

RATING ACTION COMMENTARY

Fitch Affirms AES Panama Generation Holdings' Ratings at 'BB+'; Outlook Stable

Fri 15 May, 2026 - 2:09 PM ET

Fitch Ratings - Rio de Janeiro - 15 May 2026: Fitch Ratings has affirmed AES Panama Generation Holdings, S.R.L.'s (AESPGH) Long-Term Foreign Currency and Local Currency Issuer Default Ratings (IDRs) at 'BB+'. The Rating Outlook on the IDRs is Stable. Fitch has also affirmed the company's Long-Term National Scale Rating at 'AA+(pan)' with a Stable Outlook, and its USD1.38 billion senior secured notes at 'BB+' on the international scale and 'AA+(pan)' on the national scale.

The ratings reflect AESPGH's leading position in Panama's power generation market, diversified asset base and strong contractual position. They also reflect its linkage to Panama's sovereign credit quality due to direct exposure to the government, domestic cash flow generation, its essential role in the power sector and indirect exposure to government subsidies through regulated distribution companies. AESPGH's gradual deleveraging is supported by lower capex, stable EBITDA generation and the start of Gatun's combined-cycle operations.

KEY RATING DRIVERS

Strong Market Position: AESPGH's strong business profile reflects its leading position in Panama's power sector, supported by scale, asset diversification and operating flexibility. Its generation fleet accounts for about 30% of national generation through AES Panama, S.R.L., AES Changuinola, S.R.L. and AES Colón, which supports cash flow resilience. This position is strengthened by its gradual expansion into solar generation and by AES Panama's 49% stake in the 670MW Generadora Gatún natural gas plant, which began combined-cycle operations in June 2025.

AESPGH also benefits from business diversification through its LNG operations, as Panama's sole LNG supplier and owner of key import and regasification infrastructure. LNG storage, transportation and sales contribute about 9% of revenue on average and broaden the company's revenue base across domestic power clients, marine demand linked to the Panama Canal, and exports. Available tank capacity provides room for incremental earnings growth without significant additional investment.

Cash Flow Visibility: Approximately 80% of electricity sales are contracted, with an average remaining tenor of six years with private clients, supporting good revenue visibility. More than 93% of contracted capacity is sold to regulated distribution companies, with the balance sold to commercial and industrial clients. Spot market exposure varies, but this risk is mitigated through its efficient thermal fleet and strong market position. Around 9% of revenue comes from LNG and terminal-use sales. Fitch expects cash flow from operations to average about USD200 million a year through 2029, covering limited annual capex, debt maturities, and dividends equal to 100% of excess cash flow.

Sovereign Linkage: AESPGH's ratings reflect linkage to Panama's sovereign credit quality, given its domestic cash flow generation, regulated market exposure and important role in the country's power matrix. The linkage is also influenced by the government's 51% ownership of operating subsidiary AES Panama, S.R.L., which introduces partial state influence over the group. Governance risks are moderated by unanimous board approval requirements and limited government representation. Exposure also stems from sales to regulated distribution companies, representing about 68% of AES Panama's sales and 100% of AES Colón's sales in 2025.

Leverage to Improve: Fitch expects AESPGH's leverage to improve from 2026, driven primarily by EBITDA growth and, to a lesser extent, debt repayment. Fitch expects gross leverage, defined as total debt/EBITDA, to decline below 4.0x in 2026 and remain below this level thereafter. Debt repayment will total about USD160 million through 2029. Fitch assumes AESPGH will refinance its USD1.3 billion outstanding notes due in 2030. EBITDA will also benefit from higher AES Colón LNG sales, growth in terminal storage fees and dividends from Gatun. Fitch expects low capex to support positive FCF, while EBITDA interest coverage will remain solid at about 5.7x in 2026.

Diversified Generation Base: AESPGH's generation portfolio consists of 1,886MW of installed capacity (including Gatun where AES Panama has a 49% stake) that is diversified across hydrology, natural gas, wind and solar assets. The mix helps mitigate periodic drought risk through efficient thermal generation and supports low-cost output in periods of strong hydrology. Fitch expects the start-up of the Gatun plant to help reduce spot prices

from historical levels above USD100/MWh. Fitch's base case assumes the company will remain a net power purchaser in the intermediate term as the Colón plant lowers generation, alongside lower spot market costs.

Standalone Rating Basis: Fitch rates AESPGH on a standalone basis, one notch below its 100% controlling parent, The AES Corporation. Fitch assumes linkage based on the parent's full ownership and material overlap in brand strategy. Under its Parent and Subsidiary Linkage Criteria, Fitch views the parent's legal and financial incentive to support AESPGH as low. Fitch also views strategic support incentive as low, given the subsidiary's limited growth potential, financial contribution and competitive advantage for the larger multinational parent. Operational support incentive is also low, as AESPGH represents less than 4% of the parent's total installed capacity.

PEER ANALYSIS

AESPGH's Standalone Credit Profile is in line with those of diversified and highly contracted power generators in the region, including Kallpa Generación S.A. (Kallpa; 'BBB-/Stable) in Peru, AES Andes S.A. ('BBB-/Stable) in Chile, and Isagen S.A. E.S.P. (Isagen; 'BB+/Stable) in Colombia.

Fitch expects AESPGH's leverage to be below 4.0x from 2026, supported by EBITDA growth and amortizing debt. This is in line with peers, whose leverage ranges from 3.3x to 4.0x. Like its peers, AESPGH has a diversified asset base across natural gas, hydroelectric and renewable generation, which helps limit exposure to climate variability through thermal backup capacity. AESPGH's scale is smaller at 1.9GW, compared with AES Andes at 5.9GW, Kallpa at 2.5GW and Isagen at 3.3GW. Isagen's IDR is constrained by Colombia's 'BB+' Country Ceiling because it operates fully in Colombia and lacks meaningful offshore cash flow or EBITDA from higher-rated jurisdictions.

FITCH'S KEY RATING-CASE ASSUMPTIONS

--Average Monomic contract prices 2026-2029 for each company are expected to be USD96/MWh for AES Panama SRL; USD110/MWh for AES Changuinola; and USD100/MWh for AES Colon;

--Long-term hydro and renewable PPA prices have fixed prices where some adjust with inflation and prices for capacity are fixed with no change over the life of the contract;

--Expiring large user hydro PPAs will be renewed with similar terms;

- Thermal PPA prices adjust based on the cost of fuel and capacity prices are fixed;
- Capex limited to maintenance work and amounts to USD70 million through 2029;
- Gatun commences cash contributions to AES Panama SRL in 2026;
- No significant asset sales occur during the rating horizon without corresponding debt rebalancing;
- Dividends average USD200 million through 2029.

CORPORATE RATING TOOL INPUTS AND SCORES

Fitch scored the issuer as follows, using our Corporate Rating Tool (CRT) to produce the Standalone Credit Profile (SCP):

Business and financial profile factors (assessment, relative importance): management ('bbb-', Lower), sector characteristics ('bb+', Moderate), market and competitive positioning ('bbb', Moderate), diversification and asset quality ('bbb-', Moderate), company operational characteristics ('bb+', Higher), profitability ('bbb', Moderate), financial structure ('bbb-', Moderate), and financial flexibility ('bbb-', Moderate).

The quantitative financial subfactors are based on standard CRT financial period parameters: 20% weight for the latest historical year 2025, 40% for the forecast year 2026 and 40% for the forecast year 2027.

The governance assessment of 'good' has no impact.

The operating environment assessment of 'bb+' has no impact.

The other risk elements adjustment applies and results in an adjustment of -1 notch(es).

The SCP is 'bb+'.

To derive the Long-Term IDR:

Fitch made no adjustments to the SCP, resulting in a Foreign and Local Currency IDR of 'BB+'

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Adverse government intervention in the sector that weakens the regulatory framework;
- Sustained gross leverage above 4.0x and net leverage above 3.5x over the medium term;
- A downgrade of Panama's sovereign rating and weakening of its operating environment;
- Deterioration in the company's ability to mitigate spot-market risk;
- Payment of dividends coupled with high leverage levels.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Upgrade of Panama's sovereign rating and/or greater disassociation from the government.
- Sustained gross leverage below 3.0x over the medium term;
- A conservative contracting strategy that promotes cash flow stability and the ability to withstand hydrological shocks to the system;
- Continued evidence of sustainable spot price stabilization as a result of asset diversification in the Panamanian electricity matrix.

LIQUIDITY AND DEBT STRUCTURE

AESPGH maintains a solid liquidity position, supported by stable cash flow generation from its strong contractual position and low capex. At YE 2025, the company reported available cash of USD75 million, compared with short-term debt of USD65 million, which covers near-term obligations. Most of AESPGH's debt is long term, with just over USD1.3 billion due in 2030. As a result, Fitch does not expect material refinancing risk through 2030.

ISSUER PROFILE

AESPGH is indirectly owned by AES to finance operations in Panama and is the issuer of USD1.38 billion amortizing notes. AESPGH owns and operates the largest portfolio of electricity generation and LNG assets in Panama.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

[Click here](#) to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

CLIMATE VULNERABILITY SIGNALS

The results of our Climate.VS screener did not indicate an elevated risk for AES Panama Generation Holdings, S.R.L.

ESG CONSIDERATIONS

AES Panama Generation Holdings, S.R.L. has an ESG Relevance Score of '4' for Governance Structure due to its partial government-owned corporate structure, and the inherent governance risk that arises with a material or dominant state shareholder, which has a negative impact on the credit profile, and is relevant to the rating[s] in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

<https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⇅	RATING TYPE ⇅	RATING ⇅	RATING ACTION ⇅	PRIOR ⇅
AES Panama Generation Holdings, S.R.L.	LT IDR	BB+	Rating Outlook Stable	BB+ Rating Outlook Stable

	LC LT IDR	BB+ Rating Outlook	Affirmed Stable	BB+ Rating Outlook Stable
	NatI LT	AA+(pan) Rating Outlook	Affirmed Stable	AA+(pan) Rating Outlook Stable
senior secured	LT	BB+	Affirmed	BB+
senior secured	NatI LT	AA+(pan)	Affirmed	AA+(pan)

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA[Metodología de Calificaciones en Escala Nacional \(pub. 22 Dec 2020\)](#)[Parent and Subsidiary Linkage Rating Criteria \(pub. 27 Jun 2025\)](#)[Metodología de Calificación de Finanzas Corporativas \(pub. 24 Jul 2025\)](#)[Metodología de Vínculo de Calificación entre Matriz y Subsidiaria \(pub. 10 Sep 2025\)](#)[Corporate Rating Criteria \(pub. 09 Jan 2026\) \(including rating assumption sensitivity\)](#)[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub. 09 Jan 2026\)](#)**APPLICABLE MODELS**

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

[Corporate Monitoring & Forecasting Model \(COMFORT Model\), v8.2.0 \(1\)](#)**ADDITIONAL DISCLOSURES**[Dodd-Frank Rating Information Disclosure Form](#)[Solicitation Status](#)[Endorsement Policy](#)**ENDORSEMENT STATUS**

AES Panama Generation Holdings, S.R.L.

EU Endorsed, UK Endorsed

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