

Unaudited interim financial statements

AES Changuinola, S.R.L.

*As of September 30, 2020 and December 31, 2019
and for the nine month periods ended September 30, 2020 and 2019*

CONTENT

Unaudited Interim Statements of Financial Position.....	1
Unaudited Interim Statements of Comprehensive Income.....	3
Unaudited Interim Statements of Changes in Stockholders' Equity.....	4
Unaudited Interim Statements of Cash Flows	5

AES Changuinola S.R.L.
Unaudited Interim Statements of Financial Position
As of September 30, 2020 and December 31, 2019

(Expressed in thousands of dollars of the United States of America)

	<u>2020</u>	<u>2019</u>
	(Unaudited)	(Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 58,069	\$ 25,063
Accounts receivable:		
Trade	4,551	4,365
Affiliates	15,281	3,223
Others	318	273
Inventories, net	1,071	1,161
Prepaid income tax, net	3,780	3,438
Prepaid expenses	1,536	357
Total current assets	<u>84,606</u>	<u>37,880</u>
Non-current assets		
Property, plant and equipment, net	521,684	529,875
Restricted cash	1,264	475
Intangible assets, net	2,521	2,824
Deferred assets	28,936	22,763
Deferred income tax, net	10,224	16,266
Advances to suppliers	472	10
Other assets	63	—
Total non-current assets	<u>565,164</u>	<u>572,213</u>
TOTAL ASSETS	<u><u>\$ 649,770</u></u>	<u><u>\$ 610,093</u></u>

AES Changuinola S.R.L.**Unaudited Interim Statements of Financial Position (Continued)****As of September 30, 2020 and December 31, 2019***(Expressed in thousands of dollars of the United States of America)*

	<u>2020</u>	<u>2019</u>
	(Unaudited)	(Audited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable:		
Suppliers	\$ 13,876	\$ 25,235
Affiliates	2,668	1,106
Interest payable	2,581	249
Accrued expenses and other liabilities	2,446	2,437
Loan payable	15,333	—
Bonds payable	69,251	20,000
Total current liabilities	<u>106,155</u>	<u>49,027</u>
Non-current liabilities		
Seniority premium	221	182
Accounts payable	8	8
Loan payable - affiliate	231,689	—
Contingencies and commitments	311	311
Loan payable	—	8,000
Bonds payable, net	76,251	309,397
Total non-current liabilities	<u>308,480</u>	<u>317,898</u>
STOCKHOLDERS' EQUITY		
Authorized capital	270,385	270,385
Additional paid-in-capital	356	321
Accumulated deficit	(24,935)	(16,591)
Other comprehensive loss	(10,125)	(10,417)
Deemed tax	(546)	(530)
Total stockholders' equity	<u>235,135</u>	<u>243,168</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 649,770</u>	<u>\$ 610,093</u>

AES Changuinola S.R.L.**Unaudited Interim Statements of Comprehensive Income****For the nine months ended September 30, 2020 and 2019***(Expressed in thousands of dollars of the United States of America)*

	<u>2020</u>	<u>2019</u>
	(Unaudited)	
Revenues		
Electricity sales	\$ 47,305	\$ 7,104
Leases	13,435	15,015
Other revenue	—	2,010
Total revenues	<u>60,740</u>	<u>24,129</u>
Operating cost and expenses		
Electricity purchases	3,418	2,910
Transmission costs	1,479	1,886
Operating, general and maintenance expense	10,095	13,535
Depreciation and amortization	14,269	12,801
Total operating cost and expenses	<u>29,261</u>	<u>31,132</u>
Operating income (loss)	31,479	(7,003)
Other (expenses) income		
Interest expense, net	(16,981)	(15,530)
Other income (expenses), net	(17,143)	28,778
Total other (expenses) income, net	<u>(34,124)</u>	<u>13,248</u>
(Loss) income before income tax expense	(2,645)	6,245
Income tax expense	5,699	6,091
Net (loss) income	<u>\$ (8,344)</u>	<u>\$ 154</u>
Amortization of other comprehensive income	292	292
Other comprehensive income	292	292
Total other comprehensive (loss) income income	<u>\$ (8,052)</u>	<u>\$ 446</u>

AES Changuinola, S.R.L.

Unaudited Interim Statements of Changes in Stockholders' Equity

For the nine months ended September 30, 2020

(Expressed in thousands of dollars of the United States of America)

	Authorized capital	Additional Paid-in- capital	Accumulated deficit	Other comprehensive (loss) income	Deemed tax	Total Stockholders' equity
Balance as of January 1, 2020	\$ 270,385	\$ 321	(16,591)	\$ (10,417)	\$ (530)	\$ 243,168
Net loss	—	—	(8,344)	—	—	(8,344)
Amortization of other comprehensive income	—	—	—	292	—	292
Total other comprehensive income	—	—	(8,344)	292	—	(8,052)
Share based compensation	—	35	—	—	—	35
Balance as of September 30, 2020 (unaudited)	\$ 270,385	\$ 356	\$ (24,935)	\$ (10,125)	\$ (546)	\$ 235,135

AES Changuinola, S.R.L.**Unaudited Interim Statements of Cash Flows****For the nine months ended September 30, 2020 and 2019***(Expressed in thousands of dollars of the United States of America)*

	<u>2020</u>	<u>2019</u>
	(Unaudited)	
Cash flow from operating activities:		
Net (loss) income	\$ (8,344)	\$ 154
Adjustment to reconcile net (loss) income to net cash (used in) provide by operating activities:		
Depreciation	13,766	12,316
Amortization	503	485
Gain on sales of property, plant and equipment	—	(36)
Loss on early extinguishment of debt	6,485	—
Loss on retirement of property, plant and equipment	46	11,225
Interest income	(345)	(1,088)
Interest expense - financial	15,388	16,938
Obsolescence provision	—	(1)
Amortization of deferred financing costs	145	118
Write-off of deferred financing costs	397	—
Income tax expenses	5,699	6,091
Share-based compensation	35	33
Cash flows before working capital movements	<u>33,775</u>	<u>46,235</u>
Increase in account receivable - trade	(182)	(1,195)
Decrease (increase) in inventories, net	90	(2,938)
Increase in prepaid income tax, net	(15)	—
(Increase) decrease in prepaid expenses	(1,243)	2,584
Increase in account receivable - affiliates	(12,058)	(26,764)
Increase (decrease) in account payable - affiliates	1,562	(139)
Increase in accounts payable	8,969	317
Increase (decrease) in accrued expenses and other liabilities	9	(12)
Decrease in seniority premiun	(9)	(24)
Interest received	296	1,213
Deferred assets	(6,173)	(13,038)
Net cash provided by operating activities	<u>25,021</u>	<u>6,239</u>
	Carried forward...	
	\$ 25,021	\$ 6,239

AES Changuinola, S.R.L.**Unaudited Interim Statements of Cash Flows (Continued)****For the nine months ended September 30, 2020 and 2019***(Expressed in thousands of dollars of the United States of America)*

	<u>2020</u>	<u>2019</u>
	(Unaudited)	
Brought forward...	\$ 25,021	\$ 6,239
Cash flows from investing activities:		
Advance payments for the acquisition of property, plant and equipment	(472)	(10)
Acquisition of property, plant and equipment	(88)	(21)
Construction in progress	(5,736)	(26,174)
Acquisition of intangible assets	(10)	(111)
Restricted cash	(741)	—
Proceeds from the sale of property, plant and equipment	—	36
Net cash used in investing activities	<u>(7,047)</u>	<u>(26,280)</u>
Cash flow from financing activities:		
Payment of interest	(13,056)	(11,235)
Payment of bonds	(180,671)	(10,000)
Proceeds from new loan	7,333	—
Proceeds from new loan - affiliate	231,689	—
Premium payment of early extinguishment debt	(6,485)	—
Payment of deferred financing costs	(3,637)	—
Payment of financing for construction in progress	(20,141)	—
Net cash provided by (used in) financing activities	<u>15,032</u>	<u>(21,235)</u>
Net increase (decrease) increase in cash, and cash equivalents	33,006	(41,276)
Cash and cash equivalents at the beginning of the year	25,063	59,386
Cash and cash equivalents at the end of the period	<u>\$ 58,069</u>	<u>\$ 18,110</u>

AES Changuinola, S. R. L. reports Net loss of (\$8.3) million for the nine months ended September 30, 2020

Panamá, November 30, 2020 - Today AES Changuinola, S. R. L. announced the results for the third quarter of 2020. AES Changuinola, S. R. L. operate, maintain and manage an hydroelectric power plant which uses the waters of the Changuinola and Culubre rivers and has a nominal installed capacity of 223 ("MW"). The Company sells electricity under long term power purchase agreements to its affiliate, AES Panamá, S. R. L. The Financial Statements, used to prepare the financial and statistical information herein, are prepared and presented in accordance with International Financial Reporting Standard ("IFRS").

Revenues increased by \$36.6 million in the nine months of 2020 compared to the same period of 2019.

Table 1: Summary Financial Results

(Millions of US\$)	Sep-2020	Sep-2019	Var	Var%
Revenues	60.7	24.1	36.6	150%
Operating cost and expenses	29.3	31.1	(1.8)	-10%
Operating income (loss)	31.4	(7.0)	38.4	-550%
Operating income (loss) margin	51.7%	-29.0%	80.0%	-280%
EBITDA	45.7	5.8	39.9	690%
Net income	(8.3)	0.2	(8.5)	-4,250%
Net Cash Provided by Operating Activities	25.0	6.2	18.8	300%

Analysis of Unaudited Financial Statements

Table 2: Summary of Results for third quarter 2020

	September	
	2020	2019
Revenues	60.7	24.1
Electricity sales	47.3	7.1
Leases	13.4	15.0
Other revenue	—	2.0
Operating cost and Expenses	29.3	31.1
Electricity purchases	3.4	2.9
Transmission costs	1.5	1.9
Operating, general and maintenance expense	10.1	13.5
Depreciation and amortization	14.3	12.8
Other income (expenses)	(34.1)	13.3
Interest expense, net	(17.0)	(15.5)
Other income (expense), net	(17.1)	28.8
Net Cash Provided by Operating Activities	25.0	6.2
Net (loss) income	(8.3)	0.2
Increase in account receivable - trade	(0.2)	(1.2)
Decrease (increase) in inventories, net	0.1	(2.9)
(Increase) decrease in prepaid expenses	(1.2)	2.6
Increase in account receivable - affiliates	(12.1)	(26.8)
Increase (decrease) in account payable - affiliates	1.6	(0.1)
Increase in accounts payable	9.0	0.3
Interest received	0.3	1.2
Deferred assets	(6.2)	(13.0)
Non Cash adjustment	42.0	45.9
Free Cash Flow provided /1	(1.4)	(20.1)
Net Cash provided by Operating Activities	25.0	6.2
Capex Maintenance and environment	(26.4)	(26.3)

/1 A non-GAAP financial measure defined as net cash from operating activities less capital expenditure (Capex) of maintenance and environmental.

Key Drivers of the third quarter results (2020 vs. 2019)

- **Revenues** increased \$36.6 million or 150% from \$24.1 million in 2019 to \$60.7 million in 2020. This variance was generated by higher energy sales due the Changuinola plant was offline from January 28, 2019 through January 2, 2020 due to the concrete re-lining of the Changuinola tunnel, thus finalizing amendment No. 5 to the firm power and energy purchase-sale contract with its affiliate AES Panamá, S. R. L., where the committed capacity was reduced from 175MW to 9MW for a period of 12 months, starting in February 2019.
- **Operating Costs and Expenses** decreased (\$1.8) million or 10%. This variance was attributable primarily to a decrease of (\$3.4) million in operating, general and maintenance expense due to lower advisory and professional fees associated with the legal consultancies carried out in 2019, related to the evaluations of the tunnel damage; partially offset by an increase of \$1.5 million in depreciation and amortization as a result of the capitalization of the tunnel lining improvement project in 2020 and the tunnel write-off in 2019.
- **Other income (expense)** increased (\$47.4) million compared to the same period of 2019, mainly related to the fact that during 2020 there were losses due to the anticipated prepaid debt for (\$6.9) million resulting from the payment of the penalty for the early prepaid of a portion of series B of the bonds and the write-off of deferred financial costs, additionally, the Company incurred in losses due to legal disputes for (\$10.6) million. On the other hand, we have a decrease in other income, net of (\$28.8) million derived mainly from the insurance payment received in 2019 for the improvements to the tunnel of the Hydroelectric Plant.
- **Net Cash provided by Operating Activities** increased by \$18.8 million mainly due to the increase in accounts receivable - affiliated as a result of higher energy sales to AES Panama due to the start-up of the Changuinola's plant in January 2020 and an increase in accounts payable.
- **Free Cash Flow** decreased by \$18.7 million from (\$20.1) million in 2019 to (\$1.4) million in 2020. Mainly due to the increase in net cash provided by operating activities explained above by \$18.8 million, partially offset by an increase in maintenance and environmental CAPEX by (\$0.1) million.