Interim Financial Statements
(Translation of financial statements originally issued in Spanish)

AES Panamá, S.R.L.

For the periods ended March 31, 2018 (non audited)
and December 31, 2017 (audited)

CONTENTS

PUBLIC ACCOUNTANT REPORT

Assembly of Partners
AES Panamá, S.R.L.

We have reviewed the accompanying interim financial statements of AES Panamá, S.R.L., hereinafter "the Company", which comprise the balance sheets as of March 31, 2018, and the related statements of comprehensive income, statements of changes in stockholders' equity and statements of cash flows for the period ended that date, and the related notes to the financial statements.

Management's Responsibility for Interim Financial Statements

Management is responsible for the preparation and fair presentation of these interim financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") and the internal control that management determines that necessary to permit the preparation of interim financial statements are free of material misstatement, whether due to fraud or error.

CPA Responsibility

Our responsibility is to prepare the interim financial statements based on the accounting records of the Company under U.S. generally accepted accounting principles ("U.S. GAAP"). During the preparation of interim financial statements we have reviewed the accounting information in order to validate the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements in question.

We believe we have obtained sufficient and appropriate information about the amounts and disclosures in the interim financial statements. In our opinion, the interim financial statements present fairly, in all material respects, the financial position of AES Panamá, S.R.L. as of March 31, 2018, and its financial performance and its cash flows for the period ended on that date, in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

Miguel Bolinaga	Carisabel T. Ortega V.
General Manager	CPA No. 0498-2017

May 30, 2018
Panama City, Republic of Panama

(Translation of financial statements originally issued in Spanish)
AES Panamá, S.R.L.
Balance Sheets
As of March 31, 2018 and December 31, 2017
(Amounts stated in thousands of US dollars)

Notes			**2018**		2017
	ASSETS				
	Current assets				
3	Cash and cash equivalents	**$**	**37,550**	$	16,412
	Accounts receivable:				
	Trade		**4,083**		6,639
4	Related parties		**51,662**		53,040
4	Affiliates		**3,490**		3,063
	Other		**215**		159
5	Inventories, net		**5,601**		5,970
7	Prepaid expenses		**5,611**		703
	Total current assets		**108,212**		85,986
	Long term assets				
	Property, plant and equipment, net		**398,451**		402,676
6	**Total property, plant and equipment, net**		**398,451**		402,676
	Non current assets				
4 & 18	Others accounts receivable - related parties		**20,505**		20,382
8	Intangible assets, net		**9,433**		10,520
	Advances to suppliers		**113**		324
9	Investment in affiliate		**45,657**		43,303
3	Other restricted deposits		**1,827**		1,756
	Others		**12**		13
	Total non current assets		**77,547**		76,298
	TOTAL ASSETS	**$**	**584,210**	$	564,960

Notes		2018	2017
	LIABILITIES AND STOCKHOLDERS´ EQUITY		
	Current liabilities		
	Accounts payable:		
	Suppliers	**$ 6,231**	$ 10,059
4	Related parties	**2,673**	1,651
4	Affiliates	**19,771**	21,642
	Interest payable	**5,987**	362
	Income tax payable	**4,465**	296
	Accrued expenses and other liabilities	**4,505**	4,869
	Total current liabilities	**43,632**	38,879
	Non current liabilities		
	Seniority premium	**680**	867
	Accounts payable	**673**	718
11 & 18	Bonds payable, net	**372,222**	372,080
17	Deferred income tax, net	**46,517**	46,324
6	Asset retirement obligation	**1,393**	1,378
4 & 10	Deferred income	**2,910**	1,421
	Total non current liabilities	**424,395**	422,788
	STOCKHOLDERS' EQUITY		
	Participating stock	**141,139**	141,139
	Additional paid-in-capital	**14,415**	14,397
	Accumulated deficit	**(36,991)**	(49,843)
	Deemed tax	**(161)**	(161)
	Other comprehensive income of affiliate	**(2,219)**	(2,239)
	Total stockholders' equity	**116,183**	103,293
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 584,210**	$ 564,960

The accompanying notes are an integral part of these interim financial statements.

(Translation of financial statements originally issued in Spanish)
AES Panamá, S.R.L.
Statements of Comprehensive Income
For the periods ended March 31, 2018 and 2017
(Amounts stated in thousands of US dollars)

Notes		**2018**	2017
4	**Electricity sales**	**$ 84,152**	$ 80,131
	Operating costs and expenses		
4	Electricity purchases	**30,936**	32,625
4 & 10	Operating lease cost	**4,646**	4,646
4 & 14	Other costs of electricity sales	**9,140**	11,447
4	Transmission costs	**715**	783
15	Operating and maintenance	**8,976**	8,636
6 & 8	Depreciation and amortization	**7,705**	8,949
4	Management fee	**1,789**	1,694
	Total operating costs and expenses	**63,907**	68,780
	Operating income	**20,245**	11,351
	Other (expenses) income		
4	Interest income	**54**	—
	Interest expense	**(5,306)**	(5,537)
6	Accretion expense	**(15)**	(14)
4 & 16	Other (expense) income, net	**(34)**	1,709
9	Equity earnings in investment in affiliate	**2,334**	923
	Total of other expenses, net	**(2,967)**	(2,919)
	Income before income tax expense	**17,278**	8,432
17	Income tax expense	**4,426**	2,233
	Net income	**12,852**	6,199
9	Other comprehensive income of affiliate	**20**	20
	Total comprehensive income of the period	**$ 12,872**	$ 6,219

The accompanying notes are an integral part of these interim financial statements.

(Translation of financial statements originally issued in Spanish)
AES Panamá, S.R.L.
Statement of Changes in Stockholders' Equity
For the periods ended March 31, 2018 and December 31, 2017
(Amounts stated in thousands of US dollars)

	Participating Stock	Additional Paid-in-Capital	Accumulated Deficit	Deemed Tax	Other Comprehensive Income of Affiliate	Total Stockholders' Equity
Balances as of January 1, 2017	$ 141,139	$ 14,323	$ (43,326)	$ (161)	$ (2,317)	$ 109,658
Net income	—	—	63,332	—	—	63,332
Other comprehensive income of affiliate	—	—	—	—	78	78
Dividends decreed (Note 4)	—	—	(69,849)	—	—	(69,849)
Share based compensation	—	74	—	—	—	74
Balances as of December 31, 2017	$ 141,139	$ 14,397	$ (49,843)	$ (161)	$ (2,239)	$ 103,293
Balances as of January 1, 2018	**$ 141,139**	**$ 14,397**	**$ (49,843)**	**$ (161)**	**$ (2,239)**	**$ 103,293**
Net income	**—**	**—**	**12,852**	**—**	**—**	**12,852**
Other comprehensive income of affiliate	**—**	**—**	**—**	**—**	**20**	**20**
Share based compensation	**—**	**18**	**—**	**—**	**—**	**18**
Balances as of March 31, 2018	**$ 141,139**	**$ 14,415**	**$ (36,991)**	**$ (161)**	**$ (2,219)**	**$ 116,183**

The accompanying notes are an integral part of these interim financial statements.

(Translation of financial statements originally issued in Spanish)
AES Panamá, S.R.L.
Statements of Cash Flows
For the periods ended March 31, 2018 and 2017
(Amounts stated in thousands of US dollars)

	2018	2017
Cash flows from operating activities		
Net income	**$ 12,852**	$ 6,199
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**6,651**	7,893
Amortization	**1,051**	1,053
Amortization of other comprehensive income	**3**	3
Gain on insurance proceeds for damage property	**—**	(1,472)
Loss on retirement of fixed assets	**296**	—
Accretion expenses	**15**	14
Deferred income tax	**193**	103
Amortization of deferred financing cost	**234**	205
Equity earnings in investment in affiliate	**(2,334)**	(923)
Amortization of bond premium	**(108)**	(102)
Amortization of account receivable discount	**(123)**	—
Share based compensation	**18**	17
Cash flows before working capital movements	**18,748**	12,990
Changes in operating assets and liabilities:		
Decrease in accounts receivable	**3,087**	755
Decrease (increase) in inventories	**369**	(34)
(Increase) in prepaid expenses	**(4,908)**	(4,752)
Increase in deferred income	**1,489**	1,489
(Decrease) increase in accounts payable	**(1,354)**	2,577
Increase (decrease) in income tax payable	**4,169**	(67)
Increase in interest payable	**5,625**	5,625
(Decrease) increase in accrued expenses and other liabilities	**(364)**	38
(Decrease) in seniority premium, net	**(187)**	(237)
Net cash provided by operating activities	**26,674**	18,384
Carried forward…	**$ 26,674**	$ 18,384

(Translation of financial statements originally issued in Spanish)
AES Panamá, S.R.L.
Statements of Cash Flows (continued)
For the periods ended March 31, 2018 and 2017
(Amounts stated in thousands of US dollars)

	2018	2017
Brought forward…	**$ 26,674**	$ 18,384
Cash flows from investing activities		
Advances for the acquisition of property, plant and equipment	**(64)**	(604)
Acquisition of property, plant and equipment	**(654)**	(108)
Construction in progress	**(3,666)**	(2,813)
Other non current assets	**1**	—
Insurance proceeds from property damage	**—**	1,472
Net cash used in investing activities	**(4,383)**	(2,053)
Cash flows from financing activities		
Payment of financing for construction in progress	**(1,082)**	—
Net cash used in financing activities	**(1,082)**	—
Decrease in cash and cash equivalents	**21,209**	16,331
Cash and cash equivalents at the beginning of the year	**18,168**	18,522
Cash and cash equivalents at the end of the year	**$ 39,377**	$ 34,853
Supplementary disclosure		
Income tax paid	**$ —**	$ 2,144
Acquisition of property, plant and equipment in accounts payable	**$ 608**	$ 1,510
Supplementary disclosure of non-cash activities		
Asset retirement obligation capitalized	**$ 15**	$ 14

The accompanying notes are an integral part of these interim financial statements.

Explanation Added for Translation into English

The accompanying financial statements have been translated from Spanish into English for international use. These financial statements are presented based on generally accepted accounting principles in the United States of America. Certain accounting practices applied by AES Panamá, S.R.L. which are in conformity with generally accepted accounting principles in the United States of America may differ from accounting principles generally accepted in some countries where the financial statements may be used.

1. Corporate Information

AES Panamá, S.R.L. (the Company) was incorporated on October 26, 1999 as a result of the merger of Empresa de Generación Eléctrica Chiriquí, S. A. (Chiriquí) and Empresa de Generación Eléctrica Bayano, S. A. (Bayano). Chiriquí and Bayano were incorporated as companies on January 19, 1998 in connection with the privatization and restructuring of the Panamanian energy industry. At the time of its incorporation, the Company operated a hydroelectric power plant with an installed capacity of 150 megawatts in Bayano, a thermal power plant with a capacity of 42.8 megawatts located in Province of Panama, which was shut down in 2005 and transferred to Empresa de Generación, S. A. (EGESA) who assumed all the obligations and responsibilities of the plant on October 18, 2006 as established in the transfer of gas turbines agreement, and the hydroelectric power plants of La Estrella and Los Valles with installed capacities of 42 and 48 megawatts, respectively, located in the Province of Chiriquí. The Bayano plant completed the expansion of two existing units increasing its total capacity from 75 to 87 megawatts for both units and also the construction of a third unit of 86 megawatts was finished in February 2004, for a total of 260 megawatts of installed capacity for the Bayano plant. The Company built the Estí hydroelectric plant with an installed capacity of 120 megawatts, which is located in the Province of Chiriquí and initiated its commercial operation on November 20, 2003. Additionally, in March 2006, the Company began a project to increase capacity of generating the four units at La Estrella and Los Valles power plants to 45 and 51 megawatts, respectively in June 2006 and in June 30, 2007, their capacity was increased again to 47 and 55 megawatts, respectively.

The Company began in the last four months of 2014, the installation of a thermal power plant Barge called "Thermal Power Barge Project Estrella del Mar I " with an installed capacity of 72 MW using Bunker C (Fuel Oil No. 6) as its main fuel. It is located in Cativá, Province of Colón and began operating on March 25, 2015. With the installation of this new thermal power plant the company has a total capacity of 554 megawatts.

On September 25, 2013, the Company converted into equity ownership the accounts receivables with its affiliate AES Changuinola, S.R.L. for $63,277 generated by the energy supply contract that both companies maintain. Through this transaction, AES Panamá, S.R.L. became the owner of 20% of AES Changuinola, S.R.L. On November 25, 2013, the transaction was completed upon the transfer and issuance of the corresponding shares.

1. Corporate Information (continued)

On October 16, 2014, it was registered in the Public Registry of Panama the transformation of AES Panamá, S.A. into AES Panamá, S.R.L. (Limited Liability Company or "Sociedad de Responsabilidad Limitada" in Spanish). The change was approved by the Company's Board of Directors and Stockholders. As a result of this change, the Company canceled its outstanding common stock and issued participating stock to its members representing the same percentage of ownership. In addition, treasury stock was canceled.

On June 25, 2015, "The Partners" approved the transfer of participating stock owned by AES Panamá Energy, S.A. in favor of AES Elsta, B.V., 100% subsidiary of The AES Corporation, as result of a corporate restructuring of the Corporation. The transfer was duly registered in the Public Registry of Panama effective on September 30, 2015.

As of March 31, 2018, AES Elsta, B.V., 100% subsidiary of The AES Corporation (the Corporation), owns 105,353,687 (49.07%) of the Company’s participating stock, the Republic of Panama owns 108,347,536 (50.46%) of the Company´s participating stock, and other partner's own 1,016,205 (0.47%) of the Company's participating stock.

The Company generates and sells electricity in the Panamanian market and the Regional Electric Market (MER), where the Panamanian market is regulated by the Autoridad Nacional de los Servicios Públicos (ASEP by its initials in Spanish), formerly Regulator of Public Services.

As of March 31, 2018, 93.89% of the energy capacity of the plants in operation of the Company are contracted under several energy purchases agreements to purchase-sell electrical power and energy or only electrical power with distribution companies, "large customers" and the generation company AES Changuinola, S.R.L. These agreements have average terms of one to ten years. Excess energy is sold in the spot market at the prevailing rates (spot price).

2. Basis for the Preparation of Financial Statements

These financial statements are prepared based on generally accepted accounting principles in the United States of America (US GAAP).

The accounting records are maintained in Balboas, the official currency of the Republic of Panama, which is the country in which the Company operates. The Balboa is on a par and is freely exchangeable with the US Dollar. The Republic of Panama does not issue paper currency; instead it uses the US dollar as the legal currency.

The financial statements and notes are presented in thousands of US dollars ($), functional currency of the Company, except otherwise indicated.

(Amounts stated in thousands of US dollars)

3. Summary of Significant Accounting Policies

The Company's significant accounting policies are summarized as follows:

Cash and cash equivalents

The Company considers as cash and cash equivalents its cash on hand, deposits in checking and savings accounts, and time deposits with initial maturity dates that are less than three (3) months.

Accounts receivable

Accounts receivable are shown at their nominal value less an allowance for uncollectible account. The estimated allowance considers the customer and related parties billing records, the age of the balances due, as well as specific evaluations of individual balances. As of March 31, 2018 and 2017, there are no allowances for uncollectible accounts.

Inventories

Inventories, which consist primarily of fuel, materials and spare parts, are valued at the lower of cost or market value. The cost is determined using the average cost method. The inventories include an allowance for obsolescence of $403 and $403 as of March 31, 2018 and December 31, 2017, respectively. (Note 5).

Property, plant and equipment

Property, plant and equipment are recorded at their acquisition cost, less accumulated depreciation. Cost includes major expenditures for improvements and replacement, including critical replacement parts for the turbine generator units, which extend useful lives or increases capacity. When assets are sold or retired, the corresponding cost and accumulated depreciation are removed, and the resulting gain or loss is reflected in the statements of comprehensive income.

Depreciation is calculated according to the useful life of the respective assets using the straight-line method. During 2017, the useful life of the property, plant and equipment was reevaluated through the study of useful lives and residual value performed by an independent third party, which resulted in the updating of the estimated useful lives as presented below:

	Useful Life
Buildings	30 to 60 years
Generating assets (generation equipment)	10 to 80 years
Generating assets (electricity equipment)	15 to 40 years
Generating assets (transmission equipment)	15 to 35 years
Office furniture and equipment	5 to 8 years
Vehicles	3 to 8 years

3. Summary of Significant Accounting Policies (continued)

Asset retirement obligation

The Company books the fair value of a liability from a contractual obligation to retire an asset in the period in which the obligation is incurred. When a new liability is recognized, the Company capitalizes the costs of the liability by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the obligation, the Company eliminates the liability and, based on the actual cost to retire, may incur a gain or loss.

Impairment valuation of long-lived assets

When circumstances indicate the carrying amount of long-lived assets in a held-for-use asset group may not be recoverable, the Company evaluates the assets for potential impairment using internal projections of undiscounted cash flows resulting from the use and eventual disposal of the assets. If the carrying amount of the assets exceeds the undiscounted cash flows, an impairment expense is recognized for the amount by which the carrying amount of the asset group exceeds its fair value (subject to the carrying amount not being reduced below fair value for any individual long-lived asset that is determinable without undue cost and effort).

Investment in affiliate

Investments in entities over which the Company has the ability to exercise significant influence, but not control, are accounted for using the equity method of accounting and reported as "Investment in affiliate" on the Balance Sheets. The Company periodically assesses if there is an indication that the fair value of an equity method investment is less than its carrying amount. When an indicator exists, any excess of the carrying amount over its estimated fair value is recognized as impairment when the loss in value is deemed other-than-temporary.

The Company discontinues the application of the equity method when an investment is reduced to zero and the Company is not otherwise committed to provide further financial support to the investee. The Company resumes the application of the equity method if the investee subsequently reports net income to the extent that the Company's share of such net income equals the share of net losses not recognized during the period in which the equity method of accounting was suspended.

Operating leases

Operating leases are leases where the lessor retains substantially all the risks and rewards of ownership of the asset. The lease payments, according to the rates established in the respective contracts, are recognized as expense on a straight-line basis over the lease term. Accrued lease payments minus lease expense are recorded as a prepaid assets, (if the net effect is a debit amount).

3. Summary of Significant Accounting Policies (continued)

Major and minor maintenance

Disbursements for major maintenance represent the reconditioning of the plant or other assets. These expenses are capitalized and amortized based on the useful life of each asset. Minor maintenance expenses are charged directly to operating and maintenance expenses in the statements of comprehensive income.

Construction in progress

Construction progress payments, engineering costs, insurance, salaries, interest and other costs directly relating to construction in progress are capitalized during the construction period, provided the completion of the project is deemed probable, or expensed at the time the Company determines that development of a particular project is no longer probable. The capitalization of such costs is subject to risks related to successful completion of projects, including government approvals, site identification, financing, construction permits and contract compliance. Construction in progress balances are transferred to electricity generation facilities when an asset group is ready for its intended use. Government subsidies, damages recovered for construction delays and income tax credits are recorded as a reduction to property, plant and equipment and reflected in cash flows from investing activities. The construction in progress consists primarily of costs associated with the generation Barge project.

For the three months ended March 31, 2018, the Company transferred assets from construction in progress to property plant and equipment by $2,575, mainly related to projects associated with hydroelectric power plants. During the construction period, the interests are capitalized and are included as part the cost of construction in progress. For the three months ended March 31, 2018 and 2017, the Company capitalized interest of $364 and $244, respectively, which are transferred to fixed assets together with all construction costs upon the project completion.

Intangible Assets

Intangible assets acquired separately are initially recorded at cost. Subsequent to its initial recognition, intangible assets are accounted for at cost less accumulated amortization and the accumulated amount of any impairment loss as applicable.

Share based compensation

Certain Company employees were granted stock options under the stock-based compensation plan created by the Corporation. This plan allows the issuance of options to purchase common stock of the Corporation at a price equal to 100% of the market price on the date on which the option is granted. Generally, the stock options issued under this plan become exercisable by employees one year after the grant date and vest over three years from the date of the grant (33% per year).

3. Summary of Significant Accounting Policies (continued)

The Company uses a Black-Scholes option pricing model to estimate the fair value of stock options granted under the Corporation's plan.

The cost is measured at the date of the grant of the option based on the fair value of the option estimated by the Corporation and is expensed on a straight line basis for the required period of service to earn the right to exercise the option against a capital contribution in the line of additional paid-in capital. For the periods ended March 31, 2018 and December 31, 2017, the compensation cost recognized of the options amounted to $18 and $74, respectively.

Deferred financing costs

Financing costs that meet certain criteria are capitalized and amortized using the effective interest method during the financing period and its amortization is presented in the statements of comprehensive income. During construction, amortization of deferred financing costs is included as part of construction in progress.

Seniority premiums and termination severance provision

The Panamanian Labor Law established the recognition of a service seniority premium. For this purpose, a provision has been established, which is calculated on the basis of one week of each year of work, equal to 1.92% of salaries paid in the year.

Law N° 44 dated August 12, 1995, established, from the effective date of the law, the employer's obligation to set up a severance fund to pay employees the seniority premium and indemnity for unjustified dismissal established by the Labor Law. This fund is constituted based on seniority premium and the 5% quote of the monthly severance. As of March 31, 2018 and December 31, 2017, the balance of the seniority premiums amounts to $1,827 and $1,756, respectively, and is presented as other restricted deposits in the balance sheets.

Revenue recognition and concentration

Revenues produced by the sale of electricity are recognized based on output delivered to clients according to the monthly reports, considering rates and kilowatts specified under contract terms; the Company also recognizes revenues from the sale of energy in the spot market. For the three months ended March 31, 2018 and 2017, 90% and 89% of the revenues of each year, were derived from sales to distribution companies (EDEMET, EDECHI and ENSA), twelve large customers, (Cemento Panamá, Contraloría General de la República, Caja de Seguro Social, Sunstar Hotel, Gold Mills, Avipac, Inc, Cemento Interoceanico, United States Embassy, Varela Hermanos, Importadora Ricamar, S.A., Cervecería Nacional, S.R.L. and Aceti-Oxigeno, S.A.) and reserve contracts with the generator AES Changuinola, S.R.L.

3. Summary of Significant Accounting Policies (continued)

Interest income

Interest income corresponds to interest earned on time deposits, calculated at the applicable effective interest rate and commercial interests that are determined by customer contracts.

Income tax

The income tax for the year comprises current tax and deferred tax. The income tax is recognized in the statements of comprehensive income for the current year, except for taxes related to items directly linked to equity, in which case they are recognized in shareholders' equity.

The current income tax relates to the expected tax payable on taxable income, using the current tax rate at the date of the statements of comprehensive income and any other adjustment to tax payable for previous years.

The deferred income tax is calculated based on the liability method, considering the temporary differences between the carrying amounts of assets and liabilities reported for financial purposes and the amounts used for taxation purposes. The resulting value of these differences will be recognized as deferred asset or liability in the Balance Sheets and valued at the tax rate that administration considers these differences will be realized. The amount of deferred income tax recognized in the statements of comprehensive income is based on the embodiment of timing differences in the respective fiscal year, using the income tax rate at the date of the relevant tax year. The Company establishes a valuation allowance when it is more likely than not that all or a portion of a deferred tax asset will not be used.

Use of estimates

The presentation of the financial statements in accordance with generally accepted accounting principles in the United States of America requires administration to make estimates and assumptions affecting the balances of assets, liabilities, gain and losses, as well as the disclosure of contingent assets and liabilities. Actual results might differ from these estimates. The most important estimates are the valuation and determination of useful lives of long-lived assets, the assessments of the asset retirement obligation and obsolescence reserve for inventory.

Fair Value of Financing Instruments

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability in an arms-length transaction between market participants at the measurement date, or exit price.

The Company applies the fair value accounting standard codification to measure the fair value of its short and long-term financial assets, bonds payable and short and long-term financial liabilities.

(Amounts stated in thousands of US dollars)

3. Summary of Significant Accounting Policies (continued)

Financial assets and liabilities are classified in accordance with the fair value hierarchy, based on the lowest level of entry that is significant for fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical financial assets and liabilities.

Level 2: Valuation techniques in which the lowest level of information used for measuring fair value is directly or indirectly observable.

Level 3: Valuation techniques in which the lowest level of information used for measuring fair value is not observable.

Standards, Interpretations and Amendments adopted during 2018

Below is a brief description of the recent accounting pronouncements that had an impact on the Company's financial statements. Accounting pronouncements not listed below were assessed and determined to be either not applicable or did not have a material impact on the Company's financial statements.

ASU No. 2016-18, Statement of Cash Flows (Topic 320): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)

This standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.

Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Transition method of this standard is retrospective. This standard was adopted by the Company as of January 1, 2018.

The following table provides a summary of cash, cash equivalents, and restricted cash amounts reported on the Balance Sheet that reconcile to the total of such amounts as shown on the Statements of Cash Flows:

	Mar-2018	Dic-2017
Cash and cash equivalents	**$ 37,550**	$ 33,402
Other restricted deposits	**1,827**	1,451
	$ 39,377	$ 34,853

3. Summary of Significant Accounting Policies (continued)

ASU No. 2016-01, Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities

The standard significantly revises an entity's accounting related to (1) classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. Also it amends certain disclosures of financial instruments. Transition: Cumulative effect on earnings retained from adoption or prospectively for capital investments without easily determined fair value. The standard is effective as of January 1, 2018. It does not present material impacts on the adoption of the standard.

ASU No. 2014-09/2015-14/2016-08/2016-10/2016-12/2016-20/2017-05, Revenue from Contracts with Customers (Topic 606)

The ASU 2014-09 and its subsequent corresponding updates provide the principles an entity must apply to measure and recognize revenue. The core principle is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amendments to the standard were issued that provide further clarification of the principle and to provide certain transition expedients. The standard will replace most existing revenue recognition guidance in United States Generally Accepted Accounting Principles (US GAAP), including the guidance on recognizing other income upon the sale or transfer of nonfinancial assets.

The standard requires retrospective application and allows either a full retrospective adoption in which all of the periods are presented under the new standard or a modified retrospective approach in which the cumulative effect of initially applying the guidance is recognized at the date of initial application. We are currently working towards adopting the standard using the full retrospective method. The standard is effective beginning January 1, 2018 (as deferred by ASU No. 2015-14). The Company adopted the standard on January 1, 2018 and does not presents any impact of adopting the standard in its financial statements.

New accounting standards issued but not yet effective

ASU No. 2017-04, Intangibles-Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment

This standard simplifies the accounting for goodwill impairment by removing the requirement to calculate the implied fair value. Instead, it requires that an entity records an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. The implementations Transition method: prospective. The standard is effective beginning January 1, 2020. Early adoption is permitted only as of January 1, 2017. The Company is currently evaluating the impact of adopting the standard on its financial statements.

3. Summary of Significant Accounting Policies (continued)

ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments.

The standard updates the impairment model for financial assets measured at amortized cost to an expected loss model, instead of a loss model incurred. It also allows the presentation of credit losses on debt securities available for sale as a reserve, rather than a reduction. The implementation of this standard is varied. The standard is effective as of January 1, 2020 and early adoption is allowed only as of January 1, 2019. The Company is currently evaluating the impact of adopting this standard in its financial statements.

ASU No. 2016-02, Leases (Topic 842)

This standard requires lessees to recognize assets and liabilities for most leases, but recognize expenses in a manner similar to current accounting. For lessors, the guide modifies the lease classification criteria and the accounting for leases of the sale and direct financing type. The rule also eliminates the specific provisions of current real estate.

Transition method: modified retrospective at the beginning of the first comparative period presented in the financial statements (January 1, 2017). The FASB proposed amending the rule to give another option for the transition. The proposed transition method would allow entities not to apply the new lease standard in the comparative periods presented in their financial statements in the year of adoption. Under the proposed transition method, the entity would apply the transition provisions on January 1, 2019 (the effective date).

The standard is effective beginning January 1, 2019. Early adoption is permitted. The Company is currently evaluating the impact of adopting the standard on its consolidated financial statements.

(Amounts stated in thousands of US dollars)

4. Balances and Transactions with Affiliates and Related Parties

The balances and transactions with related parties as of March 31, 2018 and December 31, 2017, are as follow:

In the balance sheets:	Mar-2018	Dec-2017
Accounts receivable short-term:		
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	**$ 32,429**	$ 31,294
Elektra Noreste, S.A. (ENSA)	**9,997**	10,080
Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI)	**5,782**	6,033
Caja de Seguro Social	**2,211**	1,872
Empresa de Transmisión Eléctrica, S.A. (ETESA)	**664**	1,343
Contraloría General de la República	**202**	145
Bahía Las Minas, Corp.	**200**	1,160
Enel Fortuna, S.A.	**78**	1,002
Electropaulo Metropolitana Electricidade de Sao Paulo S.A.	**61**	61
Autoridad del Canal de Panamá	**38**	50
	$ 51,662	$ 53,040
Accounts receivable long-term:		
Empresa de Transmisión Eléctrica, S.A. (ETESA)	**$ 11,542**	$ 11,542
Ministerio de Economía y Finanzas	**8,963**	8,840
	$ 20,505	$ 20,382
Accounts payable short-term:		
Autoridad del Canal de Panamá	**$ 1,891**	$ 366
Empresa de Transmisión Eléctrica, S.A. (ETESA)	**378**	513
Enel Fortuna, S. A.	**176**	575
Empresa de Generación Eléctrica, S.A. (EGESA)	**77**	73
Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI)	**71**	7
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	**49**	90
Electropaulo Metropolitana Electricidade de Sao Paulo S.A.	**21**	21
Bahía Las Minas, Corp.	**7**	—
Elektra Noreste, S.A. (ENSA)	**3**	6
	$ 2,673	$ 1,651

(Amounts stated in thousands of US dollars)

4. Balances and Transactions with Affiliates and Related Parties (continued)

In the statements of comprehensive incomes the transactions with related parties for the three months ended March 31, 2018 and 2017 are as follow:

In the statement of comprehensive income	Mar-2018	Mar-2017
Electricity sales		
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	$ **49,777**	$ 47,278
Elektra Noreste, S.A. (ENSA)	**15,833**	14,472
Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI)	**8,807**	9,333
Empresa de Transmisión Eléctrica, S.A. (ETESA)	**1,428**	2,349
Caja de Seguro Social	**702**	922
Bahía Las Minas, Corp.	**457**	475
Autoridad del Canal de Panamá	**80**	—
Contraloría General de la República	**45**	168
Enel Fortuna, S.A.	—	118
	$ **77,129**	$ 75,115
Fixed transmission costs:		
Empresa de Transmisión Eléctrica, S.A. (ETESA)	$ **694**	$ 762
Bahía Las Minas, Corp.	**21**	21
	$ **715**	$ 783
Electricity purchases:		
Autoridad del Canal de Panamá	$ **1,902**	$ 3,197
Enel Fortuna, S.A.	**1,494**	2,355
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	**519**	399
Bahía Las Minas, Corp.	**185**	29
Empresa de Transmisión Eléctrica, S.A. (ETESA)	**70**	16
Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI)	**62**	305
Elektra Noreste, S.A. (ENSA)	**5**	—
Empresa de Generación Eléctrica, S.A. (EGESA)	**5**	10
Tesoro Nacional	—	21
Ensa Group, LLC	—	4
	$ **4,242**	$ 6,336
Electricity purchases: (Compensation)		
Ministerio de Economía y Finanzas (Compensation)	$ —	$ 4
	$ —	$ 4

(Amounts stated in thousands of US dollars)

4. Balances and Transactions with Affiliates and Related Parties (continued)

In the statement of comprehensive income		Mar-2018		Mar-2017
Other cost of electricity sales:				
Empresa de Transmisión Eléctrica, S.A. (ETESA)	**$**	**1,267**	$	1,082
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)		**218**		212
Elektra Noreste, S.A. (ENSA)		**19**		43
	$	**1,504**	$	1,337
Interest expenses, net				
Ministerio de Economía y Finanzas (amortization of discount)	**$**	**(123)**	$	—
	$	**(123)**	$	—

The Panamanian Government has a significant investment in the generation, distribution and transmission companies in the electric power industry in Panama. Consequently, all the transactions with these companies are considered transactions with related parties.

Government Compensation

To reduce the impact of high spot market prices on hydro companies due to the transmission constraints to transport energy from the west of the country, delays in expansion projects and transmission line improvements, in 2013, the Panamanian Government began to negotiate compensation mechanisms.

Under the agreement, the Government agreed to reimburse the difference between the cost at which the Company purchase energy in the spot market and the price at which the Company sell that energy under the PPAs with the Distribution Companies for an agreed quantity of 70 MW per hour, but subject to a maximum reimbursement of $40,000 in 2014 and $30,000 in 2015 and 2016.

On April 20, 2015, the Comptroller General of Panama filed a motion before the Supreme Court of Justice to determine whether or not the resolution of the Panamanian government that authorizes an agreement with AES Panamá, S.R.L. (Cabinet Resolution No. 42 dated March 31, 2014, or the Cabinet Resolution) contravenes certain articles of the Panamanian Constitution. Pursuant to Panamanian law, the Supreme Court of Justice requested the Attorney General of Panama to render an opinion on the motion.

On May 7, 2015, the Attorney General opined that the Cabinet Resolution should be declared unconstitutional. The Supreme Court of Justice ordered that a summons be published in a local newspaper for 3 consecutive days, so that within 10 business days of the last publication date, the Comptroller General and any other person may submit written arguments on the merits of the case. In July 2015, AES Panamá, S.R.L. lawyers submitted its closing arguments and at this moment, is pending of final decision.

4. Balances and Transactions with Affiliates and Related Parties (continued)

On February 8, 2017, the Supreme Court of Justice declared non-viable, the unconstitutionality challenge presented by the Comptroller General of Panama against Cabinet Resolution No. 42 of March 31 2014, issued by the Executive branch of the Republic of Panama.

In October 2017, the General Controller of the Republic of Panama filed the following legal actions: (i) a Contentious Administrative Action of Nullity against Cabinet Resolution No. 42 of March 31, 2014 and Agreement No. 001-2014 of April 29, 2014 signed between the Ministry of Economy and Finance and AES Panamá, SRL. The Company has not had formal access to the process, nor has it been incorporated as a party. The claim was accompanied by a request for provisional suspension of the effects of the acts attacked. The Third Chamber of the Supreme Court has not manifested itself with respect to said request; (ii) Action of Unconstitutionality against Cabinet Resolution No. 42 of March 31, 2014. Currently, said action was admitted and is pending of a fiscal hearing or opinion by the Attorney General's Office, once this occurs the Company may present its arguments.

As of March 31, 2018, the Company invoiced $46,174 and collected $36,594 in reimbursements, reducing the costs of our purchases of electricity and the outstanding balance by $9,579. In 2017, the balance of this receivable was reclassified from short-term to long-term accounts receivable from related parties, in the balance sheets. Additionally, a discount was recorded resulting from the determination of the present value of the account receivable, and is presented in the balance sheet as a direct deduction to the nominal amount of the account receivable in the long term. The amortization of this discount is presented in the statement of comprehensive income as interest expense net. The effective rate for calculating the present value was 5.5%.

Transfer of Repowering of the Transmission Line to ETESA

On March 21, 2016, was completed the project for the repowering of the transmission line, which consisted in the replacement of the line conductors 115-1B, 115-1C and 115-2B in the section between Las Minas 1 sub-station and Santa Rita sub-station (6.2 kilometers, approximately) and in the lines of 115-3A, 115-3B, 1154A and 115-4B in the section between Las Minas 2 sub-station and Panama substation (55 kilometers, approximately), to reinforce the transmission system between the Bahía Las Minas and Panama Substations, for the commissioning of thermoelectric projects in the Colón area including the barge Estrella del Mar I. Such project is included in the Expansion Plan of 2017 approved through Resolution AN No. 11907 from December 13, 2017.

On July 13, 2017, AES Panamá, S.R.L and Empresa de Transmisión Eléctrica, S.A. (ETESA) agreed the Asset Transfer Agreement No. GG-068-2017, through which AES Panama transfers the project to ETESA. On October 12, 2017, AES Panamá, S.R.L. and ETESA sent a note to ASEP, for the approval of a new agreement, which contains new terms and conditions in relation to the payment terms. The ASEP, through note No. DSAN-202-18, of January 16, 2018, authorized the approval of the payment scheme between the parties for the Transfer of Assets Agreement for the replacement of the lines between Bahia Las Minas - Panama 115 kV.

4. Balances and Transactions with Affiliates and Related Parties (continued)

Through the certification of ETESA´s secretary, on February 5, 2018, the ETESA Board of Directors approved the payment method for the aforementioned Repowering Project, which is included in the Expansion Plan of 2017. With those approvals, the Asset Transfer Agreement to be signed and submitted to the Controller, is under review by the parties.

As of March 31, 2018, the Company has an account receivable from ETESA by $9,032, related to this transaction. During 2017, the balance of this receivable was reclassified from short term to long term receivables within accounts receivables from related parties.

Return of Tariff Adjustment

On September 27, 2017, the Autoridad Nacional de los Servicios Públicos, issued the Resolution AN No. 11667 - Elec, which authorizes the Empresa de Transmisión Eléctrica (ETESA) to defer the rate reimbursement of years 2, 3 and 4 to the Market Agents of the tariff period from July 2013 to June 2017, as a result of the review of Charges for Use of the Transmission System (CUSPT) and the Service of Integrated Operation (SOI), with the purpose that it become effective for an 8 year period, upon July 2021.

In due time, AES Panamá, S.R.L. filed a motion for reconsideration against Resolution AN No. 11667, requesting the revision of some considerations applied to AES Panamá, S.R.L. and on behalf of its Large Clients, for which the ASEP through Resolution AN No. 11884 indicates to maintain in all its parts the Resolution AN No.11667, which was modified by Resolution AN No.11872, and where it issues some modifications to the recitals, of which one of the main ones refers to the 5-year repayment period for the adjustments to CUSPT and 2 years for the adjustments of the SOI, both to be effective as of July 2021.

Through this resolution, ETESA is ordered to apply the tariff adjustment to AES Panamá, S.R.L. for the amount of $2,318 plus interest, which are recorded in accounts receivable from related parties long term in the balance sheets. As of March 31, 2018, the interests are $192.

(Amounts stated in thousands of US dollars)

4. Balances and Transactions with Affiliates and Related Parties (continued)

Accounts and Transactions with Affiliated Companies

The balances and with affiliates as of March 31, 2018 and December 31, 2017, are as follow:

In the balance sheets:	**Mar-2018**	Dec-2017
Accounts receivable short-term:		
AES Elsta B.V.	**$ 1,448**	$ 1,448
AES Changuinola, S.R.L.	**1,247**	774
Global Energy Holdings C.V.	**189**	189
Costa Norte LNG Terminal S. de R.L.	**48**	51
Gas Natural Atlántico S. de R.L.	**29**	33
AES Latin America S. de R.L.	**24**	36
The AES Corporation	**14**	5
Empresa Electrica de Oriente, S.A. de C.V.	**—**	36
Other affiliates	**491**	491
	$ 3,490	$ 3,063
Accounts payable:		
AES Changuinola, S.R.L.	**$ 14,338**	$ 16,314
AES Solutions, LLC	**5,107**	4,987
AES Clesa y Compañía, S. en C. de C.V.	**83**	83
Empresa Eléctrica de Oriente, S.A. de C.V.	**64**	64
The AES Corporation	**—**	14
Other affiliates	**179**	180
	$ 19,771	$ 21,642

Sales-purchases energy

On March 9, 2007, the Company signed with AES Changuinola, S.R.L., a contract for the purchase - sale of firm capacity and energy for a period of ten years (from 2011 to 2020).

On May 14, 2010, the Company signed the first amendment to its Contract of Reserve 01-07 and two new items of purchase and sale of firm capacity and energy were added for a period of 10 years, from 2012 and 2013.

On June 25, 2012, the Company signed the second amendment to the contract which modifies its duration, extending its term until December 31, 2030.

4. Balances and Transactions with Affiliates and Related Parties (continued)

On August 29, 2013, the third amendment of this contract was signed, which states that as of January 2, 2014 the reserve contract is a administered as a physical contract and a fourth line is added to complete the sale of firm capacity of Changuinola I up to the year 2030. As a result of this amendment, as of January 2014, the Company recognizes the PPA as an operating lease for $615 per month until December 31, 2030.

On December 7, 2015, amendment No. 4 was signed. This amendment sets the power and energy prices contracted for the years 2023 to 2030, which had not been established in the amendment No. 3, resulting from the act of tender ETESA 01-12. This amendment resulted in an increase in the straight-line recognition of the cost of this contract under operating lease of $1,491 per month starting in 2016.

For the periods ended March 31, 2018 and 2017, have been recorded $4,646 each year, as operating lease costs in the statements of comprehensive income. As of March 31, 2018 and December 31, 2017, the excess of expense are recorded in deferred income by $2,910 and $1,421, respectively. (Note 11).

On June 30, 2015, the Company signed with AES Changuinola, S.R.L.; a capacity reserve contract for a period of 5 years, beginning July 1, 2015. On August 16, 2017, amendment No. 1 is signed, increasing the amount of power contracted from October 1, 2017 until June 30, 2020.

For the periods ended March 31, 2018 and 2017, the Company has recorded purchases for this contract of $23,928 and $18,453, respectively, and sales of $1,501 and $1,380, respectively.

On March 1, 2016, the Company signed with Gas Natural Atlántico, S. de R.L. two framework contracts for the purchase and sale of Firm Power for a period of three years with automatic extensions of one year.

For the period ended March 31, 2018 the Company has not made energy sales or energy purchases with other affiliated companies. For the period ended March 31, 2017, the Company made energy sales to Empresa Eléctrica de Oriente, S.A. of C.V. for $12 and energy purchases from Empresa Eléctrica de Oriente, S.A. de C.V., for $53 and to AES Clesa y Compañía, S. en C. de C.V. for $83.

Management fee

The Company has a management contract with AES Changuinola, S.R.L. which establishes a fee equivalent to 1% of the EBITDA (earnings before interest, income tax and depreciation). This contract was modified and establishes a change in the methodology of calculation of fees, based on costs incurred plus 5%. For the three months ended March 31, 2018 and 2017, the total fees charged to management fees, included in other net income amounted to $214 and $153, respectively.

4. Balances and Transactions with Affiliates and Related Parties (continued)

In November 2010, the Company entered into a new management contract with AES Solutions LLC, a subsidiary of The AES Corporation, effective January 1, 2010 through December 31, 2018. The contract provides that the annual management fee will be for the minimum amount of $4,000; and shall be adjusted annually due to changes in inflation. The Administrative Council approves the charges every six months which, annually, should be at least the minimum amount agreed. The total fee recorded as management fee expense amounted to $1,759 y $1,674 for the periods ended March 31, 2018 and 2017, respectively.

The Company maintains a technical assistance agreement with AES Servicios América S.R.L., a subsidiary of The AES Corporation. For the three months ended March 31, 2018 and 2017, fees were $20, each year.

In June 2017, AES Panamá S.R.L. signs a human resources services agreement with AES Servicios América, S.R.L. which consists of payroll supervision, validation of calculations and coordination of all activities performed by the payroll external consultant hired. The fees were retroactive to January 2017. For the periods ended March 31, 2018 and 2017, the fees for this concept were $10 and $0.

On August 2, 2016, the Company signed an expense reimbursement agreement with Gas Natural Atlántico, S. de R.L., effective as January 1, 2016, for a maximum total amount of $500, in effect until the date of substantial termination of the generation plant.

On August 2, 2016, the Company signed an expense reimbursement agreement with Costa Norte LNG Terminal, S. de R.L., effective as January 1, 2016, for a maximum total amount of $300, in effect until the date of substantial termination of the natural gas terminal. On April 10, 2017, an Amendment No. 1 was signed, through which the total amount of the contract was changed to $603.

Rental income

As of March 31, 2018 and 2017, the Company billed rents to affiliated companies in the amount of $68, on each period. These contracts have a duration of one year with option to automatic renewal, the last renewal expires in February 2019. Rental income is recorded in the other income account in the statements of comprehensive income.

Insurance

The Company maintains an "all risk" insurance policy with the insurance company ASSA Compañía de Seguros, S. A. This insurance company, in turn, diversifies the risk by reinsuring with a group of insurance companies among which includes a related party of the Company, AES Global Insurance Corporation. The policy taken with ASSA Compañía de Seguros, S. A. covers all operational risks including machinery breakdown and business interruption.

(Amounts stated in thousands of US dollars)

4. Balances and Transactions with Affiliates and Related Parties (continued)

For this contract, the Company has recorded insurance expense of $1,002 for the three months ended March 31, 2018 and 2017, respectively. These amounts are classified as operating and maintenance expenses in the statements of comprehensive income.

During 2015, a damage occurred in Bayano Hydro plant´s Unit 1 and a fire in the fuel injection pump A1 of Estrella del Mar Barge´s Unit 2, that caused a temporal business interruption of both units.

Due to these incidents, the Company suffered a loss due to business interruption, which is why, during 2016, ASSA Compañía de Seguros, S.A. (related to AES Panamá, S.R.L. through AES Global Insurance Corporation), recognized compensation for lost profits in the amount of $2,706. These amounts reduced electricity purchase costs in the statement of comprehensive income of 2016.

On September 7, 2016, it was received from ASSA Compañía de Seguros, S.A., the amount of $1,949 corresponding to the indemnification for loss of profits associated with Unit 1 of the Bayano Hydroelectric Plant and on March 14, 2017, it was received the amount of $757 associated with Unit No.2 of the Estrella del Mar I Thermal Power Plant.

On February 17, 2017, the agreement between AES Panama, S.R.L. and ASSA Compañía de Seguros, S.A, for reimbursement of costs related to the repair of the No.1 unit Bayano Hydroelectric Plant by the amount of $1,472 was settled. The payment was received on March 13, 2017.

Dividends

The Company has not received dividends from its affiliate AES Changuinola, S.R.L., nor has it paid dividends to its members as of March 31, 2018.

5. Inventory, net

The inventory is valued at average cost. The following summarizes the inventory balances as of March 31, 2018 and December 31, 2017:

	Mar-2018	Dec-2017
Spare parts	**$ 5,440**	$ 5,112
Fuel oil No.6	**415**	1,072
Other inventories	**149**	189
Obsolescence provision	**(403)**	(403)
Total of inventories, net	**$ 5,601**	$ 5,970

As of March 31, 2018 and 2017, no obsolescence due to inventory deterioration was recognized.

(Amounts stated in thousands of US dollars)

6. Property, Plant and Equipment, net

	March 31, 2018						
	Land	**Buildings**	**Electricity generation facilities**	**Office furniture and equipment**	**Transportation equipment**	**Construction in progress**	**Total**
Cost:							
Beginning balance	**$ 5,702**	**$ 253,921**	**$ 497,526**	**$ 7,879**	**$ 2,087**	**$ 26,890**	**$794,005**
Additions	**—**	**—**	**635**	**16**	**—**	**2,033**	**2,684**
Reclassifications and adjustments	**—**	**67**	**2,517**	**29**	**—**	**(2,575)**	**38**
Sales and disposals	**—**	**—**	**(348)**	**—**	**—**	**—**	**(348)**
Ending balance	**5,702**	**253,988**	**500,330**	**7,924**	**2,087**	**26,348**	**796,379**
Accumulated depreciation:							
Beginning balance	**—**	**98,346**	**285,171**	**6,256**	**1,556**	**—**	**391,329**
Depreciation	**—**	**805**	**5,654**	**133**	**59**	**—**	**6,651**
Sales and disposals	**—**	**—**	**(52)**	**—**	**—**	**—**	**(52)**
Ending balance	**—**	**99,151**	**290,773**	**6,389**	**1,615**	**—**	**397,928**
Net balance	**$ 5,702**	**$ 154,837**	**$ 209,557**	**$ 1,535**	**$ 472**	**$ 26,348**	**$398,451**

	December 31, 2017						
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:							
Beginning balance	$ 5,702	$ 253,531	$ 493,847	$ 7,249	$ 1,966	$ 15,546	$777,841
Additions	—	7	650	170	149	20,592	21,568
Reclassifications and adjustments	—	463	8,032	463	—	(9,248)	(290)
Sales and disposals	—	(80)	(5,003)	(3)	(28)	—	(5,114)
Ending balance	5,702	253,921	497,526	7,879	2,087	26,890	794,005
Accumulated depreciation:							
Beginning balance	—	91,242	269,454	5,763	1,342	—	367,801
Depreciation	—	7,207	22,674	496	242	—	30,619
Reclassifications and adjustments	—	(48)	(3,360)	—	—	—	(3,408)
Sales and disposals	—	(55)	(3,597)	(3)	(28)	—	(3,683)
Ending balance	—	98,346	285,171	6,256	1,556	—	391,329
Net balance	$ 5,702	$ 155,575	$ 212,355	$ 1,623	$ 531	$ 26,890	$402,676

For the periods ended March 31, 2018 and December 31, 2017, the Company capitalized interest and deferred financing costs by $380 and $1,332, respectively.

(Amounts stated in thousands of US dollars)

6. Property, Plant and Equipment, net (continued)

In 2017, the property plant and equipment was revised through a useful life and salvage value study performed by an independent third party.

As of March 31, 2018 and 2017, no obsolescence was recognized for impairment of property, plant and equipment.

In 2014, the Company recognized an asset retirement obligation related to the required future retirement and dismantlement of equipment and facilities located on the land leased from Refinería Panamá, S.R.L. for the operation of the Barge Estrella del Mar I (Note 13).

The carrying value for this concept is $485 and $546 as of March 31, 2018 and December 31, 2017, respectively, and is presented in the balance sheets under electricity generation facilities and is detailed below:

	Mar-2018	Dec-2017
Cost	**$ 1,213**	$ 1,213
Accumulated depreciation	**(728)**	(667)
Net balance	**$ 485**	$ 546

The following table summarizes the amounts recognized related to asset retirement obligations for the periods indicated:

	Mar-2018	Dec-2017
Balance at beginning of the period	**$ 1,378**	$ 1,321
Accretion expense	**15**	57
Net balance	**$ 1,393**	$ 1,378

7. Prepaid Expenses

Prepaid expenses as of March 31, 2018 and December 31, 2017, are shown below:

	Mar-2018	Dec-2017
Advance payments to suppliers	**$ 1,798**	$ 226
Guaranty	**176**	210
Others	**533**	158
Insurance	**3,083**	64
ANAM - Water concessions	**21**	45
Total prepaid expenses	**$ 5,611**	$ 703

(Amounts stated in thousands of US dollars)

8. Intangible Assets, net

The following table summarizes the balances of other intangible assets as of March 31, 2018 and December 31, 2017:

	Mar-2018			Dec-2017		
	Cost	**Accumulated amortization**	**Carrying amount**	Cost	Accumulated amortization	Carrying amount
Software	**$ 1,468**	**$ (1,035)**	**$ 433**	$ 1,468	$ (984)	$ 484
Construction in progress - Software	**—**	**—**	**—**	36	—	36
Contracts	**20,000**	**(11,000)**	**9,000**	20,000	(10,000)	10,000
Total	**$ 21,468**	**$ (12,035)**	**$ 9,433**	$ 21,504	$ (10,984)	$ 10,520

In June 2015, AES Panamá, S.R.L. signed an agreement with Erryl Capital Inc. and International Electric Power, LLC, to acquire three power purchase agreements in the amount of $20,000, for a period of 5 years from July 2015. The yearly amortization is $4,000, ending in July 2020, and is recognized in the statement of comprehensive income as part of the depreciation and amortization expense. The amount paid for power purchase contracts was recognized as an intangible asset amortized over the term of these contracts, under the straight line method.

The movement of intangible asset is detailed below:

	Software	**Contracts**	**Construction in progress - Software**	**Total**
Balances as of January 1, 2017	$ 619	$ 14,000	$ —	$ 14,619
Additions	9	—	36	45
Amortization	(204)	(4,000)	—	(4,204)
Reclassification	60	—	—	60
Balances as of December 31, 2017	**484**	**10,000**	**36**	**10,520**
Additions	**—**	**—**	**—**	**—**
Amortization	**(51)**	**(1,000)**	**—**	**(1,051)**
Reclassification	**—**	**—**	**(36)**	**(36)**
Balances as of March 31, 2018	**$ 433**	**$ 9,000**	**$ —**	**$ 9,433**

The amortization expense of intangible assets was $1,051 and $1,053 for the periods ended March 31, 2018 and 2017, respectively.

(Amounts stated in thousands of US dollars)

9. Investment in Affiliate

On September 25, 2013, the Board approved the conversion of the debt that AES Changuinola, S.R.L. maintained with the Company of $63,227 into equity ownership in this affiliate. The Board, after reviewing independent evaluations to determine the fair value of AES Changuinola S.R.L., determined that the amount represented 20% of the value of AES Changuinola, S.R.L.

On November 25, 2013, the transaction was completed when the transfer and issuance of the corresponding shares occurred. As the affiliate AES Changuinola, S.R.L. is under common control with the same entity as the Company the initial recognition of the investment was made at the carrying value of the assets of the affiliate which, at the date of the transaction, totaled $208,535. The amount equivalent to the 20% of the share amounted to $41,707. The difference between the value of the share of investment and the capitalized debt ($63,227) should be recorded in equity and applied to retained earnings (accumulated deficit) since no profit or loss for the transfer of assets between entities under common control should be recognized; the amount in equity is $21,520.

On December 2016, AES Changuinola, S.R.L. made a return of capital to AES Panamá, S.R.L. for $5,320.

As of March 31, 2018 and December 31, 2017, the investment in affiliate is shown below:

Affiliate	Commercial activity	% of equity participation 2018	% of equity participation 2017	**March 31, 2018**	December 31, 2017
AES Changuinola,S.R.L.	Electricity generation (Hydroelectric)	20%	20%	**$ 45,657**	$ 43,303

As of March 31, 2018 Affiliate	**Assets**	**Liabilities**	**Equity**	**Revenues**	**Expenses**	**Net Income**	**Other Comprehensive Income**	**Equity Share**
AES Changuinola,S.R.L.	**$ 619,061**	**$ 390,773**	**$ 228,288**	**$ 28,820**	**$ 19,819**	**$ 9,001**	**$ 97**	**$ 1,800**

As of March 31, 2018 and 2017, the Company has recorded in relation to its 20% share in earnings of AES Changuinola, S.R.L., an income of $1,800 and $923, respectively. This amount is recorded in the balance sheets under the investment in affiliate and in the statement of comprehensive income under equity earnings in investments in affiliate.

10. Operating Lease

In August 2013, the Power Purchase Agreement (PPA) with AES Changuinola S.R.L. was amended with the purpose that the Company buys from AES Changuinola S.R.L. all its generated energy, its firm capacity and the construction prime factor for both energy and capacity. Through the terms of the PPA, AES Changuinola S.R.L. could only supply it with its own generation assets.

(Amounts stated in thousands of US dollars)

10. Operating Lease (continued)

Under commercial terms, the PPA as ammended is classified as a physical agreement. This feature conditions that it is remote that a party other than the Company would take energy from the one generated by AES Changuinola S.R.L. The Company is required to pay for the firm capacity and the capacity construction prime factor even when no energy is generated. In accordance with how the PPA is structured, Administration determined that it shall be accounted as an operating lease in accordance with Accounting Standard Codification 840 (Leases).

The minimum lease payments of the PPA are determined based on the capacity and its construction prime factor; energy payments and its related construction prime factor are not considered as part of the minimum lease payments since there is no minimum amount established for them. Minimum lease payments determined throughout the term of the PPA are accounted for on a straight-line basis and the difference between such amount and the amounts invoiced is presented as an asset or liability in the Company´s balance sheets.

For the three months ended March 31, 2018 and 2017, have been recorded $4,646 each year, as operating lease costs in the statements of comprehensive income. As of March 31, 2018 and December 31, 2017, the excess of expense are recorded in deferred income by $2,910 and $1,421, respectively.

The total of future minimum payments from the non-cancellable operating lease contract as of March 31, 2018 will be paid during the following periods:

		2018
Within one year	$	**17,892**
After one year and up to five years		**89,460**
After five years		**120,681**
Total de pagos a futuro	**$**	**228,033**

11. Bond Payable, Net

2016 Bonds

On December 21, 2006, the Company refinanced the $320,000 debt with new credit for $300,000. The credit was subscribed and distributed by Credit Suisse and UBS Investment Bank and was instrumented throughout new bonds amounting $300,000 issued under rule 144A/Regulation S of the New York Stock Exchange in the local and international market with a due date of December 21, 2016 and an annual interest rate of 6.35% with a single payment upon maturity, and semiannual interest payments.

The bonds were issued in accordance with the provisions of the Note Issuance Facility signed by AES Panamá, S.R.L. and HSBC Bank USA, National Association, as trustee. In December, 2016, this debt was cancelled.

(Amounts stated in thousands of US dollars)

11. Bond Payable, Net (continued)

2022 Bonds

On June 18, 2015, the Company issued new bonds for $300,000 and used the proceeds to pay $217,046 of the 2016 bonds and the outstanding balance of the syndicated loan for $55,491. This new debt was subscribed and distributed by Banco General, S.A. and Deutsche Bank Securities Inc. and was instrumented throughout new bonds amounting $300,000 issued under rule 144A/ Regulation S of the New York Stock Exchange in the local and international market with a due date of June 25, 2022 and an annual interest rate of 6.00% with a single payment upon maturity, and semiannual interests payments. In October 2016, the Company re-opened the 2022 bonds, issuing an additional $75,000, under the same terms and conditions as the original issuance.

As part of the agreements established in the debt, the Company is obliged to secure the next interest payment, during the term of the agreement, though a letter of credit or cash. The Company decided to secure it thought a letter of credit.

Net deferred financing costs for this bond amounted to $4,853 and $5,103 as of March 31, 2018 and December 31, 2017, respectively.

The 2022 bonds were issued in accordance with the provisions of the Note Issuance Facility signed by AES Panamá, S.R.L. and Deutsche Bank Trust Company Americas, as trustee.

Relevant commitments and restrictions of the bonds payable are detailed below:

a. The Company has to maintain a “Debt Service Reserve Account” with the funds deposited and available to secure the semiannual interest payments.
b. Audited financial statements must be presented no later than 120 days after the close of the fiscal period.

On June 14, 2017, AES Panama S.R.L. was rated by Fitch Ratings with BBB-, considered Investment Grade. Upon obtaining this rating, the Company is not subject to restrictions when incurring debt, or limitations on the sale of generation assets. As of March 31, 2018, the Company is in compliance with all of its commitments.

As of March 31, 2018 and December 31, 2017, bonds payable, net of discount, was as follows:

		Mar-2018		**Dec-2017**
2022 Bonds	**$**	**375,000**	$	375,000
Unamortized premium		**2,075**		2,183
Deferred Financing Cost		**(4,853)**		(5,103)
Total bonds payable,net	**$**	**372,222**	$	372,080

Amortization of the discount is included in interest expense in the accompanying statements of comprehensive income.

12. Commitments and Contingencies

Commitments

Purchase – sale energy contracts

The Company has contracted certain contractual obligations derived from power and energy supply contracts associated with generation concession contracts. The Company maintains contract performance guarantees of an amount of $72,332 and letter of credit of $4,437 to guarantee the obligations according to the contracts signed with the distribution companies and guarantees of $28,000 in favor of the Autoridad Nacional de los Servicios Públicos / Contraloría General de la República de Panamá for the concession of the hydroelectric exploitation, which guarantee the generation of electric energy.

The Company also maintains a stand-by letter of credit for $6,290 to guarantee the payments for purchases in the spot market and $91 for purchases in the Regional Electricity Market. In addition, the Company maintains guarantees in favor of ETESA for $724 and $10 to guarantee the payments for transmission services.

The Company also maintains a stand-by letter of credit for an amount of $3,000 to ensure the payments for the purchase of fuel required for the Barge operation.

As a result of the bid of EDEMET-EDECHI 01-05, on December 7, 2005, the Company signed the contracts EDEMET 05-12 and EDECHI 013-05 for the supply of power and energy in the long term, both for a period of 10 years that go from 2009 to 2018.

On October 26, 2006, for the bid of EDEMET-EDECHI 02-05, the Company signed the contracts EDEMET 15-06 and EDECHI 19-06 for the supply of power and energy in the long term. The first contract with EDEMET for a total of 15MW and a second contract with EDECHI for a total of 35MW are both effective from January 1, 2011 to December 31, 2020.

On March 9, 2007, the Company signed with AES Changuinola S.R.L., a contract for the purchase - sale of firm capacity and energy for a period of ten years (from 2011 to 2020). On May 14, 2010, the Company signed the amendment No.1 to Reserve Contract 01-07 where two new items of purchase and sale of firm capacity and energy were added for a period of 10 years, from 2012 and 2013. On June 25, 2012, the amendment No.2 to the contract was signed, extending its term until December 31, 2030. On August 29, 2013, the amendment No.3 of this contract was signed where, from January 1, 2014, the reserve contract will be managed as a physical delivery and a new line was added to complete the sale of firm capacity of Chan I up to the year 2030. On December 7, 2015, amendment No. 4 was signed, through which power prices and energy contracted is established until 2030, resulting from the act of tender ETESA 01-12.

12. Commitments and Contingencies (continued)

On October 13, 2008, as consequence of the bid EDEMET 01-08, the Company signed contracts EDEMET 04-08 and ELEKTRA 07-08 to supply firm capacity and energy for a 10-year period that runs from the year 2012 to 2022. Further in the same tender EDEMET 01-08, the Company signed contracts EDEMET 08-08 and ELEKTRA 09-08 to supply firm capacity and energy in the long term, for a period of ten years from the year 2013 to 2022. Later, on July 16, 2009, amendment No. 1 to these contracts was signed.

On November 28, 2008, the Company signed the Contract GC. 01-09 (Large Customer) with Cemento Panamá for supply firm capacity and energy for a period of 10 years beginning in 2009.

On July 20, 2011, the Company signed the GC Contract. 03-11 with the large customer Sunstar Hotels and Development, S.A. for the supply of power and energy, starting the supply on July 1, 2012 until December 31, 2017. On August 31, 2017, the Company signed the amendment No.1 to this contract, extending the supply of firm power until December 31, 2022.

In August 2012, the Company participated in the act of long-term tender ETESA 01-12 and on September 17, 2012, ETESA notified the Company of the award of the principal bid of power in the amount of 159 MW from 2019-2020, 209 MW in 2021, 309 MW in 2022 and 350 MW from 2023 to 2030. In October 2012, the corresponding contracts to this adjudication were signed with the three distribution companies (EDEMET 117-12, EDECHI 122-12 AND ELEKTRA 062-12).

On November 7, 2012, the Company signed the contract No. 254-2012-ADM with the Contraloría General de la República for the supply of firm power and energy to a large customer. This contract will be in force until November 2015. However, the Contraloría General de la República approved the signing of Amendment No. 1, which changed the name of the company to AES PANAMA, S.R.L. and the Amendment No. 2 to for an extension of the contract until August 31, 2016.

Additionally, the Company signed a new contract No. 1717-2016-ADM with the Contraloría General de la República for an extension for the supply of firm power and energy started on September 1, 2016 until August 31, 2021.

On December 28, 2012, the Company signed a contract with Gold Mills in Panama for the supply of firm power and energy, effective through December 31, 2018. The start date of delivery was on April 27, 2013.

In December 2012, the Company signed a surplus power and energy contract with large customer Caja de Seguro Social, for 36 months, starting on December 7, 2013. Subsequently, Caja de Seguro Social has decided to continue as large customer of AES Panamá S.R.L. for the supply of firm power and energy until December 31, 2021, and signed contract No. 2160607-0817.

12. Commitments and Contingencies (continued)

In June 2013, the Company signed the following contracts for the supply of firm capacity and energy to large customers:

- Cement Interoceanico, contract No. 02-13, from July 1, 2013 to December 31, 2015. The client began supplying on August 20, 2013. In December 2015, the Company entered into Amendment No. 2 to contract No. 02-13, which extended the contract of supply of power and energy until December 31, 2020.

- United States Embassy, contract No. 05-13, from September 15, 2013 to December 31, 2015. The client began supplying on November 2, 2013. In December 2015, the Company entered into Amendment No. 1 to contract No. 05-13, which extended the contract of supply of power and energy until December 31, 2020.

- Avipac Inc, contract No. 06-13, from August 1, 2013 to December 31, 2015. The client began supplying on August 10, 2013. In December 2015, the Company entered into Amendment No. 1 to contract No. 06-13, which extended the contract term supply of power and energy until December 31, 2020.

- Varela Hermanos, Contract No. 07-13, from September 1, 2013 to December 31, 2015. The client began supplying on February 8, 2014. In December 2015, the Company entered into Amendment No. 1 to contract No. 07-13, which extended the contract term supply of power and energy until December 31, 2020. On October 26, 2017, amendment No. 2 to the contract was signed, which incorporated two new retirement points as a large customer and extended the supply of power and/or energy until December 2024.

On May 20, 2014, the Company signed with Empresa de Generación Eléctrica, S.A. (EGESA) the contract N° 2014-05 for the service of thermal power generation using the recently acquired Estrella del Mar I Barge with an installed capacity of 72MW, using Bunker as main fuel and acquired by AES Panamá, S.R.L.

The Barge began testing on March 21, 2015, ending the test on March 25, 2015, when it was available to the National Dispatch Center (CND) for its operations integrated within the National Electricity System.

On June 23, 2015, by the Cabinet Resolution No. 62 , the Cabinet Council issued a favorable opinion to the unilateral termination of Contract No. 2014-05 for the provision of thermal generation signed between AES Panama, S.R.L. and EGESA, and the contract ended on June 30, 2015. This contract was not renewed.

12. Commitments and Contingencies (continued)

With the termination of Contract No. 2014-05 on June 30, 2015, the Company signed the contracts EDEMET No. 29-14, EDECHI No. 33-14 and ENSA No. DME 012-14 for the supply of capacity and energy for a period of 5 years from July 1, 2015. These contracts will be mainly supplied by the Barge Estrella del Mar I.

On June 30, 2015, the Company signed with AES Changuinola, S.R.L. a capacity reserve contract for a period of 5 years, beginning July 1, 2015. On August 16, 2017, amendment No. 1 is signed, increasing the amount of power contracted from October 1, 2017 until June 30, 2020.

On October 1, 2016, the Company signed a new GC contract No. 01-2016 with Importadora Ricamar, S.A. for the supply of energy to a "large customer", effective from December 1, 2016 until December 31, 2021. On November 29, 2016, it was signed Amendment No. 1 to the contract to include another withdrawal point As Great Customer, and maintaining the same conditions.

On March 6, 2017, the Company signed a contract with Cervecería Nacional, S. de R.L. for the supply of energy with duration of four (4) years effective effective May 10, 2017.

On May 18, 2017, the Company entered into a contract with Aceti-Oxygen, S.A. for the supply of energy from 1 September 2017 until 31 December 2021.

On September 11, 2017, the Company signed contract GC-03-17 with Producto Toledano, S.A. for the supply of energy from January 1, 2018 until December 31, 2022.

On October 31, 2017, the Company signed contract GC-04-17 with Corporación La Prensa, S.A. for the supply of energy from January 1, 2018 until December 31, 2022.

On January 15, 2018, the Company signed the contract GC-01-2018 with Desarrollo Inmobiliario del Este, S.A. for the power supply from March 1, 2018 until December 31, 2025.

On February 28, 2018, the Company signed contract GC-05-2018 with Felipe Motta, S.A. for the supply of energy from June 1, 2018 to May 31, 2023.

On March 9, 2018, the Company signed the contract GC-04-2018 with Supermarkets Xtra, S.A. for the supply of energy from June 1, 2018 to May 31, 2023.

On March 23, 2018, the Company signed contract GC-02-2018 with Costa del Este Town Center Group, S.A. for the supply of energy from June 1, 2018 to May 31, 2026.

12. Commitments and Contingencies (continued)

Fuel Purchase Contract

On October 29, 2014, the Company entered into a contract with Refinería Panamá, S.R.L. for the purchase of fuel oil (Fuel Oil No. 6 or Bunker) needed for the operation of the Barge Estrella del Mar I. The contract term is for a period of five years and began March 2015. Additionally, the Company signed an addendum #1 to purchase Fuel Oil #2 (diesel) required for the ancillary services of the Barge Estrella del Mar I. Late April 2016 the Company signed the amendment No.2, modifying clauses that established the Premium Price for the purchase of Fuel Oil # 6 (Bunker).

Operating lease contract

The Company has commitments under operating leases with Refinería Panamá, S.R.L. for the land located in Bahía Las Minas, Province of Colón in Panamá which is used by the Company for the ground based equipment needed for installation and connection of the electric power generation Barge Estrella del Mar I. The Company built support structures in the leased property including, an electrical substation and transmission equipment, pipeline to supply fuel docks, storage tanks for equipment, among others. This lease is effective for five years starting in March 2015, the date of commercial operation of the Barge Estrella del Mar I.

Concession contracts

The Company has acquired fifty-year water concession contracts which give certain rights, including the generation and sale of electricity generated by the hydroelectric plants and water rights for the use of the Bayano, Chiriquí, Los Valles and Caldera rivers. The Company is required to manage, operate, and provide maintenance to the plants throughout the contract's term. This term may be renewed for an additional fifty years subject to the prior approval of the Autoridad Nacional de Servicios Públicos (ASEP by its initials in Spanish).

The most important terms of the concession contracts signed between the Company and the Autoridad Nacional de Servicios Públicos (ASEP by its initials in Spanish) are described below:

- The ASEP grants the Company a concession for the generation of hydroelectric energy by means of the exploitation of hydroelectric resources located on the Bayano, Chiriquí, Los Valles and Caldera rivers.

- The Company is authorized to render the generation of electricity as a public service, which entails the operation and maintenance of power plants with their respective transmission lines to connect to the public network, and transformation equipment for producing and selling power on the national electrical system as well as selling energy on the international market.

12. Commitments and Contingencies (continued)

- The duration of each of the concessions granted is 50 years, and they can be extended for a period of up to 50 years by means of a request to the ASEP.

- The Company will have the right to own, operate and maintain the property on the facilities and to make improvements to them. Previous authorization is required in those cases in which the Company increases the capacity of any of the plants by 15% or more at the same site.

- The Company will have full access to its own property and to the property of the facilities.

- The Company will have rights over the real estate as well as the right of way or easement within the hydroelectric facilities so that it can accomplish all of the activities required for the generation and sale of hydroelectric energy. Likewise, the Company will also have the right of way and access to the areas of the hydroelectric facilities that are currently in working condition and in use.

- The Company has the right to request the forcible acquisition of real estate and the establishment of easements in its favor in accordance with the provisions of Law No.6 and its regulation.

Guarantee

In June 2016, the Company has given unconditional and irrevocable guarantee for the payment of the capital and interest related with the debt agreement of Gas Natural Atlántico II, S.R.L. by $30,060. The total fee charged was $450, recognized as an account receivable and the total commitment was $450, recognized as an account payable in the balance sheets.

In May 2017, the Company received from Gas Natural Atlántico II, S.R.L. the amount of $450, as collateral commission.

Business Interruption of Unit 1 of Bayano plant and the Barge Estrella del Mar I

On May 9, 2015, a damage occurred in Bayano Hydro plant´s Unit 1, that caused a temporal business interruption until October 9, 2016. On July 14, 2015, a fire occurred in the fuel injection pump A1 of Estrella del Mar Barge´s Unit 2, that caused a temporal business interruption until February 29, 2016.

In addition to the repair costs of the Units, AES Panamá, S.R.L. suffered losses associated with business interruption, therefore, during 2016, the Company recorded $2,706 in compensation for lost profits, corresponding to the associated losses of Unit 1 of the Bayano Hydroelectric Plant and to Unit 2 of the Estrella del Mar I Barge, these amounts reduced the purchase costs of energy within the statements of comprehensive income.

12. Commitments and Contingencies (continued)

On September 7, 2016, it was received from ASSA Compañía de Seguros, S.A., the amount of $1,949 corresponding to the indemnification for loss of profits associated with Unit 1 of the Bayano Hydroelectric Plant and on March 14, 2017, it was received the amount of $757 associated with Unit No.2 of the Estrella del Mar I Thermal Power Plant.

On February 17, 2017, the agreement between AES Panama, S.R.L. and ASSA Compañía de Seguros, S.A, for reimbursement of costs related to the repair of the No.1 unit Bayano Hydroelectric Plant by the amount of $1,472 was settled. The payment was received on March 13, 2017.

Credit lines

As of March 31, 2018, the Company has authorized credit lines with different banking institutions for $90,000, of which $24,985 are used for issuance of letter of credits. As of March 31, 2018, the Company does not maintain outstanding balances related to these credit lines.

Contingencies

The Company is involved in certain legal processes as part of the ordinary course of business. It is the opinion of the lawyers and the Company that none of the outstanding claims will have an adverse effect on the results of its operations, financial position, or cash flows.

The Company may be exposed to environmental costs as part of the ordinary course of business. The liabilities are recognized when the environmental impact studies indicate that corrective measures are probable and the costs can be reasonably estimated.

The estimates of the liabilities are based on currently available facts, existing technology, and current laws and regulations. They also take into consideration the probable effects of inflation and other social and economic factors, and include an estimate of associated legal costs. As of March 31, 2018, there are no known environmental liabilities.

The ASEP issued on October 22, 2010, Resolution AN No.3932-Elec related to dam safety in the electric sector. This legislation provides very sensitive and important issues concerning safety and the environment. The resolution took effect on November 9, 2011.

The Plan of Action for Emergencies (PADE) of Bayano, was approved by ASEP since 2012. In 2017, a consulting company was hired for the corresponding update. This update has already been delivered to the ASEP and is awaiting approval. The Plans of Action During Emergencies (PADE) for Estí, La Estrella and Los Valles were approved by ASEP in the year 2014. This process must be updated every 5 years.

12. Commitments and Contingencies (continued)

As for the rules related to dam safety, the Company contracted a consulting firm to review the adequacy of all documents of the Central Bayano and Estí. The documentation of the Central Bayano was already presented to ASEP in December 2016, while the documentation of the Central Estí is being reviewed before submitting to the ASEP. Once this documentation is delivered; the process for the La Estrella and Los Valles plants would begin.

In October 2015, Ganadera Guerra, S.A. and Constructora Tymsa, S.A. filed separate lawsuits against AES Panama in the local courts of Panama. The claimants allege that AES Panama profited from a hydropower facility (La Estrella) being partially located on land owned first by Ganadera Guerra, S.A. and later by Constructora Tymsa, S.A., and that AES Panama must pay compensation for its use of the land. The compensation requested is approximately $680,000 for Ganadera Guerra, S.A. and $100,000 for Constructora Tymsa, S.A.

In October 2016, the court dismissed Ganadera Guerra, S.A. claim because of Ganadera Guerra, S.A. failure to comply with a court order requiring Ganadera Guerra, S.A. o disclose certain information. In January 2017, Ganadera Guerra, S.A. presented again the corrected demand, which was admitted in February 2017. In October 2017, AES Panamá, S.R.L. it files an appeal for reconsideration against the claim of Ganadera Guerra, S.A., which was denied through decree No. 1356 notifying Order No. 1752, of November 9, 2017.

Also, there are ongoing administrative proceedings concerning whether AES Panama is entitled to acquire an easement over the land and whether AES Panama can continue to occupy the land. AES Panama believes it has meritorious defenses and claims and will assert them vigorously; however, there can be no assurances that it will be successful in its efforts.

In February 2013, the sanctioning administrative process was presented to the Comisión Sustanciadora of the Autoridad Nacional de los Servicios Públicos against AES Panama, S.R.L. alleging non-compliance with market rules during a blackout occurred on February 25, 2013. Through Resolution AN No.11009-CS of March 6, 2017, the Autoridad Nacional del Ambiente resolves the sanctioning administrative procedure and sanctions AES Panama, S.R.L. with a $250 fine. Through Resolution AN No.1115 CS of April 6, 2017, the appeal for reconsideration filed by the Company against Resolution AN No.11009-CS of March 6, 2017 is resolved and resolves to deny the reconsideration appeals submitted and maintains Resolution AN No.11009-CS of March 6, 2017.

Subsequently, constitutional guarantees were filed that were admitted by the Supreme Court of Justice on June 19, 2017. AES Panamá, S.R.L. files a Contentious Administrative Lawsuit of Full Jurisdiction, in order to declare null, as illegal, the Resolution AN No.11009-CS of March 6, 2017, issued by the ASEP. On June 12, 2017, the file is sent to the Magistrate's office and is currently pending resolution of admissibility, prior request for documents and request for provisional suspension.

(Amounts stated in thousands of US dollars)

12. Commitments and Contingencies (continued)

In December 2016, the Court Third of Civil Circuit admitted the lawsuit filed by Muelles Bayano, S.A., against AES Panamá, S.R.L. in which claims payment of the damages and losses caused to the claimant's assets in the amount of $ 7,000 as a consequence of the inundations occurred during 2010. In July 2017, AES Panamá, S.R.L. presented a request for correction of the claim, which is granted though the edict 1526 of August 31, 2017. In September 2017, Muelles Bayano, S.A. presented the correction of the claim, which is pending admission.

13. Retirement Plans and Seniority Premiums

According to Panamanian labor laws, the Company is required to contribute to a severance fund to cover payments and seniority premium of employees upon termination. The contributions are based on 1.92% for the seniority premiums and 0.32% for severance pay of the remuneration paid to employees. The severance pay fund must be deposited with and administered by an authorized private institution. Additionally, the Company offers a defined contribution plan available to all employees. As of March 31, 2018 and December 31, 2017 the balance of these funds amounts to $1,827 and $1,756, respectively, and presents as other restricted deposits in the balance sheets.

The Company makes contributions of up to 9% of their annual salary (2017: 9%), in addition to the possibility of discretionary contributions by the employees. The contributions to the plan are restricted for a period of 10 years. The Company had contributed $122 and $83 to the plan for the three months ended March 31, 2018 and 2017, respectively.

The Company also offers its employees a bonus in the form of shares of The Corporation. These shares are deposited in a Trust Fund known as the “Non Contributive Pension Plan” which is managed by an authorized third party that maintains individual accounts for each employee.

The contributions to this plan are subject to the decisions of the Board of Directors and the calculations are based on a percentage of the salary of each permanent employee. The provision amounted to $85 and $78 for the three months ended March 31, 2018 and 2017, respectively.

14. Other Cost of Electricity Sales

The other costs of electricity sales for the three months ended March 31, 2018 and 2017, are:

	Mar-2018	Mar-2017
Fuel and generation related costs	**$ 7,636**	$ 10,110
Transmission charges	**1,504**	1,337
	$ 9,140	$ 11,447

(Amounts stated in thousands of US dollars)

15. Operating and Maintenance Expenses

The operating and maintenance expenses for the three months ended March 31, 2018 and 2017, are as follow:

	Mar-2018	Mar-2017
Salaries, and other benefits	**$ 4,273**	$ 3,975
Service and maintenance contracts	**1,219**	1,196
Insurance	**1,063**	1,045
Property rental	**832**	827
Other market related fee	**678**	597
Others	**547**	553
Basic services	**300**	268
Advisory and professional fees	**64**	175
	$ 8,976	$ 8,636

16. Other (Expenses) Income, net

For the three months ended March 31, 2018 and 2017, other income is as follows:

	Mar-2018	Mar-2017
Administrative services income	**$ 214**	$ 153
Rental income	**68**	68
Gain on insurance proceeds for damage property	**—**	1,472
Other (expenses) income	**(20)**	16
Pérdida por retiro de activo fijo	**(296)**	—
Total other (expenses) income, net	**$ (34)**	$ 1,709

In February 2017, the Company received $1,472, from ASSA Compañía de Seguros, S.A., associates to costs related to the property damage of the Unit No.1 of the Bayano Hydroelectric Plant, which were recorded under other (expenses) income net, in the statement of comprehensive income.

17. Income Tax

For the three months ended March 31, 2018 and 2017, the provision for income tax consists of the following:

	Mar-2018	Mar-2017
Current	**$ 4,233**	$ 2,130
Deferred	**193**	103
Balance at the end of the period	**$ 4,426**	$ 2,233

In Panama, as established under the Tax Code, the income tax for individuals legal entities in which the state has a stockholding of more than 40%, is calculated using a rate of income tax of 30%.

(Amounts stated in thousands of US dollars)

17. Income Tax (continued)

Additionally, entities whose taxable income exceeds $1,500 calculate the annual income tax by applying the tax rate to the greater of:

a) The net taxable income calculated by the established method (Traditional)
b) The net taxable income resulting from applying the total taxable revenues by 4.67%, (Alternate Method of calculating income tax - CAIR).

As of March 31, 2018, the Company generated taxable earnings. As a result, the estimate of current income tax has been determined under the traditional method, applied the 30% rate to taxable income for determining the tax year.

The current tax code establishes that taxpayers must submit a statement of estimated income that will be realized in the next year which follows the presented tax return. This estimated income as declared shall not be less than the income specified in the tax return. Taxpayers must make advance payments based on the determination of the estimated statement divided into three installments to be paid quarterly in the months of June, September and December.

For the period 2018, the Company will be made payments of estimated income tax, resulting from the results of the previous year for $24,872. For 2017, payments of estimated income tax, resulting from the results of the previous year were $20,450, these payments are in accordance with the provisions of article 710 of the current Tax Code.

Tax returns of the Company are subject to review by the tax authorities for the last three fiscal years including the year ended December 31, 2018 according to the tax regulations.

The deferred tax asset is composed mainly by carryforward of fical losses, power generation capacity in the affiliate's plant, difference in the fiscal base of generation assets and provisions that, according to the current Fiscal Legislation, will be deductible when they are effectively paid for or used.

Net operating loss carry forward

According to Article No.6 of Law 31 of December 30, 1991, the loss of current operations reflected by the Company may be deducted proportionally over the next 5 years; this deduction cannot be reduced by more than 50% of taxable income of those years.

As of March 31, 2018, the Company has a net operating loss carry forward that can be applied to future taxable income which expire as follows:

Year	**Total**
2018	14,984
2019	10,597
Net operating loss carry	$ **25,581**

17. Income Tax (continued)

For financial reporting purposes, these losses are not recognized until they can be deducted from taxable income, so the Company recognizes a deferred tax asset to be utilized in the future. Based on current and projected results of the Company, the Administration believes there will be enough taxable income to realize the deferred tax assets recognized.

Law No. 28 of June 20, 1995, which was in force until the year 2000, allowed companies to invest in technology in order to obtain an investment tax credit. The investment had to be validated by a qualified technical institution in order to apply for this fiscal incentive that consists of the application of a tax credit of 25% on income tax payable in the fiscal period. The tax credit is applicable until the Company has fully utilized the total cost of the investments. The tax credit would apply until the Company consummates the total investment cost.

As of March 31, 2018 and 2017, the liability for deferred income tax comprises the depreciation of the assets that gave rise to the investment tax credit, which has been used by the Company to reduce the current 25% tax of prior years. For tax purposes, the depreciation of these assets is not considered deductible while for financial purposes it is depreciated over the asset's useful life.

Since 2009, the Company applies the tax benefit of accelerated depreciation (sum of digits) one of the methods allowed under income tax rules. The application of this method was calculated for a group of Company assets, but such assets for financial reporting purposes, are depreciated by the straight-line method.

Dividend tax

Stockholders pay an income tax of ten percent (10%) which is withheld from the dividends they receive. Without dividends, or if the total distribution is less than forty percent (40%) of the net taxable income, the Company should issue a tax payment over dividends equal to four percent (4%) until these dividends are finally declared. This rate of four percent (4%) is called "Deemed Tax" and is considered an advance dividend tax. For the periods ended March 31, 2018, the Company no dividend tax payments have been made.

Transfer Pricing Law

During 2017, the tax authorities established transfer pricing regulations. Such regulations apply to any transaction that the taxpayer had with related parties that are tax residents of other jurisdictions, provided that such operations take effect as revenues, costs or deductions in determining taxable income for purposes of income tax in the fiscal period the operation occurs.

17. Income Tax (continued)

Thus, taxpayers must meet annually and as of fiscal year 2013, with the obligation to prepare a pricing report (Report 930) six months after the end of the fiscal period, and must have, at the same date, a study that covers that year and contains information and analysis to assess and document their transactions with related parties in accordance with the provisions of the Tax Code. The Company determine that these obligations did not have significant impact on the income tax provision in 2018.

Tax contingencies

According to ASC 740 "Income taxes", the Company must recognize the effect of tax positions in the financial statements if they meet the criterion that it is “more likely than not.” While assessing the items related to this criterion, the Company has to determine if each tax position can be maintained based solely on its technical merit in the event of an inspection by the tax authorities. The interpretation requires that the Company establish liabilities to reflect the portion of those positions that cannot be concluded as “more likely than not” to be realized before the last instance of final liquidation. They are referred to as liabilities for tax benefits not recognized under ASC 740.

By adopting this interpretation, the Company identified and assessed any potential uncertain tax positions and concluded that there are no uncertain tax positions that require a liability to be recorded in the financial statements. The Administration expects that the tax authorities will accept these positions upon examination, and has a high degree of confidence in the technical merit of the positions Consequently, the Administration expects that the total amount of the tax positions will finally be realized and recognized in the financial statements.

18. Fair Value of Financial Instruments

The Company established a process to determine fair value. The determination of fair value considers market quoted prices. Nevertheless, in many occasions no quoted market prices exist for several of the Company’s financial instruments. In cases in which market quoted prices are not available, the fair value is based on estimates using current value or other valuation techniques. These techniques are affected significantly by the assumptions employed, including the discount rate and future cash flows.

Financial instruments at book value which approximates fair value

Due to their short-term nature, the book value of certain financial assets, including cash, accounts receivable and related party accounts receivable, as well as certain financial liabilities including accounts payable and related party accounts payable, are considered to be their fair value.

(Amounts stated in thousands of US dollars)

18. Fair Value of Financial Instruments (continued)

Accounts Receivable - long term and Bonds Payable

The estimated fair value as of March 31, 2018 and December 31, 2017 is based on information available as of the date of the Balance Sheets. The Company does not have knowledge of any factor that might significantly affect the estimates of fair value as of those dates. For accounts receivable - long term and bonds payable with a fixed rate, the Company established a process to determine fair value.

Accounts Receivable - long term

The assumptions used by the Company to calculate the fair value of long-term receivables at a fixed rate fall under (Level 2) of the hierarchy, using valuation techniques in which the lowest level of information used for the measurement of fair value is directly or indirectly observable.

Bonds Payable

For bonds payable at a fixed rate, the determination of fair value considers the quoted prices of the international market (Level 1), is quoted prices (unadjusted) in active markets for identical financial assets and liabilities.

The estimate fair value of financial instruments as of March 31, 2018 and December 31, 2017, detailed below:

	Mar-2018		Dic-2017	
	Book value	**Fair value**	Book value	Fair value
Financial Assets:				
Accounts receivable - long term	**$ 20,314**	**$ 15,806**	$ 20,191	$ 15,564
Financial Liabilities:				
Bonds payable - long term	**$ 377,075**	**$ 389,625**	$ 377,183	$ 393,300

19. Credit Risk

The Company has exposure to credit risk on financial assets.

Credit risk is the risk that the borrower or issuer of a financial asset, owned by the Company, does not comply fully and on time, with any payment to be made in accordance with the terms and conditions agreed to when we acquired or originated the respective financial asset.

19. Credit Risk (continued)

The Management of the Company has financial instruments with minimal risk of loss because electricity market rules provide for the collection maintain the principle of payment guarantee, both for the contract market and the occasional market.

In the case of the contract market, payment guarantees are kept, while for the occasional market, all transactions are managed by the CND through a collection system of a Management and Collections Bank, through a payment guarantee ("Banking letter") that must be kept current to guarantee energy transactions.

At Balance Sheet dates, there are no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the balance of accounts receivable included in the balance sheets.

20. Subsequent Events

Subsequent events were evaluated by the Administration until May 30, 2018, the date on which financial statements were authorized by the Administration for its issuance.

REPUBLIC OF PANAMA
NATIONAL SECURITIES AND EXCHANGE COMMISSION

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

ANNEX No. 2

FORM IN-T
QUARTERLY UPDATE
REPORT

Quarter ending on March 31, 2018

PRESENTED IN ACCORDANCE WITH DECREE LAW 1 DATED JULY 8, 1999, AND AGREEMENT No. 18-00 DATED OCTOBER 11, 2000.

GENERAL INSTRUCTIONS REGARDING FORMS IN-A and IN-T:

A. **Applicability**

These forms must be used by all issuers of securities registered with the CNV, in accordance with the provisions set forth in Agreement No. 18-00 dated October 11, 2000 (regardless if the registration is by public offering or other mandatory registrations). The Update Reports will be required as from January 1, 2001. As a result, issuers with fiscal closings in December must present their Annual Report in accordance with the rules provided for in the aforementioned Agreement. Similarly, all interim reports of issuers with special fiscal closings (March, June, November, and others), which must be received from January 1, 2001, onward, will have to be presented in accordance with the provisions set forth in Agreement No. 18-00. However, issuers will have the option to present their reports to the Commission before said date.

B. **Preparation of Update Reports**

This is not a fill-in-the-blanks form. It is only a guide about the order in which information must be presented. The CNV will make the word processor File available, provided that the interested party furnishes a 3 ½ disc. In the future, the form may be downloaded from the website of the CNV.

If any information required does not apply to the issuer, given its characteristics, the nature of its business or for any other reason, such a circumstance must be expressly stated along with the reasons for which it does not apply to the issuer. Two sections of this Agreement make specific reference to Agreement No. 6-00 dated May 19, 2000 (modified by Agreement No. 15-00 dated August 28, 2000), on the Registration of Securities. It is a responsibility of the issuer to check said references.

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

A complete copy of the Update Report must be submitted to the Stock Exchange, listing the securities of the issuer.

Financial information must be prepared in accordance with the provisions set forth in Agreements No. 2-00 dated February 28, 2000, and No. 8-00 dated May 22, 2000. When during the accounting periods reported there were changes in the accounting policies, acquisitions or any other form of business venture that may impact upon the comparability of the figures reported, the issuer must make clear reference to said changes and their impacts on the figures.

Should any additional clarification be required, you may contact officials from the Securities Registration National Directorate at 225-9758, 227-0466.

COMPANY NAME OF THE ISSUER: AES Panamá, S.R.L.

SECURITIES IT HAS REGISTERED:
1. Bonds in the amount of $375,000,000 maturing on June 25, 2022, at an interest rate of 6.00% issued under rule 144/A Regulation S of the Securities and Exchange Commission (SEC) of the United States.

TELEPHONE AND FAX NUMBERS OF THE ISSUER: (507) 206-2600 Tel.- (507) 206-2612 fax

ADDRESS OF THE ISSUER: Costa del Este, Paseo Roberto Motta, Edificio Business Park V (Edificio Bladex), piso No. 11; apartado postal 0816-01990 Panamá, República de Panamá.

E-MAIL ADDRESS: ilsa.pichardo@aes.com, yessenia.quintero@aes.com

I PART

AES Panamá, S.R.L. (the "Company") was incorporated on October 26, 1999 as a result of the merger of Empresa de Generación Eléctrica Chiriquí, S. A. (Chiriquí) and Empresa de Generación Eléctrica Bayano, S. A. (Bayano). Chiriquí and Bayano were incorporated as companies on January 19, 1998 in connection with the privatization and restructuring of the Panamanian energy industry. At the time of its incorporation, the Company operated a hydroelectric power plant with an installed capacity of 150 megawatts in Bayano, a thermal power plant with a capacity of 42.8 megawatts located in Province of Panama, which was shut down in 2005 and transferred to Empresa de Generación, S. A. (EGESA) who assumed all the obligations and responsibilities of the plant on October 18, 2006 as established in the transfer of gas turbines agreement, and the hydroelectric power plants of La Estrella and Los Valles with installed capacities of 42 and 48 megawatts, respectively, located in the Province of Chiriquí. The Bayano plant completed the expansion of two existing units increasing its total capacity from 75 to 87 megawatts for both units and also the construction of a third unit of 86 megawatts was finished in February 2004, for a total of 260 megawatts of installed capacity for the Bayano plant. The Company built the Estí hydroelectric plant with an installed capacity of 120 megawatts, which is located in the Province of Chiriquí and initiated its commercial operation on November 20, 2003. Additionally, in March 2006, the Company began a project to increase generating capacity of the four units at La Estrella and Los Valles power plants to 45 and 51 megawatts, respectively in June 2006 and in June 30, 2007, their capacity was increased again to 48 and 54 megawatts, respectively.

The Company began in the last four months of 2014, the installation of a thermal power plant Barge called "Thermal Power Barge Project Estrella del Mar I" with an installed capacity of 72 MW using Bunker C (Fuel Oil No. 6) as its main fuel. It is located in Cativá, Province of Colón and began operating on March 25, 2015. With the installation of this new thermal power plant the company has a total capacity of 554 megawatts.

On September 25, 2013, the Company converted into equity ownership the accounts receivables with its affiliate AES Changuinola, S.R.L. for $63,277 generated by the energy supply contract that both companies maintain. Through this transaction, AES Panamá, S.R.L. became the owner of 20% of AES Changuinola, S.R.L. On November 25, 2013, the transaction was completed upon the transfer and issuance of the corresponding shares.

On October 16, 2014, the transformation of AES Panamá, S.A. into AES Panamá, S.R.L. (Limited Liability Company or "Sociedad de Responsabilidad Limitada" in Spanish), was registered in the Public Registry of Panama. The change was approved by the Company's Board of Directors and Stockholders. As a result of this change, the Company canceled its outstanding common stock and issued participating stock to its members representing the same percentage of ownership. In addition, treasury stock was canceled.

On June 25, 2015, "The Partners" approved the transfer of participating stock owned by AES Panamá Energy, S.A. in favor of AES Elsta, B.V., 100% subsidiary of The AES Corporation, as a result of a corporate restructuring of the Corporation. The transfer was duly registered in the Public Registry of Panama effective on September 30, 2015.

As of March 31, 2018, AES Elsta, B.V., 100% subsidiary of The AES Corporation (the Corporation), owns 105,353,687 (49.07%) of the Company's participating stock, the Republic of Panama owns 108,347,536 (50.46%) of the Company´s participating stock, and other partner's own 1,016,205 (0.47%) of the Company's participating stock.

A. Liquidity

	March 31 2018	March 31 2017
Cash flows from operating activities		
Net income	**12,852**	**6,199**
Adjustment to reconcile net income to net cash provided by operating activities	5,896	6,791
Changes in operating assets and liabilities	7,926	5,394
Net cash provided by operating activities	**26,674**	**18,384**
Net cash used in investing activities	**(4,383)**	**(2,053)**
Net cash used in financing activities	**(1,082)**	**—**
Net increase in cash, cash equivalents and restricted cash	21,209	16,331
Cash, cash equivalent and restricted cash at the beginning of the year	18,168	18,522
Cash, cash equivalent and restricted cash at the end of the period	**39,377**	**34,853**

The net cash of the Company as of March 31, 2018 and 2017, was $39,377 and $34,853 respectively, which represents an increase of $4,524, with respect to the same period of the previous year.

As of March 31, 2018, an increase in net income of $6,653 is shown in relation to the same period of 2017, mainly generated by an increase in the variable margin of $8,017, as a result of: (i) higher energy sales for $4,021 associated to a greater generation in the hydroelectric plants due to better hydrology, and to the increase in the prices of the barge Estrella del Mar I contract; (ii) lower energy purchases for $1,689, also associated with higher generation, and a decrease in spot market prices in relation to the same period of the previous year; (iii) lower energy sale costs for $2,307, due to a decrease in fuel consumption due to a lower generation of the barge Estrella del Mar I. In addition to the positive effect on the variable margin, there are: (i) lower depreciation and amortization expenses for $1,244, due to the adjustment in depreciation as a result of the study of useful lives and residual values carried out in 2017; (ii) greater recognition of equity participation due to better results of its affiliate AES Changuinola, S.R.L. for $1,411.

This positive effect is affected by: (iii) higher operating and maintenance expenses ($340), (iv) a decrease in other (expenses) income, net in the amount of ($1,743) mainly due to the cash received in 2017, for ($1,472) for the reimbursement of insurance funds for property damage associated with Unit 1 of Bayano, and (v) higher expense of income tax for ($2,193), associated with the increase in the results of 2018, in relation to the same period of 2017.

Regarding the cash provided by operating activities, an increase of $8,290 is shown, mainly generated by: (i) a decrease in the variation of accounts receivable, due to a better collection management for energy customers in comparison with the same period of 2017; (ii) a decrease in accounts payable for higher payments to suppliers, lower purchases of fuel, lower generation of the barge Estrella del Mar I and lower purchases in the spot market, due to higher generation of hydroelectric plants; (iii) lower income tax payments in the 2018 period compared to the same period of the previous year and to the variations in net income explained above.

The cash flows used by investment activities show an increase of ($2,330) mainly due to: greater cash outflow used for purchases of fixed assets for ($859), compared to the same period of 2017 and a negative variation for ($1,472) due to the cash received in 2017, for the reimbursement of insurance funds, for damage to the property associated with Unit 1 of Bayano.

The cash flows used by financing activities show an increase of ($1,082), corresponding to the cash used for purchases of fixed assets acquired during 2017, but paid after 3 months.

B. Capital Resources

At the close of March 31, 2018, $26,349 were recorded on the books as in-progress constructions, $12,655 of which are related to some components associated with barge Estrella del Mar I and $13,692 related to other projects associated with hydroelectric plants.

C. Resultados de las Operaciones

A continuación se presenta un cuadro comparativo de los resultados de la Compañía:

Commercial Data	**Unit**	**2018**	**2017**	**VAR**	**% VAR**
Contract Energy Sales	GWh	720.67	710.11	10.57	2.0 %
Spot Market, Net	GWh	(2.77)	(135.71)	132.94	(98.0)%
Spot Energy Sales	GWh	86.74	37.66	49.09	130.0 %
Spot Energy Purchases	GWh	89.52	173.37	(83.85)	(48.0)%
IC Contract Energy Purchases (at contract prices)	GWh	257.45	193.71	63.74	33.0 %
Total Company Generation	**GWh**	**487.76**	**402.23**	**85.53**	**21.0 %**
Spot Market Prices	**Unit**	**2018**	**2017**	**VAR**	**% VAR**
Spot Market Price (System)	US$/MWh	70.75	78.00	(7.19)	(9.0)%
Spot Market Sales Price	US$/MWh	40.76	78.71	(37.95)	(48.0)%
Spot Market Purchases Price	US$/MWh	78.29	84.10	(5.81)	(7.0)%
Operating Data	**Unit**	**2018**	**2017**	VAR	% VAR
Bayano Level	masl	59.42	58.93	0.50	1.0 %
Bayano Inflows	m3/s	119.55	47.33	72.22	153.0 %
Bayano Generation	GWh	163.25	109.10	54.15	50.0 %
ESTI Generation	GWh	126.84	105.56	21.27	20.0 %
La Estrella Generation	GWh	49.38	22.20	27.18	122.0 %
Los Valles Generation	GWh	56.07	31.99	24.09	75.0 %
Estrella de Mar I Generation	GWh	92.21	133.37	(41.16)	(31.0)%
Losses (line and consumption)	GWh	27.31	21.54	5.76	27.0 %
Spot Market Revenues	**Unit**	**2018**	**2017**	**VAR**	**% VAR**
Spot Market Sales Revenues	K$	3,535.28	2,963.74	571.54	19.0 %
Spot Market Purchases Expense	K$	7,008.41	14,580.02	(7,571.61)	(52.0)%

Revenues

Sales:

Electricity sales reflect an increase of $4,021 as of March 31, 2018 with respect to the same period in 2017, this is due to: (i) higher energy sales in the spot market compared to the same period of the previous year for $1,217 (87 Gwh in 2018 vs. 38 Gwh in 2017), due to a greater generation in 47.1%, in hydroelectric plants (395.54 Gwh in 2018 vs. 268.85 Gwh in 2017). The water level of the Bayano dam closed at March 31, 2018 with 59.42 masl and the inflows for that plant was 119.55 m3/s, 153.0% more than the previous period; (ii) an increase in contract sales of $2,966, attributed mainly to the increase in the prices of the Estrella del Mar I barge contract and (iii) lower revenues from auxiliary services in the amount of ($162), compared to the same period of 2017.

Operating costs and expenses

Purchases and other costs of energy sales:

As of March 31, 2018, energy purchases decreased by $1,689 in relation to the same period of 2017, due to: (i) lower costs for purchase of energy in the spot market for $7,169, due to lower amount of purchased energy (90 Gwh in 2018 vs. 173 Gwh in 2017), as a consequence of a greater generation of hydroelectric plants, and the decrease in prices in the spot market compared to the previous period ($78/MWh in 2018 vs. $84/MWh in 2017); net of: (ii) greater purchases of energy from its affiliate AES Changuinola S.R.L. for ($5,474).

Other energy sales costs show a decrease of $2,307, attributed mainly to lower fuel costs of $2,473 due to a decrease in fuel consumption, as a result of a reduced generation of the Estrella del Mar I barge; compensated by (ii) higher variable transmission costs in the amount of ($167), associated with the increase in plant generation.

Operating lease costs:

Operating lease costs did not show any change compared to the same period in 2017.

Fixed transmission costs:

Fixed transmission costs did not show any change compared to the same period in 2017.

Operation and maintenance:

As of March 31, 2018, operating and maintenance expenses show an increase of ($340) in relation to the same period of the previous year, generated mainly in the items of salaries and other employee benefits.

Depreciation and amortization:

Depreciation and amortization expenses show a decrease of $1,244, due to an adjustment in depreciation, as a result of the study of useful lives and residual values, carried out during the last quarter of 2017.

Administration:

The administrative fees expense does not show significant changes, in relation to 2017.

Other net expenses:

The other net expenses have an unfavorable balance of ($48), mainly associated to: (i) the decrease in other income by (1,743), mainly due to cash received in 2017, by ($1,472) for the reimbursement of insurance funds for property damage associated with Unit 1 of Bayano, partially offset by: (ii) a decrease in interest expense of $285, and (iii) an increase in income from equity participation in an affiliate for $1,411, as a result of a higher net profit in AES Changuinola, S.R.L. for better hydrology.

D. Analysis of prospects

In accordance with the results obtained in the first quarter and the projections for the rest of the year, insofar as the variable margin level for 2018 is concerned, the results are expected to be higher than those achieved in the previous year, mainly due to the expectation of improvement in hydrology, increasing generation in its hydro generation plants, which would represent a decrease in purchases and increase in energy sales in the spot market.

II PART
FINANCIAL SUMMARY

A. **Presentation applicable to issuers of the commercial and industrial sector:**

INCOME STATEMENT	1Q18	4Q17	3Q17	2Q17
Total Sales or Revenues	84,152	88,422	86,808	87,258
Operating Margin	20,245	32,635	31,606	22,970
General and Administrative Cost and Expenses	56,202	51,272	46,209	55,316
Net Income	12,852	19,149	24,065	13,919
Participation Stocks	214,717,428	214,717,428	214,717,428	214,717,428
Profit per Stock	0.06	0.09	0.11	0.06
Depreciation and Amortization	7,705	4,515	8,993	8,972
BALANCE SHEET	**31-Mar-18**	**31-Dec-17**	**30-Sep-17**	**30-Jun-17**
Current Assets	108,212	85,986	104,469	122,800
Total Assets	584,210	564,960	581,437	593,204
Current Liabilities	43,632	38,879	38,499	44,797
Long Term Liabilities	424,395	422,788	418,985	418,557
Paid in Capital	155,554	155,536	155,516	155,497
Accumulated Deficit	(36,991)	(49,843)	(29,143)	(23,208)
Total Shareholders' Equity	116,183	103,293	123,953	129,850
FINANCIAL RATIOS				
Total Debt/Equity	4.03	4.47	3.69	3.57
Working Capital	64,580	47,107	65,970	78,003
Current Ratio	2.48	2.21	2.71	2.74
Operating Income/Interest Expense	3.82	4.38	4.03	3.14

III PART

FINANCIAL STATEMENTS

The Financial Statements for AES Panamá, S.R.L. are attached in Annex 1.

IV PART

DISCLOSURE

In accordance with the provisions set forth in agreement 6-2001 of the National Securities and Exchange Commission, it is expressly understood that this document has been prepared under the belief that its content will be made available to the investment public and the public in general.

1. **Means of disclosure**

   The website of the Company www.aespanama.com.

2. **Date of disclosure**

   From May 30, 2018.

SIGNATURE

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Miguel Bolinaga
General Manager