its 72MW fuel oil barge as back-up capacity.

Strong Market Position: AES Panama Generation Holdings is expected to represent 29% of Panama's installed capacity and 37% of the country generation, giving it a dominant position in the market. The company's generation portfolio is highly cost competitive in the Panamanian market with 705MW of hydroelectricity. AES Colon, a 381MW LNG plant, debuted in 2018 and is the country's first gas-fired plant. LNG is a strategic initiative for the new government and AES Colon is positioned to sell tank storage to other currently planned LNG plants.

Strong Cash Flow Generation: Fitch expects the company to generate strong cash flows over the life of the bond with EBITDA margins between 50% and 60%. This can be attributed to hydro assets' profitability during periods of normal hydrology conditions and capacity payments from distribution companies to AES Colon until mid-2028. Fitch estimates Colon's capacity payments to be USD163 million. These payments, along with distribution company PPAs through 2030 are well matched with the anticipated term of the company's financing.

Moderate Off-Taker Risk: AES Panama Generation Holdings faces moderate counterparty risk by virtue of its approximately 90% contracted position. Fitch estimates that approximately 28% of the combined companies' capacity is contracted with Elektra Noreste S.A. (BBB/Stable); 62% with EDEMET and EDECHI, which are both majority owned and operated by Naturgy Energy Group S.A. (BBB/Stable); with 10% contracted directly with large commercial users, a growing part of the portfolio representing 43 companies.

Potential Sale of Bayano: In October 2019, AES Panama and the Panamanian government signed a memorandum of understanding to negotiate the possible sale of the company's largest hydro asset, Bayano, a 260MW reservoir hydro plant located 80km from Panama City. Bayano has historically produced 35%–40% of AES Panama's net generation and is an important contributor to its profitability. Fitch assumes AES Panama Generation would maintain its capital structure if Bayano were to be sold to the government.

Regulatory Risk: The company's ratings also reflect its exposure to regulatory risk. Historically, power generation companies in Panama were competitive, unregulated businesses free to implement their own commercial strategies. However, in the past several years higher electricity prices have resulted in increased government intervention to curb the effect on end users. Efforts to diversify the country's energy matrix will help to reduce prices over the medium term, limiting the need for regulatory interference.

Financial Summary

(USD Mil., as of Dec. 31)	2019	2020F	2021F	2022F	2023F	2024F
Gross Revenue	631	573	574	602	648	629
Operating EBITDA (Before Income From Associates)	204	307	314	339	378	371
Operating EBITDA Margin (%)	32.3	53.6	54.8	56.3	58.4	59.0
Total Debt with Equity Credit/Operating EBITDA (x)	6.5	5.1	4.8	4.3	3.6	3.6
FFO Interest Coverage (x)	2.9	3.9	3.7	4.1	4.7	4.9

F - Forecast.

Source: Fitch Ratings, Fitch Solutions.

Rating Derivation Relative to Peers

Fitch expects AES Panama Generation Holdings' leverage to be between 4.3x and 5.1x between 2020 and 2022 before falling to below 4.0x in 2023 and thereafter. This proposed capital structure is in line with that of Kallpa Generacion S.A. (BBB-/Negative), which is expected to have leverage of 4.0x–4.5x over the medium term. Like AES Panama Generation, Kallpa also features a diversified asset base of both natural gas and hydro production. AES Panama Generation Holdings' capital structure is also comparable with that of AES Gener S.A. (BBB-/Stable), which had 2019 leverage of 4.4x, although Fitch expects it to fall below 4.0x in 2020.

AES Panama Generation's capital structure is more aggressive than those of higher rated Colombian peers, such as Isagen S.A. ESP (BBB/Negative) and Emgesa S.A. E.S.P. (BBB/Negative), which are expected to have medium-term leverage of 2.5x–3.0x and 1.5x–1.2x, respectively. Both companies have significant hydroelectric capacity and mitigate El Nino risk with back-up thermal capacity. Despite comparable market shares, Isagen and Emgesa each have installed capacity in excess of 3,000MW while AES Panama Generation's would be 1,157MW. The company compares favorably with Orazul Energy Peru (BB/Stable) with expected 2020 leverage of 5.0x.

The company's national scale rating of 'AA+(pan)/Stable' is comparable with that of Empresa de Transmision Electrica S.A. (ETESA; AAA[pan]/Stable). ETESA is more highly levered, with expected 2021 gross leverage of 5.6x, but it operates in the electricity transmission subsector, which is highly regulated and considerably less volatile than electricity generation. AESP's sister company, AES Changuinola (A+[pan]), had higher 2019 leverage of 24.0x due to a nine-month tunnel repair. After returning to full operation in 2020, leverage will fall to 4.0x.

Navigator Peer Comparison

Issuer		Business profile								Financial profile			
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Revenue Predictability	Market and Competitive Position	Asset Base and Operations	Counterparty and Commodity Exposure	Profitability	Financial Structure	Financial Flexibility			
AES Gener S.A.	BBB-/Sta	a+	bbb	bbb+	bbb	bbb	bbb	bbb-	bbb-	bbb-		bbb-	
AES Panama Generation Holdings, S.R.L.	BBB-/Sta	bbb	bbb-	bbb-	bbb	bbb	bbb-	bbb	bb+	bbb-		bbb-	
Kallpa Generacion S.A.	BBB-/Neg	bbb-	bbb-	bbb	bbb-	bbb	bbb-	bbb	bbb-	bbb-		bbb-	
Engie Energia Chile S.A.	BBB+/Sta	a+	bbb+	bbb+	bbb+	bbb		bbb	a-	bbb+		bbb+	
Guacolda Energia SA	BB-/Neg	a+	bbb	bb+	bb+	bbb	bbb-	bbb	bb-	bb+		bb+	
Source: Fitch Ratings.													
		Importance											
		Higher								Moderate			
										Lower			
Issuer		Business profile								Financial profile			
Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Revenue Predictability	Market and Competitive Position	Asset Base and Operations	Counterparty and Commodity Exposure	Profitability	Financial Structure	Financial Flexibility			
AES Gener S.A.	BBB-/Sta	5.0	1.0	2.0	1.0	1.0	1.0	0.0	0.0	0.0		0.0	
AES Panama Generation Holdings, S.R.L.	BBB-/Sta	1.0	0.0	0.0	1.0	1.0	0.0	1.0	-1.0	0.0		0.0	
Kallpa Generacion S.A.	BBB-/Neg	0.0	0.0	1.0	0.0	1.0	0.0	1.0	0.0	0.0		0.0	
Engie Energia Chile S.A.	BBB+/Sta	3.0	0.0	0.0	0.0	-1.0	-1.0	-1.0	1.0	0.0		0.0	
Guacolda Energia SA	BB-/Neg	8.0	4.0	2.0	2.0	4.0	3.0	4.0	0.0	2.0		2.0	
Source: Fitch Ratings.													
		Worse positioned than IDR								In line with IDR			
										Better positioned than IDR			

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Sustained gross leverage below 3.0x over the medium term;
- A conservative contracting strategy that promotes cash flow stability and the ability to withstand hydrological shocks to the system;
- Continued evidence of sustainable spot price stabilization as a result of asset diversification in Panamanian electricity matrix.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Sustained gross leverage above 4.0x and net leverage above 3.5x over the medium term;
- Increased government intervention in the sector, coupled with a weakening regulatory framework;
- Deterioration in the company's ability to mitigate spot-market risk;
- Payment of dividends coupled with high leverage levels;
- Significant asset sales causing an adverse change in financial structure.

Liquidity and Debt Structure

Adequate Liquidity: Fitch believes the combined company will generate strong cash flow from operations (CFO) of USD150 million–USD250 million between 2020 and 2023 with amortizations of USD20 million per year from 2020 to 2022 and USD50 million in 2023 arising from the Changuinola Series A bond. The new loan and 2027 amortizing bond have combined maturities of USD12 million, USD30 million, USD35 million, USD39 million, USD47 million, USD20 million and USD21 million in 2020 through 2026, respectively. The remainder and majority of the companies' debt would be long term due in 2027 and 2030. The companies' strong operating cash flow and favorable debt maturity profile are partially offset by expected future dividends. Fitch assumes a combined minimum cash balance of USD75 million with any residual amounts expected to be paid as dividends. As of March 31, 2020, the combined companies held USD106 million in readily available cash and equivalents.

ESG**Considerations**

Unless otherwise disclosed in this section, the highest level of Environmental, Social and Governance (ESG) credit relevance is a score of '3' – ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Liquidity and Debt Maturity with No Refinancing**Liquidity Analysis**

(USD Mil.)	12/31/19	3/31/20
Total Cash and Cash Equivalents	94	139
Short-Term Investments	0	0
Less: Not Readily Available Cash and Cash Equivalents	12	33
Fitch-Defined Readily Available Cash and Cash Equivalents	83	106
Availability Under Committed Lines of Credit	0	0
Total Liquidity	83	106
LTM EBITDA After Associates and Minorities	204	—
LTM FCF	(21)	—

Source: Fitch Ratings, Fitch Solutions, AES Panama Generation.

Scheduled Debt Maturities

(USD Mil.)	3/31/20
2020	35
2021	630
2022	463
2023	269
2024	0
Thereafter	0
Total	1,398

Source: Fitch Ratings, Fitch Solutions, AES Panama Generation.

Key Assumptions**Fitch's Key Assumptions Within Our Rating Case for the Issuer**

- USD1.489 billion of new debt, including two bonds and a loan, is issued to refinance all outstanding debt at the three operating companies, except for the Changuinola Series A bond; The new bonds are assumed to carry an interest rate of approximately 4.5-5%. The USD553 million bond has amortizations between 2023 and 2026 with a balloon repayment in 2027. The USD830 million bond has a single balloon payment at maturity in 2030. The USD104 million loan has amortizations between 2020 and 2023.
- Hydrology conditions will return to their long-term historical averages in 2020 and beyond;
- AES Panama S.R.L. adds 55MW of new wind asset revenue in 2H2020 and 52MW of solar assets in 1H21;
- Spot prices will be USD50/MWh in 2020 due to improved hydrology and lower electricity demand and USD60/MWh thereafter due to normalized hydrology and demand conditions;
- AES Panama S.R.L.'s barge will be used minimally after its PPA expires in mid-2020 and retired after 2023;
- Combined cash in excess of USD75 million will be paid out as dividends;
- A new gas plant contracts storage capacity with AES Colon's LNG terminal in 2023;
- No significant asset sales take place during the rating horizon;
- Expiring large user hydro PPAs are renewed with similar terms.

Financial Data

	Historical		Forecast			
(USD Mil., as of Dec. 31)	2019	2020	2021	2022	2023	2024
Summary Income Statement						
Gross Revenue	631	573	574	602	648	629
Revenue Growth (%)	0.0	(9.1)	0.1	5.0	7.5	(2.8)
Operating EBITDA (Before Income from Associates)	204	307	314	339	378	371
Operating EBITDA Margin (%)	32.3	53.6	54.8	56.3	58.4	59.0
Operating EBITDAR	204	307	314	339	378	371
Operating EBITDAR Margin (%)	32.3	53.6	54.8	56.3	58.4	59.0
Operating EBIT	95	227	233	257	296	288
Operating EBIT Margin (%)	15.1	39.5	40.6	42.7	45.7	45.8
Gross Interest Expense	(104)	(69)	(74)	(71)	(68)	(65)
Pretax Income (Including Associate Income/Loss)	14	160	162	188	230	226
Summary Balance Sheet						
Readily Available Cash and Equivalents	83	75	75	75	75	75
Total Debt with Equity Credit	1,328	1,563	1,514	1,458	1,369	1,322
Total Adjusted Debt with Equity Credit	1,328	1,563	1,514	1,458	1,369	1,322
Net Debt	1,245	1,488	1,439	1,383	1,294	1,247
Summary Cash Flow Statement						
Operating EBITDA	204	307	314	339	378	371
Cash Interest Paid	(77)	(69)	(74)	(71)	(68)	(65)
Cash Tax	(25)	(40)	(40)	(47)	(57)	(56)
Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow)	0	0	0	0	0	0
Other Items Before FFO	45	0	0	0	0	0
FFO	149	201	203	223	255	252
FFO Margin (%)	23.7	35.0	35.3	37.0	39.3	40.1
Change in Working Capital	(54)	(39)	29	(2)	(4)	1
Cash Flow from Operations (Fitch Defined)	95	162	231	220	251	253
Total Non-Operating/Nonrecurring Cash Flow	0					
Capex	(102)					
Capital Intensity (Capex/Revenue) %	16.2					
Common Dividends	(13)					
FCF	(21)					
Net Acquisitions and Divestitures	0					
Other Investing and Financing Cash Flow Items	110	(92)	0	0	0	0
Net Debt Proceeds	(1)	235	(50)	(56)	(89)	(47)
Net Equity Proceeds	(6)	0	0	0	0	0
Total Change in Cash	83	(8)	0	0	0	0
Leverage Ratios (x)						
Total Net Debt With Equity Credit/Operating EBITDA	6.1	4.8	4.6	4.1	3.4	3.4
Total Adjusted Debt/Operating EBITDAR	6.5	5.1	4.8	4.3	3.6	3.6
Total Adjusted Net Debt/Operating EBITDAR	6.1	4.8	4.6	4.1	3.4	3.4
Total Debt with Equity Credit/Operating EBITDA	6.5	5.1	4.8	4.3	3.6	3.6
FFO-Adjusted Leverage	5.9	5.9	5.5	5.0	4.3	4.2
FFO-Adjusted Net Leverage	5.6	5.6	5.3	4.7	4.0	4.0
FFO Leverage	5.9	5.9	5.5	5.0	4.3	4.2
FFO Net Leverage	5.6	5.6	5.3	4.7	4.0	4.0

Financial Data

	Historical		Forecast			
(USD Mil., as of Dec. 31)	2019	2020	2021	2022	2023	2024
Calculations for Forecast Publication						
Capex, Dividends, Acquisitions and Other Items Before FCF	(115)	(312)	(182)	(165)	(162)	(206)
Free Cash Flow After Acquisitions and Divestitures	(21)	(151)	50	56	89	47
Free Cash Flow Margin (After Net Acquisitions) (%)	(3.3)	(26.3)	8.7	9.2	13.8	7.4
Coverage Ratios (x)						
FFO Interest Coverage	2.9	3.9	3.7	4.1	4.7	4.9
FFO Fixed-Charge Coverage	2.9	3.9	3.7	4.1	4.7	4.9
Operating EBITDAR/Interest Paid + Rents	2.6	4.5	4.3	4.7	5.6	5.7
Operating EBITDA/Interest Paid	2.6	4.5	4.3	4.7	5.6	5.7
Additional Metrics (%)						
CFO-capex/Total Debt with Equity Credit	(0.6)	5.1	14.5	14.3	17.4	18.2
CFO-capex/Total Net Debt with Equity Credit	(0.6)	5.4	15.3	15.1	18.4	19.3

F – Forecast.

Source: Fitch Ratings, Fitch Solutions.

How to Interpret the Forecast Presented

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Ratings Navigator

FitchRatings

AES Panama Generation Holdings

ESG Relevance:



Corporates Ratings Navigator Global Electricity Generation

Factor Levels	Sector Risk Profile	Operating Environment	Management and Corporate Governance	Revenues Predictability	Business Profile Market and Competitive Position	Asset Base and Operations	Counterparty and Commodity Exposure	Profitability	Financial Profile Financial Structure	Financial Flexibility	Issuer Default Rating
aaa											AAA
aa+											AA+
aa											AA
aa-											AA-
a+											A+
a											A
a-											A-
bbb+											BBB+
bbb											BBB
bbb-											BBB-
bb+											BB+
bb											BB
bb-											BB-
b+											B+
b											B
b-											B-
ccc+											CCC+
ccc											CCC
ccc-											CCC-
cc											CC
c											C
d or rd											D or RD

Bar Chart Legend:			
Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook	
Bar Colours = Relative Importance		↑	Positive
■	Higher Importance	↓	Negative
■	Average Importance	↕	Evolving
■	Lower Importance	□	Stable

Operating Environment

bbb+	Economic Environment	bbb	Average combination of countries where economic value is created and where assets are located.
bbb	Financial Access	bbb	Average combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	bbb	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'bbb'.
b-			
ccc+			

Revenues Predictability

bbb+	Contracted Position	bbb	Balanced position with medium remaining life of PPAs or incentives of 5 to 7 years. PPAs or incentives amount between 80% and 100% of firm generation capacity.
bbb	Contract Renewal Risk	bbb	Likely re-contracting prospects with similar to potentially moderately worse contractual terms.
bbb-	System / Capacity Payments	bbb	Less transparent or shorter duration market pricing structures with some risk of political interference proving medium term price visibility for power generators.
bb+	Degree of Supply Integration	bbb	Balanced supply integration with strong retail position contributing to cash-flow stability and predictability.
bb	Resource Predictability	bb	Somewhat volatile capacity factor.

Asset Base and Operations

a-	Asset Quality and Diversity	bbb	Good single asset quality or partial diversification by geography and/or generation source.
bbb+	Exposure to Environmental Regulations	bbb	Limited or manageable exposure to environmental regulations. Balanced generation between clean and thermal sources; medium carbon exposure.
bbb	Capital and Technological Intensity of Capex	bbb	Moderate reinvestments requirements in established technologies.
bbb-			
bb+			

Profitability

a-	Free Cash Flow	a	Structurally neutral to positive FCF across the investment cycle.
bbb+	Cash Flow Predictability	bbb	Stability and predictability cash flow in line with peers.
bbb			
bbb-			
bb+			

Financial Flexibility

bbb+	Financial Discipline	bb	Financial policies in place but flexibility in applying them could lead to temporarily exceeding downgrade guidelines.
bbb	Liquidity	bbb	One-year liquidity ratio above 1.25x. Well-spread maturity schedule of debt but funding may be less diversified.
bbb-	FFO Interest Coverage	bb	3.5x
bb+	DSCR	bbb	Expected average DSCR of >1.8 for high merchant exposure or >1.3 for amortizing debt with well contracted business profile.
bb	FX Exposure	aa	No material FX mismatch.

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Management and Corporate Governance

bbb+	Management Strategy	bbb	Strategy may include opportunistic elements but soundly implemented.
bbb	Governance Structure	bbb	Good CG track record but effectiveness/independence of board less obvious. No evidence of abuse of power even with ownership concentration.
bbb-	Group Structure	bb	Complex group structure or non transparent ownership structure. Related-party transactions exist but with reasonable economic rationale.
bb+	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bb			

Market and Competitive Position

a-	Supply/Demand Dynamics	bbb	Moderately favorable outlook for prices. Balanced reserve margin with capacity addition pace matching demand growth. Supply/Demand balance aided by regulatory system mechanism.
bbb+	Competitive Position	bbb	Efficient generation with recurrent merit dispatch.
bbb	Relative Size and Scale	bbb	Large scale operations with diverse generation asset base or company supplies more than 20% of electricity to the systems where it operates or strong competitive position in a localized market.
bbb-			
bb+			

Counterparty and Commodity Exposure

bbb+	Counterparty Risk	bbb	Diversified, medium counterparty risk or weighted average credit quality of actual and potential off-takers is in line with 'BBB' rating. Single 'BBB' rated off-taker under well-structured PPA.
bbb	Costs Pass-Through and Supply Mix	bbb	Limited exposure to changes in commodity costs with ability to pass cost changes to end users. Low variable costs and moderate flexibility/certain of supply.
bbb-	Hedging Strategy	bb	Minimal portfolio/cash flow smoothing effects from contractual hedge.
bb+			
bb			

Financial Structure

bbb	FFO Leverage	bb	5.0x
bbb-	FFO Net Leverage	bb	4.5x
bb+	Total Debt With Equity Credit/Operating EBITDA	bb	4.8x
bb			
bb-			

Credit-Relevant ESG Derivation

AES Panama Generation Holdings has 12 ESG potential rating drivers					Overall ESG	
key driver	0	issues	5			
driver	0	issues	4			
potential driver	12	issues	3			
not a rating driver	1	issues	2			
	1	issues	1			

Showing top 6 issues

For further details on Credit-Relevant ESG scoring, see page 3.

Credit-Relevant ESG Derivation

AES Panama Generation Holdings has 12 ESG potential rating drivers

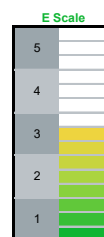
- ➡ AES Panama Generation Holdings has exposure to energy productivity risk but this has very low impact on the rating.
- ➡ AES Panama Generation Holdings has exposure to water management risk but this has very low impact on the rating.
- ➡ AES Panama Generation Holdings has exposure to waste & impact management risk but this has very low impact on the rating.
- ➡ AES Panama Generation Holdings has exposure to extreme weather events but this has very low impact on the rating.
- ➡ AES Panama Generation Holdings has exposure to access/affordability risk but this has very low impact on the rating.
- ➡ AES Panama Generation Holdings has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

Overall ESG Scale			
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	1	issues	2
	1	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	Emissions from operations	Asset Base and Operations
Energy Management	3	Fuel use to generate energy and serve load	Asset Base and Operations; Counterparty and Commodity Exposure; Profitability
Water & Wastewater Management	3	Water used by hydro plants or by other generation plants, also effluent management	Asset Base and Operations; Profitability
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Profitability
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Profitability



How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

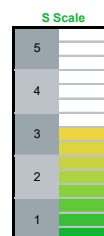
The **Environmental (E), Social (S) and Governance (G)** tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The **Credit-Relevant ESG Derivation** table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

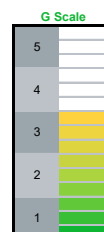
Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Asset Base and Operations; Revenues Predictability; Profitability
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Asset Base and Operations
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Asset Base and Operations; Profitability
Employee Wellbeing	2	Worker safety and accident prevention	Asset Base and Operations
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Asset Base and Operations; Revenues Predictability; Profitability; Financial Structure



Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance; Financial Structure
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance; Counterparty and Commodity Exposure
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance



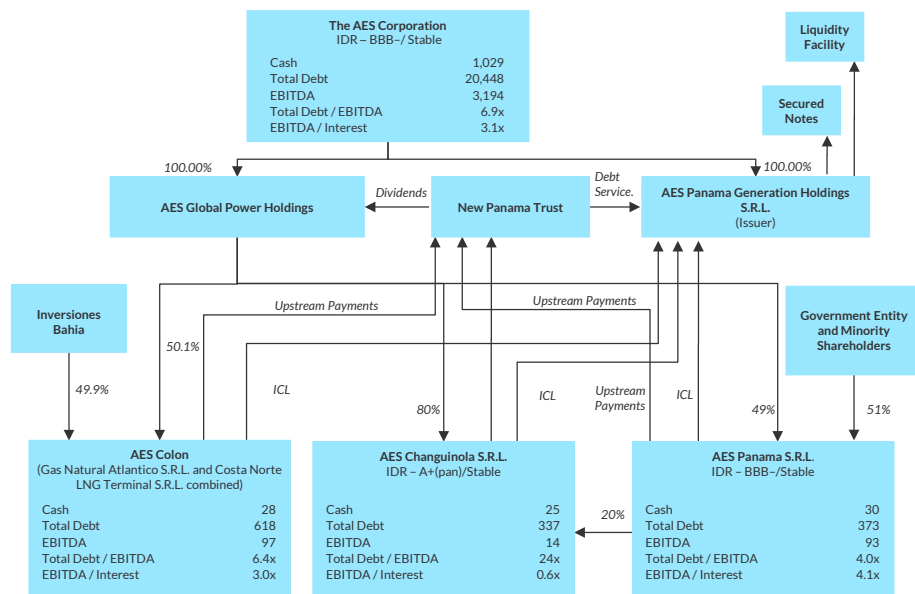
CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram

Organizational Structure — AES Panama Generation Holdings S.R.L.
(USD Mil., As of Dec. 31, 2019.)



ICL – Intercompany loans. IDR – Issuer Default Rating. Note: All ICLs are intercompany loans that AES Colon, AES Changuinola and AES Panama owe to issuer, AES Panama Generation Holdings S.R.L. Upstream Payments include dividends and debt service payments made to a trust, which are dispersed to AES Global Power Holdings and AES Panama Generation Holdings, respectively.
Source: Fitch Ratings, Fitch Solutions, AES Panama Generation.

Peer Financial Summary

Company	Issuer Default Rating	Financial Statement Date	Gross Revenue (USD Mil.)	Operating EBITDA (Before Income From Associates) (USD Mil.)	Operating EBITDA Margin (%)	Total Debt with Equity Credit/Operating EBITDA (x)	FFO Interest Coverage (x)
AES Panama Generation Holdings, S.R.L.	BBB-						
	—	2019	631	204	32.3	6.5	2.9
Isagen S.A. E.S.P.	BBB						
	BBB	2019	970	563	58.0	2.9	1.8
	BBB	2018	897	505	56.3	3.0	1.3
	BBB-	2017	796	400	50.2	2.9	3.3
Emgesa S.A. E.S.P.	BBB						
	BBB	2019	1,247	711	57.0	1.3	5.7
	BBB	2018	1,258	708	56.3	1.9	5.7
	BBB	2017	1,160	697	60.1	2.1	4.5
Kallpa Generacion S.A.	BBB-						
	BBB-	2019	569	271	47.5	4.0	5.1
	BBB-	2018	538	284	52.8	3.7	6.0
	BBB-	2017	590	230	39.0	4.6	3.2
Nautilus Inkia Holdings LLC	BB						
	BB	2019	1,642	540	32.9	5.1	3.1
	BB	2018	1,612	523	32.4	6.1	3.3
	BB	2017	1,777	429	24.2	7.0	2.6
The AES Corporation	BBB-						
	BB+	2018	10,736	3,384	31.5	6.5	2.6
	BB	2017	10,530	3,418	32.5	6.7	2.3
	BB-	2016	13,586	3,415	25.1	6.6	2.3

Source: Fitch Ratings, Fitch Solutions.

Reconciliation of Key Financial Metrics

(USD Mil., as reported)	12/31/19
Income Statement Summary	
Operating EBITDA	204
+ Recurring Dividends Paid to Non-controlling Interest	0
+ Recurring Dividends Received from Associates	0
+ Additional Analyst Adjustment for Recurring I/S Minorities and Associates	0
= Operating EBITDA After Associates and Minorities (k)	204
+ Operating Lease Expense Treated as Capitalized (h)	0
= Operating EBITDAR after Associates and Minorities (j)	204
Debt & Cash Summary	
Total Debt with Equity Credit (l)	1,328
+ Lease-Equivalent Debt	0
+ Other Off-Balance-Sheet Debt (p)	0
= Total Adjusted Debt with Equity Credit (a)	1,328
Readily Available Cash [Fitch-Defined]	83
+ Readily Available Marketable Securities [Fitch-Defined]	0
= Readily Available Cash & Equivalents (o)	83
Total Adjusted Net Debt (b)	1,245
Cash-Flow Summary	
Preferred Dividends (Paid) (f)	0
Interest Received	3
+ Interest (Paid) (d)	(77)
= Net Finance Charge (e)	(74)
Funds From Operations [FFO] (c)	149
+ Change in Working Capital [Fitch-Defined]	(54)
= Cash Flow from Operations [CFO] (n)	95
Capital Expenditures (m)	(102)
Multiple applied to Capitalized Leases	8.0
Gross Leverage (x)	
Total Adjusted Debt/Op. EBITDAR ^a (a/i)	6.5
FFO Adjusted Gross Leverage (a/(c-e+h-f))	5.9
Total Adjusted Debt/(FFO - Net Finance Charge + Capitalized Leases - Pref. Div. Paid)	
FFO Leverage ((l+p)/(c-e+h-f))	5.9
(Total Debt + Other Debt)/(FFO - Net Finance Charge - Pref. Div. Paid)	
Total Debt With Equity Credit/Op. EBITDA ^a (l/k)	6.5
CFO-Capex/Total Debt with Equity Credit (%)	(0.6)
Net Leverage (x)	
Total Adjusted Net Debt/Op. EBITDAR ^a (b/j)	6.1
FFO Adjusted Net Leverage (b/(c-e+h-f))	5.6
Total Adjusted Net Debt/(FFO - Net Finance Charge + Capitalized Leases - Pref. Div. Paid)	
FFO Net Leverage ((l+p-o)/(c-e+h-f))	5.6
Total Adjusted Net Debt/(FFO - Net Finance Charge - Pref. Div. Paid)	
Total Net Debt/(CFO - Capex) ((l-o)/(n+m))	(165.7)
CFO-Capex/Total Net Debt with Equity Credit (%)	(0.6)
Coverage (x)	
Op. EBITDAR/(Interest Paid + Lease Expense) ^a (i/-d+h)	2.6
Op. EBITDA/Interest Paid ^a (k/(-d))	2.6
FFO Fixed Charge Cover ((c+e+h-f)/(-d+h-f))	2.9

Reconciliation of Key Financial Metrics

(USD Mil., as reported)	12/31/19
$(\text{FFO} + \text{Net Finance Charge} + \text{Capit. Leases} - \text{Pref. Div Paid}) / (\text{Gross Int. Paid} + \text{Capit. Leases} - \text{Pref. Div. Paid})$	
FFO Gross Interest Coverage ((c+e-f)/(-d-f))	2.9
$(\text{FFO} + \text{Net Finance Charge} - \text{Pref. Div Paid}) / (\text{Gross Int. Paid} - \text{Pref. Div. Paid})$	

^aEBITDA/R after Dividends to Associates and Minorities.
Source: Fitch Ratings, Fitch Solutions, AES Panama Generation..

Fitch Adjustment Reconciliation

(USD 000, as reported)	Reported Values (Dec. 31, 2019)	Sum of Fitch Adjustments	Non-recurring costs	Adjusted Values
Income Statement Summary				
Revenue	631	0		631
Operating EBITDAR	193	11	11	204
Operating EBITDAR after Associates and Minorities	193	11	11	204
Operating Lease Expense	0	0		0
Operating EBITDA	193	11	11	204
Operating EBITDA after Associates and Minorities	193	11	11	204
Operating EBIT	95	0		95
Debt & Cash Summary				
Total Debt With Equity Credit	1,328	0		1,328
Total Adjusted Debt With Equity Credit	1,328	0		1,328
Lease-Equivalent Debt	0	0		0
Other Off-Balance Sheet Debt	0	0		0
Readily Available Cash & Equivalents	83	0		83
Not Readily Available Cash & Equivalents	12	0		12
Cash-Flow Summary				
Preferred Dividends (Paid)	0	0		0
Interest Received	3	0		3
Interest (Paid)	(77)	0		(77)
Funds From Operations [FFO]	149	0		149
Change in Working Capital [Fitch-Defined]	(54)	0		(54)
Cash Flow from Operations [CFO]	95	0		95
Non-Operating/Non-Recurring Cash Flow	0	0		0
Capital (Expenditures)	(102)	0		(102)
Common Dividends (Paid)	(13)	0		(13)
Free Cash Flow [FCF]	(21)	0		(21)
Gross Leverage				
Total Adjusted Debt / Op. EBITDAR ^a [x]	6.9			6.5
FFO Adjusted Leverage [x]	5.9			5.9
FFO Leverage [x]	5.9			5.9
Total Debt With Equity Credit / Op. EBITDA ^a [x]	6.9			6.5
CFO-Capex/Total Debt with Equity Credit (%)	(0.6)			(0.6)
Net Leverage				
Total Adjusted Net Debt / Op. EBITDAR ^a [x]	6.5			6.1
FFO Adjusted Net Leverage [x]	5.6			5.6
FFO Net Leverage [x]	5.6			5.6
Total Net Debt / (CFO - Capex) [x]	(165.7)			(165.7)
CFO-Capex/Total Net Debt with Equity Credit (%)	(0.6)			(0.6)
Coverage				
Op. EBITDAR / (Interest Paid + Lease Expense) ^a [x]	2.5			2.6
Op. EBITDA / Interest Paid ^a [x]	2.5			2.6
FFO Fixed Charge Coverage [x]	2.9			2.9
FFO Interest Coverage [x]	2.9			2.9

^aEBITDA/R after dividends to associates and minorities.

Source: Fitch Ratings, Fitch Solutions, AES Panama Generation.

Covenant Summary

Operating companies are not permitted to incur new indebtedness unless that operating company's and the combined companies' net debt/EBITDA is below 4.0x in 2022 and prior and below 3.5x in 2023 and thereafter.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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ISSUER IN-DEPTH

7 August 2020

 Rate this Research

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Japan	81-3-5408-4100
EMEA	44-20-7772-5454

AES Panama Generation Holdings S. de R.L.

Pre-Sale Report

Summary

- » Moody's assigned a Baa3 rating to the Senior Secured partially amortizing notes up to \$1,380 (expected maturity 2030; the "Notes") to be issued by AES Panama Generation Holdings S. de R.L. ("AES PGH" or "Issuer"). The outlook on the ratings is stable.
- » The notes will rank pari passu with a 3-year amortizing \$105 million Senior Secured Loan (due 2023), for a total outstanding debt of approximately \$1,485 million. The Notes and Loan proceeds will refinance most of existing debt at the operating companies.
- » The ratings assigned reflect the strategic, competitive and highly contracted generation portfolio of assets in Panama that contribute to more than a third of the country's generation.
- » AES PGH credit quality also considers that a large portion of the energy and capacity is contracted with the three distribution companies ("DISCOs"), which are partially government owned and effectively operate as regional monopolies in Panama.
- » AES PGH's portfolio includes natural gas generation assets, which mitigates exposure to low hydro generation, that accounts for more than half of total capacity.
- » The ratings are tempered by AES PGH high leverage, particularly over the first years of the transaction. Under the Moody's Base Case scenario, we project Cash from Operations Pre-Working Capital (CFO Pre-W/C) + Interest / Interest to average 4.3x (2020-2030) and CFO Pre-W/C / Debt ratio projected to average 17% over the same period. We also project that Debt / EBITDA will approach 4.0x at AES Panama in the next 3 to 5 years as the company reduces its debt balance.
- » The proposed transaction also considers various credit enhancements including a \$50 million liquidity facility, additional indebtedness tests and dividend lock-ups.

Credit Strengths

- » Strategic, competitive and highly contracted portfolio of energy assets
- » Natural gas generation mitigates exposure to low hydro generation
- » AES is a strong sponsor with a long track record in Panama and Latin America
- » Credit enhancements include a \$50 million liquidity facility, additional indebtedness and dividend lock-ups

Credit Challenges

- » High leverage and refinancing risk
- » AES Colon's LNG storage and regasification business is only partially contracted although contracted capacity is expected to increase
- » Dividend distributions of the largest operating company, AES Panama, is subject to the approval of the Government of Panama, its majority owner

Rating outlook

The rating outlook is stable reflecting our view that AES PGH will maintain stable and visible cash flows that support projected financial metrics. Specifically, we expect that CFO Pre-W/C /debt and the interest coverage ratios will average around 17% and 4.0x, respectively and on a projected basis.

Factors that could lead to an upgrade

- » We could upgrade AES PGH's ratings if the company reduces its debt balances or increases its cash flow generation such that it records CFO Pre-W/C /debt above 20% and an interest coverage ratio at or above 4.5x on sustained basis.

Factors that could lead to a downgrade

- » We could downgrade AES PGH's ratings if the company records FFO/debt below 15% or if the interest coverage ratio remains below 3.0x on a sustained basis. Projected Debt / EBITDA above 4.0x on a sustained basis could also exert downward pressure on the ratings.

Overview of Transaction

AES PGH is an entity created with the sole purpose of issuing consolidated debt of the operating companies of AES Global Power Holdings in Panama ("GPH"). AES PGH will issue a total of \$1,485mm of senior secured debt that will be supported by the consolidated cash flows of a portfolio of power generation and LNG assets in Panama.

As shown in Exhibit 1, the proposed debt considers a \$1,380mm Reg S / 144 A Senior Secured Notes (expected maturity 2030). The Notes will rank pari passu with a 3-year fully amortizing \$105 million Senior Secured Loan (due 2023).

The various assets of GPH are operated under four entities (together, the "OpCos" or the "Portfolio"): AES Changuinola, AES Panamá S.R.L., and Costa Norte LNG Terminal and Gas Natural Atlantico (together "AES Colón"). The Notes and Loan proceeds will refinance most of existing debt at the OpCos which will in turn enter into Intercompany Loans ("ICLs") with the Issuer. ICLs will be proportional to the existing debt at each OpCo.

After the transaction takes place, the only outstanding debt will be the Bond remaining with the outstanding \$90mm (year-end 2020) associated with the Changuinola project as well as some liquidity facilities that are projected to be repaid at the end of the year. AES Changuinola's outstanding amount will rank pari passu with the ICLs.

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	(\$mm)	Uses	
AES Panama Generation Holdings Notes	1,380	Intercompany loan to AES Colón	729
AES Panama Generation Holdings Term Loan	105	Intercompany loan to AES Panamá	524
		Intercompany loan to AES Changuinola	232
Total Funded Sources	1,485	Total Funded Uses	1,485
Liquidity Facility	50	Liquidity Facility	50
Total Unfunded Sources	50	Total Unfunded Sources	50

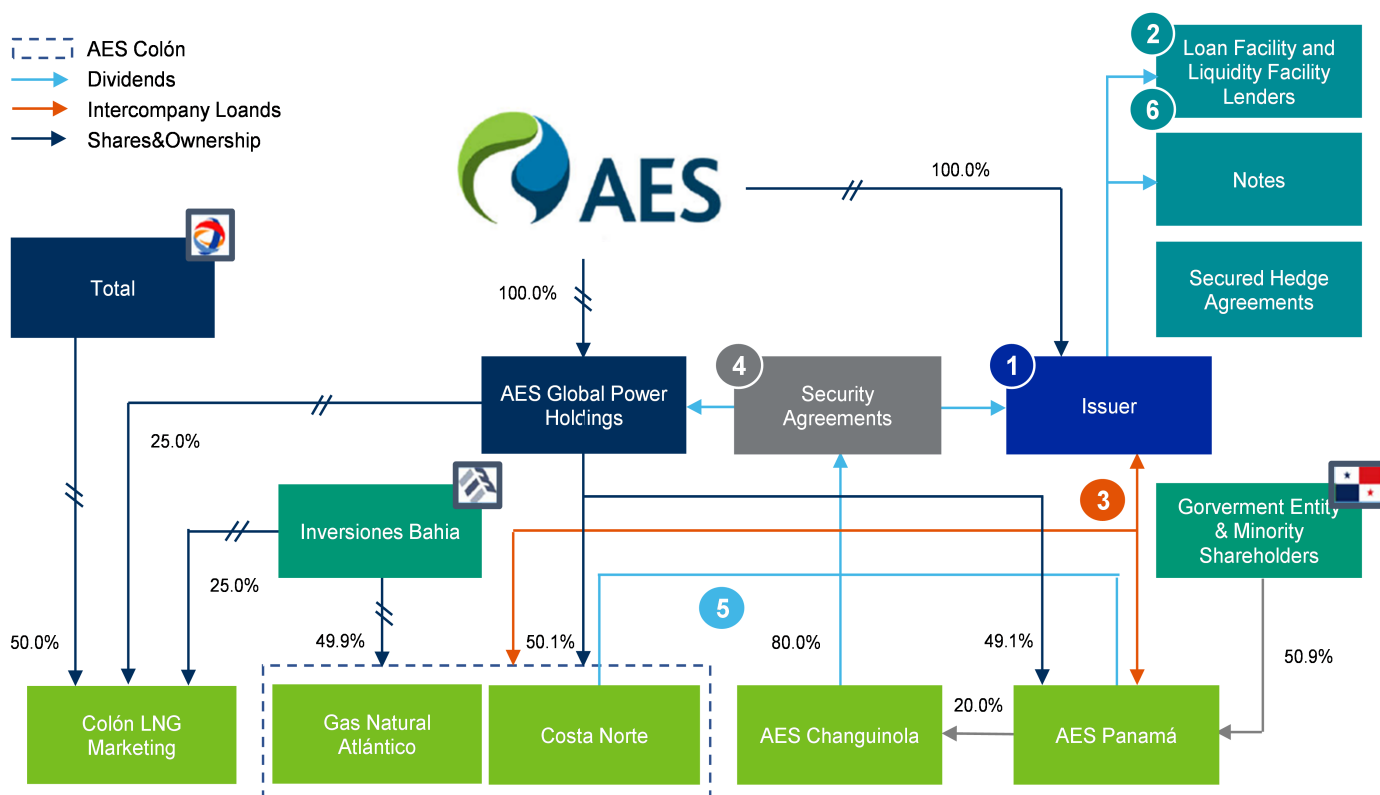
Source: AES Panama Generation Holdings, S. de R.L.

The Notes and the Liquidity Facility will be secured by (i) the issuer's rights under the ICLs, (ii) GPH's equity interests in the OpCos and (iii) the Issuer Collection Account, the Issuer Operating Account and the GPH Dividend Collection Accounts. Dividends from the OpCos will flow into the GPH Dividend Collection Accounts, which will be pledged as a collateral.

Dividends will only be released to GPH if, among other conditions, no default exists under the Notes, the loan facility or the liquidity facility.

Exhibit 2

AES PGH's corporate and financing structure



Source: AES Panamá Generation Holdings, S. de R.L. and Moody's investors Service

Corporate Profile

[AES Corporation](#) (Ba1 stable) through its subsidiary, GPH, currently owns an interest in, and operates, a large portfolio of power generation and LNG assets in Panamá.

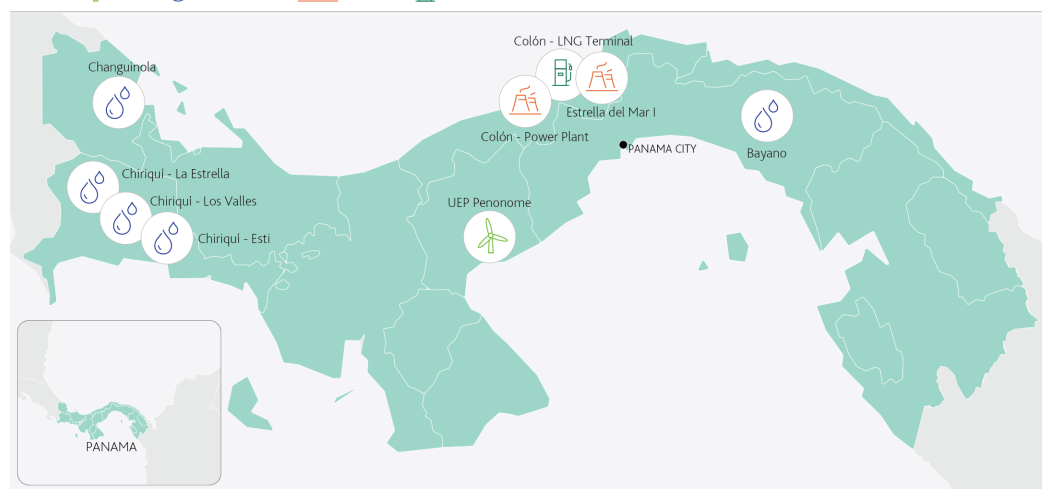
Since beginning of operations in Panamá in 1998, AES Panamá has invested over \$1.4bn and now operates 8 power plants across the country:

- » Bayano: hydroelectric power plant with installed capacity of 260 MW
- » Chiriquí: three hydroelectric power plants with total installed capacity of 222 MW
- » Estrella del Mar I: thermal power plant with installed capacity of 72 MW
- » Changuinola: hydroelectric power plant with installed capacity of 223 MW
- » Colón: natural gas power plant with installed capacity of 381 MW and LNG terminal
- » Peronome: wind plant with installed capacity of 55 MW

Exhibit 3

GPH's portfolio

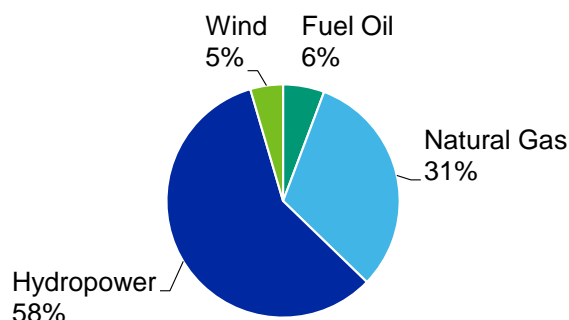
KEY:  Wind  Hydropower  Thermal  LNG Terminal



POWER PLANT NAME/LOCATION	COD	INSTALLED CAPACITY (MW)	OWNERSHIP (%)	PLANT TYPE	TERMINAL	DAM
 UEP Peronome	2015	55	49	Wind	--	--
 Chiriquí - La Estrella	1979	47	49	Run of river	--	--
Chiriquí - Los Valles	1979	55	49	Run of river	--	--
 Chiriquí - Esti	2003	120	49	Run of river with hour regulation	--	--
Changuinola	2011	223	90	Run of river with small reservoir	--	--
Bayano	1976	260	49	Reservoir	--	450m long x 75m tall
 Estrella del Mar I	2015	72	49	Thermal (FO6)	--	--
Colón - Power Plant	2018	381	50.1	Thermal (LNG)	--	--
 Colón - LNG Terminal	2019	--	50.1	--	180,000 m³ tank	--

Source: AES Panama Generation Holdings, S. de R.L.

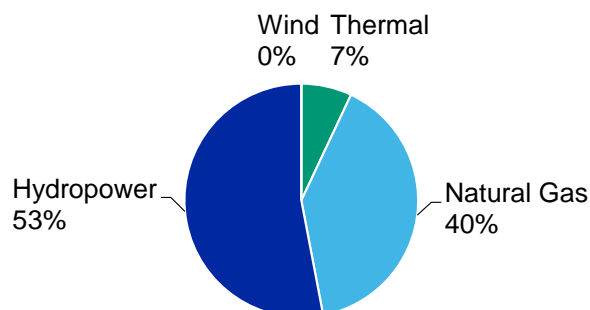
Exhibit 4

Installed Capacity by fuel type**Total: 1,212 MW**

Information as of March, 2020

Source: AES Panamá Generation Holdings, S. de R.L.

Exhibit 5

Firm capacity breakdown by fuel type**Total: 909 MW**

Information as of March, 2020

Source: AES Panamá Generation Holdings, S. de R.L.

Detailed Credit Considerations**Highly contracted generation assets with creditworthy counterparties**

AES PGH portfolio is more than 82% contracted during the term of the proposed transaction, providing stable and visible cash flows, a key credit strength. A large portion is contracted with three distribution companies (DISCOs), which are partially owned by the [Government of Panama](#) (Baa1 stable) and operate like regional monopolies with exclusive rights on the regions in which they operate. As such, we consider that the counterparty risk of these DISCOs reflects the broader electricity demand risk in the country. If an issue with a DISCO arises, the local law allows the regulator step in, and grants expansive powers to implement remedies. Ultimately, the regulation ensures the continuity of service in the region. In terms of guarantees, the DISCOs are required to provision a payment guarantee equivalent to one month of payments as well as a performance bond equivalent to two months of payments.

Natural gas generation mitigates exposure to low hydro generation

AES PGH's majority of capacity is related to hydro assets, but roughly aligned with country's total installed capacity. The portfolio also includes natural gas generation assets, which mitigates exposure to low hydro generation. The asset diversity works as a natural hedge, where under low hydro generation scenarios natural gas generation and energy market prices increase, offsetting the loss in revenues from the hydro assets.

Although AES Colón's LNG storage and regasification business provides additional diversification to the portfolio, it is only partially contracted. Notwithstanding, the company expects to increase its contracted in the next few years, improving its cash flow generation.

AES is a strong sponsor with a long track record in the country and Latin America

AES is a key participant in the electricity generation market in Panama, supplying around 42% of the country's total electricity demand (as of March 2020). AES started operations in Panama in 1998 and has invested around \$1.4 billion since.

Prior to the 1998 privatization of the Panamanian generation and distribution sectors, the electricity sector was under the management of the state-owned integrated electric utility: Instituto de Recursos Hidráulicos y Electrificación ("IRHE"). In 1998, as part of the privatization process, the Panamanian government divided IRHE's assets and operations into four generation companies; three distribution companies and one transmission company.

Following a public auction in 1998, 51% of the shares in each distribution company were sold by the government, later followed by the sale of 49% of shares in each of the three state-owned hydroelectric generation companies and 51% of shares in the main thermoelectric generation company.

As of today, GPH in Panama has majority stakes on AES Changuinola and AES Colón, and a 49% stake at AES Panama, where the majority owner is the Government of Panama.

Financial Profile and Key Credit Metrics

The credit quality of AES PGH is tempered by its high leverage and exposure to refinancing risk. Moody's Base Case scenario assumes a p(90) generation on the hydro assets in 2023 and 2024 and a cap on AES Colon's storage asset from 2023 to 2030 (up to 20 Trillion British Thermal Units, "TBTU") which represents, on average, a 41% drop on the storage revenues, compared to the Management Case.

Under the Moody's Base Case, projected financial metrics are consistent with Ba scores under our methodology. Cash from Operations Pre-Working Capital (CFO Pre-W/C) + Interest / Interest is expected to average 4.3x (2020-2030), CFO Pre-W/C / Debt ratio is projected to average 17% and Retained Cash Flow to Debt ratio is projected to average 9.0%, on the same period, the latter as a result of the planned dividend distributions from the OpCos to AES GPH.

We also project that Debt to EBITDA ratio will approach 4.0x in the next 3 to 5 years as the issuer reduces its debt balance. While the metrics are projected to be relatively weak in the first few years of the transaction, we expect they will gradually improve as the Issuer reduces its leverage and cash flow generation improves.

Refinancing risk is partially mitigated given that AES PGH portfolio is competitive and essential to the Panamanian energy matrix.

Liquidity analysis and structural features

The assigned ratings are underpinned by the credit enhancements embedded in the transaction structure.

Lenders will benefit from a \$50 million liquidity facility that can be drawn in the event of a cash shortfall to meet debt service payments as a result of an OpCo defaulting under the ICLs. The liquidity facility is equivalent to an average of 5 months of annual debt service for the period 2020-2026. Furthermore, dividends paid by the OpCos to GPH flow into the GPH Collection Accounts, which will be pledged as a collateral and can only be released to the company if no default exists under the Notes, the loan facility or the liquidity facility, and the liquidity facility is fully replenished. Depending on the type of default, a default under an ICL may block the release of dividends to GPH from all OpCos or just from the defaulting OpCo. The facility can be replenished with the flow of dividends from the performing OpCos. While dividend distributions from AES Panama are subject to approval by the Government of Panama, the majority stake holder, we consider there is a good track record between AES and the Government of Panama.

We do not expect GPH to hold material cash available at the OpCos or Holdco level in addition to the facility. Management considers minimum cash balances at each of the OpCos considering capital investment needs, which are projected to be low in the forthcoming years. We expect the maintenance capex to be around 1% of the PP&E assets each year, on average, for the period 2020-2030.

Additionally, the Notes include covenants which detail the limitations on indebtedness (subject to certain ranges of the Debt to EBITDA ratio).

Environmental, social and governance (ESG) considerations

How ESG risks inform our credit analysis of AES PGH

We take into account the impact of ESG factors when assessing AES PGH's credit profile. In the case of AES PGH, the materiality of ESG factors of the credit profile is as follows:

AES PGH environmental risks are not material to its credit profile. While unregulated utilities and unregulated power companies are among the three sectors (besides coal mining and coal terminals) in Moody's environmental heat map that have "immediate, elevated risk" from climate change considerations, AES PGH is considered to have low carbon transition risk since most of its generation capacity is hydro.

Social risks are not material to AES PGH credit profile. AES PGH has a low social risk and we are unaware of any concern regarding unions or communities.

AES PGH faces moderate risk regarding corporate governance. The dividend distribution policy relies on minimum target cash balances and the decision to distribute dividends is shared with other stockholders at the operating company level. These risks are partially mitigated by the structure that could trap PHG's portion of the dividends and the pledge of shares as collateral.

Rating Factors

The principal methodology used in this rating was Unregulated Utilities and Unregulated Power Companies published in May, 2017. Please see Rating Methodologies page on www.moodys.com for a copy of this methodology.

The rating assigned of Baa3 (considering projected average financial metrics for the 2020-2030 period) is the same as the scorecard indicated rating.

Exhibit 6

Unregulated Utilities and Unregulated Power Companies Scorecard

Factor	Subfactor	Score	Metric Average 2020F - 2030F
1.- Scale (USD Billion)	Scale	Ba	
2.- Business Profile	Market diversification	Ba	
	Hedging and integration impact on cash flow predictability	Baa	
	Market framework and positioning	A	
	Capital requirements and operational performance	A	
3.- Financial Policy	Financial policy	Baa	
4.- Leverage and Coverage	(CFO Pre-W/C + interest) / Interest Expense	Ba	4.30x
	(CFO Pre-W/C) / Debt	Ba	17%
	RCF / Debt	B	9%
Scorecard Indicated Rating:		Baa3	

The scorecard used for this issuer corresponds to the 'Unregulated Power Companies', within the Unregulated Utilities and Unregulated Power Companies Methodology

Source: Moody's Investors Service

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