

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 Foreign 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 off-takers 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 Panamá'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 (Esti), 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 Esti, 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.