

Three High Plant Factor, High Profitability Hydro Power Plants In Panama

Investment Summary: The Company owns and operates a highly profitable 10MW hydro power plant in Panama and is constructing two additional 10MW hydro plants, in cascade configuration, expected to be commissioned in mid-2012. Project financing is in place for the 2 new plants under construction. With one of the highest energy demand and GDP growth rates in Central America, Panama's annual energy demand is expected to grow at a rate of 5%-6% for the foreseeable future. In addition, the Electric Interconnection Project of Central America (SIEPAC) which interconnects the six Central American nations should dramatically increase energy exchange among the participating countries when it is completed in 2014. **Estimated 2011 revenue from the Company's operational plant is \$10.6 million with \$8.7 million in EBITDA. Each of the two new plants is projected to produce \$7.2 million in annual revenue in its first full year of operation (2013) and \$6.1 million each in EBITDA.**

The Company's plants are on a cascade arrangement allowing the downstream power plants to use the water discharged from the upstream power plant. Current annual energy output from the existing plant is approximately 62GWh. A second desander at the facility will be in place by April 2012, which will increase annual energy generation by 1.8GWh. The two hydro plants in development will have comparable output capacities.

Panama's healthy economic growth is expected to continue over the next few years. The Economist Intelligence Unit forecasts Panama's real GDP growth in 2011 and 2012 at 6.4% and 5.1%, respectively. Following Panama's recent tax reforms and its steady GDP growth since 2006, S&P, Moody's and Fitch Ratings raised the country's credit rating to investment grade in 2010.



High barriers to entry with respect to required capital, project risks and government permits give the Company a significant market advantage over possible new entrants. The Company has obtained all required permits and licenses, 50-year concessions, water rights, rights of way, approved project designs, and financing for the in-progress construction and future operation of the new plants. Permitting and licensing for a hydro project in Panama usually takes between 2 - 3 years to complete.

The Company's three facilities offer an acquirer numerous competitive advantages. These include:

- **Reliable generation technology with efficient performance:** All three units are designed to maximize plant efficiency and each has an availability factor of 98% to 99%. The capacity factor of over 68% distinguishes the Company's plants from other hydroelectric plants that typically have a capacity factor of 40%-50%.
- **Access to attractive wholesale power market:** The plant in operation dispatches all the electricity it generates on a merchant or contract basis into Panama's electricity market, the most dynamic and competitive wholesale power market in Central America.

- **Robust export opportunities due to regional interconnection:** SIEPAC, a \$495 million transmission project connecting Panama and the other five Central American nations, calls for 2,000 kilometers of transmission lines with a capacity of up to 600 MW.
- **Hydrological and construction risks dramatically mitigated by the existing facilities and infrastructure on site:** The hydrological and construction risks have been significantly reduced by the Company. Dam and desander construction risk is eliminated for the two new plant projects, since these will use the existing upstream infrastructure. With no major cliffs and excavations, the landscape of two new power plants will reduce the complexity of the construction. Hydrology risk is mitigated by the already experienced hydrology of the current operating plant.
- **Considerable economic synergies between currently operating plant and the two new facilities:** All three plants will benefit significantly from sharing SG&A and certain O&M costs.
- **Clean and renewable energy generation benefits from government economic incentives:** The Company and its subsidiaries are exempted from import tax, duties and levies for imported equipment and materials for the purpose of the construction, operation and maintenance of the plants. The subsidiaries are also eligible for a tax credit equal to 25% of direct investment and are exempted from transmission and distribution charges. In addition, the current plant receives carbon credits issued by the Clean Development Mechanism Executive Board with a total dollar value of approximately \$500,000 annually based on the prevailing market price; new plants are also expected to qualify for this credit.
- **Experienced management team and work force:** The Company's experienced management team and other dedicated employees have a track record of power plant construction project management and high-performance operations management. The management team desires to stay on post-transaction.

Financial Highlights US\$000	2009	2010	2011P	2012P*	2013P	2014P	2015P	2016P	2017P	2018P	2019P	2020P
Existing Plant												
Revenue	8,494	10,978	10,601	8,941	7,100	7,271	7,446	7,625	7,809	7,998	8,191	8,389
EBITDA	6,726	8,305	8,682	7,028	5,147	5,297	5,438	5,582	5,730	5,881	6,036	6,194
New project 1												
Revenue				4,484	7,215	7,271	7,446	7,625	7,809	7,998	8,191	8,389
EBITDA				3,871	6,055	6,073	6,226	6,381	6,540	6,704	6,871	7,042
New project 2												
Revenue				3,548	7,215	7,271	7,446	7,625	7,809	7,998	8,191	8,389
EBITDA				3,020	6,061	6,073	6,226	6,381	6,540	6,704	6,871	7,042

* The two new plants are expected to begin operations in July 2012 and August 2012, respectively.

For more information on this exceptional acquisition opportunity, please contact:
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