

English Translation

**REPUBLIC OF PANAMA
COMISION NACIONAL DE VALORES
[NATIONAL ASSETS COMMISSION]**

**AGREEMENT 18-00
(of October 11, 2000)
Modified by Agreement No.8-2004 of December 20, 2004**

ANNEX No. 2

**IN-T FORM
QUARTERLY
UPDATE REPORT**

Quarter ending on December 31 of 2006

PRESENTED ACCORDING TO LAW DECREE 1 OF JULY 8, 1999 AND AGREEMENT No 18-00 OF OCTOBER 11, 2000.

GENERAL INSTRUCTIONS FOR IN-A AND IN-T FORMS:

A. Applicability

These forms should be used by all the assets issuers registered before CNV, in conformity with what is disposed in Agreement No. 18-00 of October 11, 2000 (with independence of if the registration is through public offer or the other mandatory registrations). The Update Reports will be mandatory from January 1, 2001. In this virtue, the issuers with fiscal closings up to December, should present the Annual Report according to the rules that are prescribed in the referred agreement. Likewise, all the internal reports of the issuers with special fiscal closings (March, June, November and others), that should be received from January 1, 2001 and on, will have to present according to what agreement No. 18-00 disposes. Although, the issuers will have the option of presenting them to the Commission before this date.

B. Update Reports Preparation

This is not a form to fill out blank spaces. It is a guide to illustrate the order in which the requested information should be presented. The CNV makes the file available to you in Word format, once the interested party provides a 3 ½ diskette. The form can also be downloaded from the CNV's webpage on the Internet.

If any required information is not applicable to the issuer, because of its characteristics, the nature of its business or because of any other reason, this circumstance should be expressly consigned and also the reasons for which are not applied. In two sections of this Agreement an express reference is made to Agreement No. 6-00 of May 19, 2000 (modified by Agreement No.15-00 of August 28, 2000), about Assets Registration. It's the issuer's responsibility to check these references.

The Update Report should be presented in an original and a complete copy, including the attachments.

A complete copy of the Update Report should be presented to the securities exchange ('Comisión Nacional de Valores') where the assets of the issuer are listed.

The financial information should be prepared in conformity with the established, by the Agreement No 2-00 of February 28, 2000 and No 8-00 of May 22, 2000. When during the accounting periods that are reported, changes had happened in the accounting policies, acquisitions or any commercial business combination that affect the comparability of the figures presented, the issuer should make clear reference of such changes and the impacts of the figures.

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If any additional clarification is required, you may contact the National Direction of Assets Registration, at 265-2514.

TRADE NAME OF THE ISSUER: AES Panama, S.A.

ASSETS REGISTERED: Bonds for the amount of \$300,000,000 with expiration on December 21, 2016 with an interest rate of 6.35%.

ISSUER'S PHONE AND FAX NUMBERS: (507)206-2600 phone - (507)206-2660 fax

ISSUER'S ADDRESS: Torre Banco continental Pisos 24 y 25, calle 50 y Aquilino De La Guardia; apartado postal 0816-1990 Panama, Republic of Panama.

EMAIL ADDRESS: florita.vergara@aes.com

I PART

AES Panama S.A. (The "Company") was constituted on October 26, 1999 as a result of the integration of Empresa de Generación Eléctrica Chiriquí, S.A. ("Chiriqui") and Empresa de Generación Eléctrica Bayano, S.A. ("Bayano"). Chiriqui and Bayano were incorporated on January 19, 1998 after the Privatization and Restructuring Process of the electric energy industry in the Republic of Panama. At the moment of incorporation the Company operated a hydroelectric plant with an installed capacity of 150 megawatts in Bayano, a thermal plant with a capacity of 43 megawatts located in the province of Panama, which stopped operating in the year 2005, and the hydroelectric plants of La Estrella and Los Valles with an installed capacity of 42 and 48 megawatts, respectively, located in the Province of Chiriqui. The Bayano plant has since been upgraded, with the expansion of the first and second units increasing their respective capacities from 75 to 87 megawatts, and the construction of the third unit of 86 megawatts in February of 2004. Additionally, the Company built the Estí hydroelectric with an installed capacity of 120 megawatts, located in the Province of Chiriqui, which started commercial operation on November 20, 2003. On September 30, 2006 AES Panama Energy, S.A. owned 105,353,687 (49.0%) of the Company's stocks, the Republic of Panama owned 108,347,536 (50.5%) of the stocks and the employees and former employees of the Company owned 0.5% of the stocks. The employee's sales contract was signed in July, 2003. From 2,993,849 (1.5%) of the Company's stocks that were to be transferred, only 8,539 were effectively sold in 2003.

The Company generates and sells electricity in the Panamanian Electric Market which is regulated by the National Authority of Public Services (previously Regulator Entity of Public Services) the regulating entity of the energy sector of the Republic of Panama.

This report is presented in thousands of dollars (US\$) of the United States of America, except when the contrary is indicated.

A. Liquidity

The net cash of the Company up to December 2006 and 2005 is of \$26,960 and \$40,923 respectively which represents a decrease of \$13,963; this is mainly because the Company, under a new debt structure, requires a minor reserve for the service of the debt.

B. Capital Resources

The Company acquires Fixed Operation Assets for a total of \$4,933.

C. Operations Results

The electricity sales of the Company increased by 10%, from \$43,784 in 2005 to \$48,764 in 2006; the majority of this can be attributed to a growth in contracted energy sales, which increased by 23% from 112.73 GWh in 2005 to 146.43 GWh in 2006. The average spot market prices also increased by 18% from 107.56 \$/MWh in 2005 to 132.58 \$/MWh in 2006. The total generation of the Company increased by 7% from 400.48 GWh in 2005 to 431.75 GWh in 2006.

The hydrological contributions of the Bayano Plant increased by 34% from 228.05 m³/s in 2005 to 342.78 m³/s in 2006, which translated to a 40% increase in generation, from 173.25 GWh in 2005 to 287.57 GWh in 2006; generation from the Chiriqui Hydro facilities decreased by -19% from 177.37 GWh in 2005 to 148.66 GWh in 2006.

Purchases in the spot market decreased by 56% from \$1,323 in 2005 to \$846 thousand in 2006, because of the Company's net increase in generation.

In the 'Other Expenses' line, there was a net increase of 86%, from \$3,835 in 2005 to \$27,594 in 2006, that resulted from the recognition of \$27,966 of net loss related to the extinction of the previous debt (paid Make-Whole Premium, withdrawal of the net financial costs of the previous debt and received refund because of payment made ahead of time).

D. Perspectives Analysis

During the first quarter of 2007, a period of low hydrology, the company doesn't expect significant variation from historical results.

E. Fact of Importance

On October 18, 2006, AES Panama's thermal plant was transferred to EGESA (Empresa de Generación Eléctrica, S.A.) who assumed all the obligations and responsibilities over the plant according to the transfer contract of Gas Turbines.

In February 2007 the Company designated Mr. Arturo E. Gris L. as their General Manager and Legal Representative.

The Company has signed contracts of associated power and energy supply according to the following details presented:

Client	Category	Estimated Supply	Term	Start
Elektra	Distributor	30 GWh	5 months	1-Aug-07
Mega Depot	Grand Client	0.62 MW	3 years	1-Jan-07
Importadora Ricamar	Grand Client	0.72 MW	3 years	1-Jan-07
Edemet	Distributor	15 MW	10 years	1-Jan-11
Edechi	Distributor	35 MW	10 years	1-Jan-11

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**II PART
FINANCIAL SUMMARY**

A. Applicable presentation to issuers of commercial and industrial sector.

FINANCIAL STATEMENT OF CONDITION	31-Dec-2006	31-Dec-2005
Sales or Total Revenues	48,764	43,784
Operative Margin	33,813	29,144
General and Administrative Expenses	14,951	14,640
Net Profit or Loss	(56)	12,120
Issued and Outstanding Stocks	214,717,428	214,694,747
Profit or Loss per Share	(0.00)	0.06
Depreciation and Amortization	5,138	5,339
Non-recurrent Profits or Losses	N/A	N/A

GENERAL BALANCE SHEET	31-Dec-2006	31-Dec-2005
Current Assets	70,502	79,985
Total Assets	506,746	541,120
Passive Liability	17,016	46,563
Long-Term Debts	298,290	267,040
Preferred Shares	N/A	N/A
Paid Capital	154,394	154,214
Retained Profits	37,600	71,700
Total Estate	191,440	227,517
FINANCIAL RATIOS:		
Dividend/Share	0.00008	0.00016
Total Debt/Estate	1.65	1.38
Work Capital	53,486	33,422
Current Reason	4.14	1.72
Operative Profit/Financial expenses	1.48	2.79

**III PART
FINANCIAL STATEMENTS**

AES Panama, S.A. financial statements are attached in Annex 1.

**IV PART
FINANCIAL STATEMENTS OF GUARANTOR OR COSIGNERS**

Does not apply

**V PART
FIDUCIARY CERTIFICATION**

Does not apply

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**VI PART
PUBLICATION**

1. Publication media

The Company's internet website www.aespanama.com

2. Publication date

Since February 28, 2007

SIGNATURES

Arturo E. Gris L.
Special Assignee

Florentina Vergara D.
Finance Manager and IT