IRISH LISTING PARTICULARS

OFFERING MEMORANDUM

US$300,000,000

Inkia Energy Limited

8.375% Senior Notes due 2021

Interest payable on April 4 and October 4

We are offering U.S.$300,000,000 aggregate principal amount of our 8.375% senior notes due 2021, or the notes. The notes will mature on April 4, 2021. Interest on the notes will accrue at a rate of 8.375% per annum and will be payable semi-annually in arrears on each April 4 and October 4 of each year, commencing on October 4, 2011. Interest on the notes will accrue from the date of original issuance, or if interest has already been paid, from the date it was most recently paid.

We may redeem the notes, in whole or in part, at any time on or after April 4, 2016 at the applicable redemption prices set forth in this offering memorandum, plus accrued interest. Before April 4, 2016, we may also redeem the notes, in whole or in part, at a redemption price based on a "make-whole" premium. In addition, before April 4, 2014, we may redeem up to 35% of the notes at a redemption price equal to 108.375% of their principal amount, plus accrued interest, using the proceeds of certain equity offerings. We may also redeem the notes, in whole but not in part, if certain changes in applicable tax law occur.

The notes will be our senior unsecured obligations and will rank equally in right of payment with all of our existing and future unsubordinated indebtedness. The notes will be effectively junior to all of our existing and future secured indebtedness to the extent of the assets securing that indebtedness and to all of the existing and future liabilities of our subsidiaries. The notes are not guaranteed by any person or entity.

There is currently no public market for the notes. Application has been made to list the notes on the Global Exchange Market of the Irish Stock Exchange.

Investing in the notes involves risks. See "Risk Factors" beginning on page 15.

Price: 99.169% plus accrued interest, if any, from April 4, 2011.

The notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or the Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the sellers of the notes may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A under the Securities Act. Outside the United States, the offering is being made in reliance on Regulation S under the Securities Act.

At or shortly after the time of issue of the notes, we will deliver to and file a copy of this document with the Registrar of Companies in Bermuda in accordance with Bermuda law. Approvals or permissions received from the Bermuda Monetary Authority or Registrar of Companies do not constitute a guarantee by the Bermuda Monetary Authority or Registrar of Companies as to the performance or the credit-worthiness of Inkia Energy Limited. The Bermuda Monetary Authority shall not be liable for the performance or default of Inkia Energy Limited, or for the accuracy of any statements made or opinions expressed in this offering memorandum.

Delivery of the notes in book-entry form is expected on or about April 4, 2011, through the facilities of The Depository Trust Company, or DTC, and its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, or Euroclear, and Clearstream Banking, *société anonyme*, or Clearstream, Luxembourg.

Joint Book-Running Managers

BofA Merrill Lynch **Credit Suisse**

The date of this offering memorandum is April 19, 2011.

In making your investment decision, you should rely only on the information contained in this offering memorandum. Neither we nor the initial purchasers have authorized any person to provide you with different information. If any person provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this offering memorandum is accurate as of the date on the front cover of this offering memorandum only. Our business, properties, results of operations or financial condition may have changed since that date. Neither the delivery of this offering memorandum nor any sale of notes hereunder will under any circumstances imply that the information herein is correct as of any date subsequent to the date on the front cover of this offering memorandum.

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Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to “Inkia” are to Inkia Energy Limited, and all references in this offering memorandum to “we,” “us,” “our,” “our company” and “ourselves” are to Inkia Energy Limited and its consolidated subsidiaries.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes described in this offering memorandum. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or the public generally to subscribe for or otherwise acquire notes. Distribution of this offering memorandum to any person other than a prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of this offering memorandum or any documents referred to in this offering memorandum.

The initial purchasers make no representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future.

Neither we nor the initial purchasers are making an offer to sell the notes in any jurisdiction except where such an offer or sale is permitted. You must comply with all applicable laws and regulations in force in your jurisdiction and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the notes under the laws and regulations in force in your jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither we nor the initial purchasers will have any responsibility therefor.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;

- you have not relied on the initial purchasers or their agents or any person affiliated with the initial purchasers or their agents in connection with your investigation of the accuracy of such information or your investment decision; and

- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

We are relying upon an exemption from registration under the Securities Act for an offer and sale of securities which do not involve a public offering. By purchasing notes, you will be deemed to have made certain acknowledgments, representations and agreements as set forth under “Transfer Restrictions” in this offering memorandum. The notes are subject to restrictions on transfer and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See “Plan of Distribution” and “Transfer Restrictions.”

In making an investment decision, prospective investors must rely on their own examination of our company and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this offering memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the notes under applicable legal, investment or similar laws or regulations.

None of the United States Securities and Exchange Commission, or the SEC, any United States state securities commission or any other regulatory authority has approved or disapproved of these securities or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

Application has been made to admit the notes to listing on the Official List, and to trading on the Global Exchange Market, of the Irish Stock Exchange. The Irish Stock Exchange’s Global Exchange Market takes no responsibility for the contents of this offering memorandum, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

We confirm that, after having made all reasonable inquiries, this offering memorandum contains all information with regard to us and the notes which is material to the offering and sale of the notes, that the information contained in this offering memorandum is true and accurate in all material respects and is not misleading and that there are no omissions of any facts from this offering memorandum which, by their absence herefrom, make this offering memorandum misleading. We accept responsibility for the information contained in this offering memorandum regarding us and the notes. The opinions and intentions expressed in this offering memorandum regarding us and the notes are honestly held and based on reasonable assumptions.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE IMPLIES THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT ANY EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO PERUVIAN INVESTORS ONLY

NEITHER THIS OFFERING MEMORANDUM NOR ANY OTHER DOCUMENTS RELATING TO THE OFFERING OF THE NOTES HAS BEEN SUBMITTED NOR WILL BE SUBMITTED FOR APPROVAL OR RECOGNITION TO THE PERUVIAN SECURITIES MARKET COMMISSION (*COMISIÓN NACIONAL SUPERVISORA DE EMPRESAS Y VALORES* – CONASEV). ACCORDINGLY, THE OFFERING OF THE NOTES IS NOT BEING MADE IN THE REPUBLIC OF PERU AND SUCH DOCUMENTS AND/OR MATERIALS ARE NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE REPUBLIC OF PERU.

NOTICE TO ISRAELI INVESTORS

THE NOTES ARE NOT BEING OFFERED FOR SALE TO PERSONS OR ENTITIES DOMICILED IN ISRAEL (AN "ISRAELI INVESTOR"). ISRAELI INVESTORS ARE NOT PERMITTED TO PURCHASE THE NOTES OFFERED IN THIS OFFERING.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with resales of the notes, for so long as the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we are required to furnish upon request of a holder of the notes and a prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) if at the time of such request we are neither a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

Until the closing of this offering, the following documents (or copies thereof) may be physically inspected at Inkia's registered office at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda:

- Inkia's memorandum of association and bye-laws; and
- Inkia's audited consolidated annual financial statements as of December 31, 2010 and 2009 and for the three years ended December 31, 2010, including the auditors' reports thereon.

ENFORCEMENT OF CIVIL LIABILITIES

Inkia is an exempted limited liability company organized under the laws of Bermuda and substantially all of its assets are located outside the United States. In addition, all of Inkia's directors and officers and certain other persons named in this offering memorandum reside outside the United States and all or a significant portion of their assets are located outside the United States. As a result, it may be difficult or impossible for investors to effect service of process within the United States upon Inkia or such persons or to enforce against them or Inkia judgments of courts of the United States, whether or not predicated upon the civil liability provisions of the federal securities laws of the United States or other laws of the United States or any state thereof. The United States does not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters with Bermuda. Therefore, a final judgment for payment of money rendered by a federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, may not be enforceable, either in whole or in part, in Bermuda. However, if the party in whose favor such final judgment is rendered brings a new suit in a competent court in Bermuda, such party may submit to the Bermuda court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States against Inkia or such persons will be regarded by a Bermuda court only as evidence of the outcome of the dispute to which such judgment relates, and a Bermuda court may choose to re-hear the dispute. In addition, awards of punitive damages in actions brought in the United States or elsewhere are unenforceable in Bermuda.

We will appoint CT Corporation System located at 111 Eighth Avenue, New York, New York 10011, United States, as agent to receive service of process under the indenture governing the notes, including with respect to any action brought against us in the Supreme Court of the State of New York in the County of New York or the United States District Court for the Southern District of New York under the federal securities laws of the United States.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements. Some of the matters discussed concerning our business operations and financial performance include forward-looking statements within the meaning of the Securities Act or the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act.

Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates” and similar expressions are forward-looking statements. Although we believe that these forward-looking statements are based upon reasonable assumptions, these statements are subject to several risks and uncertainties and are made in light of information currently available to us.

Our forward-looking statements may be influenced by factors, including the following:

- political, economic and demographic developments in the countries where we conduct our businesses, particularly Peru;
- changes in the legal and regulatory framework of the energy industry in one or more of the countries in which we operate, develop or construct generation assets;
- the nature and extent of future competition in the energy industry in the markets in which we operate;
- changes in the prices and availability of natural gas and other fuels;
- volatility and fluctuations in demand for energy, and spot market prices for energy;
- the performance and reliability of our generating plants and our ability to manage our operation and maintenance costs;
- our ability to successfully complete construction of our combined-cycle plant in Peru on a timely basis;
- our ability to successfully identify profitable growth opportunities in the energy industry;
- our ability to finance, construct and begin operating proposed “greenfield” projects on schedule and within budget;
- our ability to finance, negotiate and close strategic acquisitions and to successfully integrate the acquired businesses;
- capital market conditions, including the availability of credit, changes in interest rates and decisions regarding capital structure;
- actions taken by our sole shareholder;
- weather conditions affecting generation, customer energy use and operating costs;
- potential effects of natural disasters, war or other hostilities or the risk of nationalization;
- the outcome of litigation against us and our subsidiaries; and
- other factors identified or discussed under “Risk Factors.”

Our forward-looking statements are not guarantees of future performance, and our actual results or other developments may differ materially from the expectations expressed in the forward-looking statements. As for forward-looking statements that relate to future financial results and other projections, actual results will be different due to the inherent uncertainty of estimates, forecasts and projections. Because of these uncertainties, potential investors should not rely on these forward-looking statements.

Forward-looking statements speak only as of the date they are made, and neither we nor the initial purchasers undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references herein to "U.S. dollars," "dollars" or "US$" are to U.S. dollars. All references herein to "*nuevos soles*" or "S/." are to *nuevos soles*, the official currency of Peru. All references herein to "*bolivianos*" or "Bs." are to *bolivianos*, the official currency of Bolivia.

Financial Statements

We maintain our books and records in U.S. dollars. We prepare our consolidated financial statements in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB.

Our consolidated financial statements as of December 31, 2010 and 2009 and for the three years ended December 31, 2010 have been audited by our independent auditors, as stated in their reports appearing therein, and are included elsewhere in this offering memorandum.

Non-GAAP Financial Measures

A body of generally accepted accounting principles is commonly referred to as "GAAP." For this purpose, a non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. In this offering memorandum, we disclose so-called non-GAAP financial measures, primarily EBITDA of some of our operating subsidiaries and Consolidated Adjusted EBITDA. We define EBITDA as net income before finance income (expenses), depreciation and amortization and income taxes expenses and we define Consolidated Adjusted EBITDA as EBITDA of Inkia and its consolidated subsidiaries *less* share in profit of associates *plus* any dividends, distributions or cash received by Inkia from any entity in which Inkia owns a minority interest. The non-GAAP financial measures described in this offering memorandum are not a substitute for GAAP measures of earnings.

Our management believes that disclosure of Adjusted EBITDA provides useful information to investors and financial analysts in their review of our operating performance and their comparison of our operating performance to the operating performance of other companies in the same industry and other industries.

Financial Data of Operating Subsidiaries

We have included financial data with respect to our subsidiary Kallpa Generación S.A., or Kallpa, in this offering memorandum. Kallpa prepares its financial statements under Peruvian GAAP, which differs in important respects from IFRS. We have not included financial statements of Kallpa in this offering memorandum. The financial data used in the preparation of Inkia's consolidated financial statements prepared under IFRS differs in many respects from the financial data reflected in Kallpa's financial statements prepared under Peruvian GAAP. The financial data with respect to Kallpa presented in this offering memorandum is derived from the books and records of Inkia and is not derived from Kallpa's financial statements prepared under Peruvian GAAP.

We have included financial data with respect to our subsidiary Nejapa Power Company LLC, or Nejapa, in this offering memorandum. Nejapa prepares its financial statements under Salvadorian GAAP, which differs in important respects from IFRS. We have not included financial statements of Nejapa in this offering memorandum. The financial data used in the preparation of Inkia's consolidated financial statements prepared under IFRS differs in many respects from the financial data reflected in Nejapa's financial statements prepared under Salvadorian GAAP. The financial data with respect to Nejapa presented in this offering memorandum is derived from the books and records of Inkia and is not derived from Nejapa's financial statements prepared under Salvadorian GAAP.

We have included financial data with respect to our subsidiary Compañia de Electricidad de Puerto Plata S.A., or CEPP, in this offering memorandum. CEPP prepares its financial statements under IFRS. We have not included financial statements of CEPP in this offering memorandum. In the preparation of Inkia's consolidated financial statements, Inkia makes a variety of adjustments to the financial data reflected in CEPP's financial statements to conform to Inkia's accounting policies. The financial data with respect to CEPP presented in this offering memorandum is derived from the books and records of Inkia and is not derived from CEPP's financial statements prepared under IFRS.

We have included financial data with respect to our subsidiary Compañia Boliviana de Energía Eléctrica S.A. Bolivian Power Company Limited, or COBEE, in this offering memorandum. COBEE prepares its financial statements under IFRS. We have not included financial statements of COBEE in this offering memorandum. In the preparation of Inkia's consolidated financial statements, Inkia makes a variety of adjustments to the financial data reflected in COBEE's financial statements to conform to Inkia's accounting policies. The financial data with respect to COBEE presented in this offering memorandum is derived from the books and records of Inkia and is not derived from COBEE's financial statements prepared under IFRS.

We have included financial data with respect to our subsidiary Southern Cone Power Peru S.A., or Southern Cone, in this offering memorandum. Southern Cone prepares its financial statements under Peruvian GAAP, which differs in important respects from IFRS. We have not included financial statements of Southern Cone in this offering memorandum. In the preparation of Inkia's consolidated financial statements, Inkia makes a variety of adjustments to the financial data reflected in Southern Cone's financial statements to conform to Inkia's accounting policies. The financial data used in the preparation of Inkia's consolidated financial statements prepared under IFRS differs in many respects from the financial data reflected in Southern Cone's financial statements prepared under Peruvian GAAP. The financial data with respect to Southern Cone presented in this offering memorandum is derived from the books and records of Inkia and is not derived from Southern Cone's financial statements prepared under Peruvian GAAP.

Information Regarding Edegel

We have included information regarding Edegel S.A.A., or Edegel, in this offering memorandum, a company in which we have a significant investment and which is a public company listed on the *Bolsa de Valores de Lima* (Lima Stock Exchange). Through our subsidiary Southern Cone, we own 39.0% of the outstanding shares of Generandes Peru S.A., or Generandes, which, in turn, owns 54.2% of the outstanding shares of Edegel. As a result, we have a 21.1% economic interest in Edegel. We have included information regarding Edegel that we have derived from Edegel's public filings made with CONASEV in Peru, including audited consolidated financial statements of Edegel, and other information regarding Edegel that is publicly available, principally through the COES and the OSINERGMIN.

Although we have significant rights under a shareholders' agreement that we have entered into with Empresa Nacional de Electricidad S.A., or Endesa Chile, the owner of the remaining capital stock of Generandes and the controlling shareholder of Edegel, we do not manage Edegel or participate in the preparation of its financial statements or other public reports, and have not independently verified the information regarding Edegel included in this offering memorandum.

Capacity and Generation Statistics and Other Information

This offering memorandum includes information regarding the effective capacity and energy dispatched in the interconnected systems of Bolivia, the Dominican Republic, El Salvador and Peru that we have derived from third-party sources that we believe are reliable, such as the AE, CNDC, COES, OC, OSINERGMIN, SIE, SIGET and UT, among others. Although we have no reason to believe that any of this information is inaccurate in any material respect, we have not independently verified this information provided by third parties or by industry or general publications.

Rounding

We have made rounding adjustments to reach some of the figures included in this offering memorandum. As a result, numerical figures shown as totals in some tables may not be arithmetic aggregations of the figures that precede them.

TECHNICAL AND REGULATORY TERMS

In this offering memorandum, references to:

- "AE" are to the Authority for the Supervision and Control of Electricity (*Autoridad de Fiscalización y Control Social de Electricidad*), a Bolivian governmental entity responsible for ensuring that companies comply with the rules and regulations passed by the MPE, as well as other laws that are applicable to the energy industry in Bolivia;

- "availability factor" are to the percentage of hours a power generation unit is available for generation of electricity in the relevant period, whether or not the unit is actually dispatched or used for generating power;

- "CNDC" are to the Committee for the Dispatch of Energy (*Comité Nacional de Despacho de Carga*), a Bolivian governmental entity responsible for planning and coordinating the operation of the generation, transmission and distribution systems that form the SIN;

- "COES" are to the Committee for the Efficient Operation of the System (*Comité de Operación Económica del Sistema*), an independent and private Peruvian entity composed of all of the members of the SEIN which is responsible for planning and coordinating the operation of the generation, transmission and distribution systems that form the SEIN;

- "distribution" are to the transfer of electricity from the transmission lines at grid supply points and its delivery to consumers at lower voltages through a distribution system;

- "Dominican CNE" are to the National Energy Commission of the Dominican Republic (*Comisión Nacional de Energía*), a governmental entity which is responsible for proposing and adopting policies and regulations for the Dominican energy sector;

- "effective capacity" are, as of any date of determination, to the available capacity for generation of a unit or the amount of MW that a power generation unit can reliably generate as of such date;

- "end user" are to a party who uses electricity for its own needs;

- "firm capacity" are to the amount of capacity that, pursuant to applicable regulations, an energy sector regulator recognizes and remunerates to each power generation unit for being available to cover the demand in peak hours;

- "GW" and "GWh" are to gigawatts and gigawatt-hours, respectively;

- "installed capacity" are to the amount of MW a generation unit is designed to produce upon installment (name-plate capacity);

- "km" are to kilometers;

- "kV" are to kilovolts;

- "kW" and "kWh" are to kilowatts and kilowatt-hours, respectively;

- "merit order" are to the ranking of power stations in order of ascending marginal cost;

- "MINEM" are to the Ministry of Energy and Mines (*Ministerio de Energía y Minas*), a governmental authority responsible for proposing and adopting rules and regulations governing the Peruvian energy sector, granting concessions and authorizations and reviewing and approving expansion plans for the SEIN;

- "MPE" are to the Ministry of Petroleum and Energy (*Ministerio de Petróleo y Energía*), a governmental authority responsible for proposing and adopting rules and regulations governing the Bolivian energy sector;

- "MW" and "MWh" are to megawatts and megawatt-hours, respectively;

- “national interconnected electrical systems” are to systems or networks for the transmission of energy, connected to a national grid;

- “nodal factor” are to transmission losses due to transportation from a generator to a principal connection point on a national interconnected electrical system;

- “OC” are to the Coordinating Body (*Organismo Coordinador*), a Dominican governmental authority whose function is to plan and coordinate the operations of the generation, transmission and distribution systems that form the SENI;

- “OEFA” are to the Environmental Assessment and Enforcement Body (*Organismo de Evaluación y Fiscalización Ambiental*), a Peruvian authority which is responsible for ensuring that generation companies comply with all applicable environmental regulations.

- “OSINERGMIN” are to the Supervisor of Investments in Energy and Mining (*Organismo Supervisor de la Inversión en Energía y Minería*), a Peruvian authority which is responsible for ensuring that companies comply with the rules and regulations passed by the MINEM, as well as other laws that are applicable to the energy industry in Peru. The OSINERGMIN is also responsible for setting the tariffs to be charged to regulated customers;

- “Peruvian Central Reserve Bank” are to the *Banco Central de Reserva del Perú*.

- “PPA” are to a power purchase agreement;

- “Salvadorian CNE” are to the National Energy Commission of El Salvador (*Comisión Nacional de Energía*), a governmental entity which is responsible for proposing and adopting policies and regulations for the Salvadorian energy sector;

- “self-generators” are to entities that produce electricity for their own consumption;

- “SEIN” are to the national interconnected electrical system of Peru (*Sistema Eléctrico Interconectado Nacional*);

- “SENI” are to the national interconnected electrical system of the Dominican Republic (*Sistema Eléctrico Nacional Interconectado*);

- “SIE” are to the Superintendency of Electricity of the Dominican Republic (*Superintendencia de Electricidad*), a Dominican entity which is responsible for ensuring that companies comply with the rules and regulations passed by the Dominican CNE, as well as other laws that are applicable to the energy industry in the Dominican Republic;

- “SIEG” are to the national interconnected electrical system of El Salvador (*Sistema Eléctrico Nacional Interconectado*);

- “SIGET” are to the General Superintendency of Electricity and Telecommunications (*Superintendencia General de Electricidad y Telecomunicaciones*), a Salvadorian entity which is responsible for ensuring that companies comply with the rules and regulations passed by the Salvadorian CNE, as well as other laws that are applicable to the energy industry in El Salvador;

- “SIN” are to the national interconnected electrical system of Bolivia (*Sistema Eléctrico Nacional Interconectado*);

- “substation” are to an assemblage of equipment which switches and/or changes or regulates the voltage of electricity in a transmission or distribution system;

- “tons” are to metric tons;

- “transmission” are to the bulk transfer of electricity from generating facilities to the distribution system at load center station in which the electricity is stabilized by means of the transmission grid; and

- "UT" are to the Transactions Unit (*Unidad de Transacciones*), a Salvadorian governmental entity responsible for planning and coordinating the operation of the SIEG's generation and transmission systems and acting as a clearinghouse for transactions in the wholesale energy market.

Unless otherwise indicated, statistics provided throughout this offering memorandum with respect to power generation units are expressed in MW, in the case of the installed capacity and effective capacity of such power generation units, and in GWh, in the case of the aggregate electricity production of such power generation units. One GWh is equal to 1,000 MWh and one MWh is equal to 1,000 kWh. Statistics relating to aggregate annual electricity production are expressed in GWh and are based on a year of 8,760 hours.

SUMMARY

This summary highlights information presented in greater detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information you should consider before investing in the notes. You should carefully read this entire offering memorandum, including "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and the notes thereto included elsewhere in this offering memorandum, before investing. See "Presentation of Financial and Other Information" for information regarding our audited consolidated financial statements, definitions of technical terms and other introductory matters.

Overview of Our Company

We are an international electric power generation company based in Latin America and have operations in Peru, the Dominican Republic, El Salvador and Bolivia and investments in Peru, Panama and Jamaica. We are focused on Latin American markets because they have higher rates of growth of gross domestic product, as well as lower base levels of overall and per capita energy consumption compared to developed markets. We believe that growth in Latin American markets will drive increases in overall and per capita energy consumption and therefore require significant additional investments in electricity generation assets.

We own, operate and develop power plants to generate and sell electricity to distribution companies and unregulated consumers under long-term and short-term power purchase agreements, or PPAs, and to the spot market. Our operating companies use natural gas, hydroelectric resources and heavy fuel oil to produce electricity. Our generation capacity is largely contracted, which reduces the risk related to market prices of electricity and fuel. During 2010, we sold 2,996 GWh of electricity to distribution companies, 1,642 GWh of electricity to consumers in the unregulated markets and 1,319 GWh of electricity in the spot markets. During 2010, 30.7% of our revenues were generated from sales to distribution companies, 45.1% were generated from sales to consumers in the unregulated markets and 18.2% were generated from sales in the spot markets.

Our largest asset is our Kallpa facility. Through our subsidiary Kallpa, we operate an open-cycle gas-fired generation plant in Peru with three turbines that have an aggregate effective capacity of 566 MW. Kallpa is the largest thermoelectric plant in Peru. We are converting this plant to a combined-cycle facility. Upon completion of the conversion, which is being performed by POSCO Engineering & Construction Co., Ltd., or POSCO, under a lump-sum, fixed-price, date-certain turnkey engineering, procurement and construction contract, or the Kallpa EPC contract, that requires that this conversion be completed in July 2012, Kallpa's combined-cycle plant will have an aggregate installed capacity of a minimum of 854 MW and is expected to be the largest generation plant in Peru. As of December 31, 2010, Kallpa's effective capacity represented 8.8% of the total effective capacity in Peru. For the year ended December 31, 2010, our operations and investments in Peru, including our non-controlling interest in Generandes, generated 46.4% of our consolidated revenues and 49.3 % of our Consolidated Adjusted EBITDA.

In addition, we indirectly own 21.1% of the shares of Edegel, which was the largest generator of electricity in Peru as of December 31, 2010, according to the COES. As of December 31, 2010, Edegel had an aggregate effective capacity of 1,668 MW, representing 25.8% of the total effective capacity in Peru, according to the COES. Edegel is a public company listed on the Lima Stock Exchange, and as of February 28, 2011, Edegel's market capitalization was S/.4,619 million. Endesa Chile is the controlling shareholder of Edegel, but we have significant minority rights.

Our operations in Peru, the Dominican Republic, El Salvador and Bolivia had an aggregate effective capacity of approximately 1,001 MW as of December 31, 2010 and are expected to have an aggregate effective capacity of at least 1,289 MW upon completion of the Kallpa conversion. These generation plants generated 5,135 GWh of electricity in 2010.

We are also developing a run-of-the-river hydroelectric plant on the Mantaro River in central Peru, which we refer to as the Cerro del Aguila Project. When completed, we expect that this plant will have an installed capacity of 402 MW. We have completed the feasibility study for this project and obtained a permanent concession to operate this plant. On March 23, 2011, we were awarded in a public auction the right to sell 200 MW and the associated energy to Electroperu S.A., or Electroperu. Under the bidding procedures, we and Electroperu agreed to enter into a definitive PPA within 60 days after the date of the auction. This PPA will have a 15-year term commencing in January 2016. We intend to supply capacity and energy under this PPA through the Cerro del Aguila Project. We are currently seeking proposals for the engineering, procurement and construction work for this project and expect that the financing for this project will be in place by mid-2011. We plan to commence commercial operations by the second half of 2015.

For the year ended December 31, 2010, we generated consolidated revenue of US$420.6 million and net income of US$55.9 million. As of December 31, 2010, we had consolidated assets of US$1,228.9 million.

The table below presents information, by country, about our consolidated revenue as of and for the periods presented.

Country (Company)	For the Years Ended December 31,		
	2010	2009	2008
	(in millions of U.S. dollars)		
Peru (Kallpa)(1)	US$195.0	US$109.8	US$57.8
El Salvador (Nejapa)(2)	99.3	114.2	132.9
Dominican Republic (CEPP)(3)	67.9	50.0	65.0
Bolivia (COBEE)(4)	48.0	44.4	24.5
Other(5)	10.4	9.0	9.5
Total	US$420.6	US$327.4	US$289.7

(1) Represents revenue derived from the books and records of Inkia and is not derived from Kallpa's financial statements prepared under Peruvian GAAP.
(2) Represents revenue derived from the books and records of Inkia and is not derived from Nejapa's financial statements prepared under Salvadorian GAAP.
(3) Represents revenue derived from the books and records of Inkia and is not derived from CEPP's financial statements prepared under IFRS.
(4) Represents revenue derived from the books and records of Inkia and is not derived from COBEE's financial statements prepared under IFRS.
(5) Represents revenue of Compañía de Energía de Centroamérica S.A. de C.V., or Cenergica, Inkia CEPP Operations S.A., the management company for CEPP, Inkia Panamá Management SRL, the management company for Pedregal Power Company S.R.L., or Pedregal, holding companies in our corporate structure and consolidating adjustments.

Inkia was incorporated on June 4, 2007 as a special purpose vehicle to acquire certain power generation assets in Latin America and the Caribbean from Globeleq Americas Limited, or Globeleq. Inkia's registration number with the Bermudian Registrar of Companies is 40155. On June 18, 2007, Inkia acquired controlling interests in Kallpa, Nejapa, CEPP, COBEE and Cenergica. As part of this transaction, Inkia also acquired minority interests in Edegel, Pedregal, and Jamaica Private Power Company Ltd., or Jamaica Private Power.

Our registered address is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. Our telephone number is +1 (441) 298-3531.

Competitive Strengths

We believe that our competitive strengths are as follows:

- *Strong and growing presence in attractive Peruvian power market.* Through our Kallpa subsidiary and Edegel investment, we are one of the largest electricity generators in Peru, according to the COES. Peruvian GDP grew by 9.8% in 2008 and 0.9% in 2009, according to the Peruvian Central Reserve Bank, and, grew by an estimated 9.0% in 2010, according to the Peruvian Ministry of Economy and Finance. We believe that Peruvian GDP and demand for electrical energy will continue to grow due to the Peruvian government's fiscal and monetary policies over the last decade, which have resulted in economic stability and increasing internal demand, making Peru an attractive country for increased investment. In addition, Peru's natural resources wealth and increasing global prices for commodities have led to increased energy-intensive mining activity. We expect that continued growth of Peruvian GDP and demand for electricity will create opportunities for improvement of our economic performance and development of additional generation facilities. During the year ended December 31, 2010, our Peruvian operations represented US$195.0 million, or 46.4%, of our consolidated revenue.

- *Strategically-located modern thermal baseload plant in Peru with increased cash flow predictability from long-term fuel contract.* Kallpa is located in Chilca, south of Lima, along the route of the Camisea pipeline, the principal natural gas pipeline serving Peru, and adjacent to a principal substation, allowing convenient access to the Peruvian transmission grid. We have a long-term supply agreement with the Camisea consortium to supply the natural gas requirements of this plant until January 2022. The generation units installed in this plant are Siemens turbines that employ recent technology, which allows them to perform at high efficiency levels. As a result, Kallpa has flexibility regarding the variable cost that it declares, allowing it to influence its position in the dispatch order in order to maximize its margins.

- *Long-term power purchase agreements in Peru covering a substantial portion of our firm energy with prices in U.S. dollars or linked to U.S. dollars*. Kallpa has entered into PPAs under which we expect to sell approximately 97.7% of Kallpa's available energy in 2011, 93.8% in 2012 and 93.1% in 2013, based on our projections of the load curves of our customers. Our current portfolio of PPAs have terms expiring between 2011 and 2021 and we have entered into additional long-term PPAs which will commence in future years, supported by the anticipated increase in our effective capacity upon the completion of the conversion of Kallpa's plant to combined-cycle operations. We seek to enter into long-term PPAs under which a substantial portion of our available energy is contracted, limiting our exposure to adverse fluctuations in the spot market for energy. Most of our PPAs provide for pricing in U.S. dollars or linked to U.S. dollars, providing a natural hedge against exchange rate fluctuation in the currencies of the countries in which we operate as our fuel costs, which represent our largest operating cost, are denominated in U.S. dollars. In addition, most of our PPAs include provisions that index our prices for energy to fluctuations in fuel costs, providing a natural hedge against fluctuations in the prices of natural gas and heavy fuel oil, the principal fuel sources used in our generation plants.

- *Operational excellence*. We have operated at weighted average availability rates (which refer to the number of hours that our generation facilities are available to produce electricity divided by the total number of hours in a year) of 94.0% in 2008, 93.5% in 2009 and 93.8% in 2010. Our operating performance is driven by our experienced, well-trained staff, consistent capital expenditures, long-term service agreement with Siemens for our Kallpa turbines, and consistent maintenance, which together keep our facilities in excellent operating condition, maximizing the availability and reliability of our facilities.

- *Experienced management team with strong local presence*. Our management team has extensive experience in the power generation business. Our executive officers have an average of more than 11 years of experience in the industry. We believe that this overall level of experience contributes to our ability to effectively manage existing businesses, identify and evaluate high quality growth opportunities and integrate new businesses that are acquired or developed. The management teams of our operating companies consist primarily of local executives who have significant experience working in the local energy industry and with government regulators. We believe that the market specific experience of our local management provides us with visibility into the local regulatory, political and business environment that gives us a greater ability to manage risk and identify new opportunities.

- *Strong and dedicated shareholder strategically focused on the energy sector with long-term commitment to growth of our company*. Israel Corporation Ltd., or Israel Corporation, indirectly owns all of our capital stock. Israel Corporation, which is listed on the Tel Aviv Stock Exchange under the symbol "ILCO," had US$12.5 billion and US$7.3 billion in revenues during the year ended December 31, 2009 and the nine-month period ended September 30, 2010, respectively, and a market capitalization, as of December 31, 2010, of approximately US$9.3 billion. Israel Corporation acquired our company as part of its strategy to pursue development opportunities in the electric power sector. Israel Corporation's international profile lends us credibility in conducting our operations, particularly with large national and international companies that are our unregulated customers. In addition, we benefit from the high corporate governance standards that Israel Corporation requires of all of its operating subsidiaries. Our senior executive officers report to, and frequently consult with, Israel Corporation's management team.

Strategy

Our principal strategic objectives are to achieve sustained growth and profitability by expanding our presence in the markets in which we compete and entering new markets where we believe that growth opportunities are attractive. In order to achieve these objectives, our principal strategies are as follows:

- Pursue growth opportunities through greenfield expansion projects and acquisitions in markets that we serve.

- Pursue acquisitions in attractive markets that we do not currently serve.

- Maintain predictable cash flows from our generating assets which we believe will allow us to take advantage of growth opportunities and reinvest cash flow to enhance growth.

- Apply financial and operational best practices to maximize the operational performance and increase profitability and free cash flow of our existing businesses.

- Leverage our management team's relationships and market knowledge to optimize the management of our businesses and identify and execute growth opportunities.

- Develop and maintain strong relationships with local regulators, governments, employees and communities through active involvement in the regulatory process and the maintenance of open communication channels.

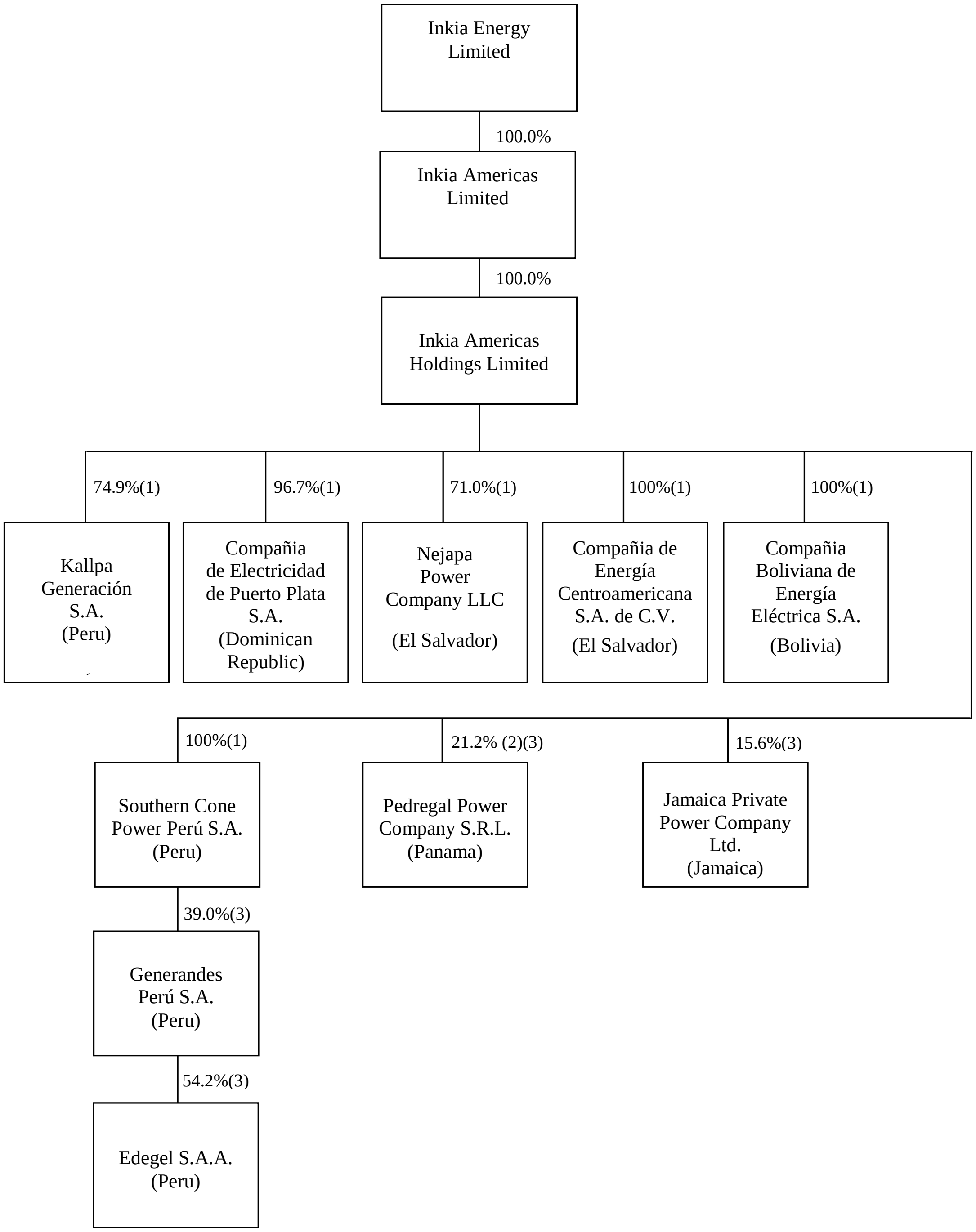
- Adopt a disciplined approach to the selection of new investment opportunities and strict project management practices to ensure that new investments and projects perform as expected.

Principal Shareholder

Our sole shareholder is IC Power Limited, a wholly-owned subsidiary of Israel Corporation. Israel Corporation was founded in Israel, is headquartered in Tel Aviv, Israel, and is one of Israel's largest companies. Israel Corporation is primarily a holding company, with investments in companies operating in various industries throughout the world, including energy, fertilizers and specialty chemicals, shipping and transportation. Israel Corporation had assets of approximately US$12.1 billion and US$13.5 billion as of December 31, 2009 and September 30, 2010, respectively. During the year ended December 31, 2009 and the nine-month period ended September 30, 2010, Israel Corporation generated revenues of US$12.5 billion and US$7.3 billion, respectively, and net income of US$497 million and US$696 million, respectively. As of December 31, 2009, Israel Corporation had approximately 18,000 employees on a consolidated basis.

Corporate structure

The following chart presents our simplified corporate structure and principal subsidiaries as of the date of this offering memorandum.



(1) Subsidiaries included within the Restricted Group.
(2) Operated by Inkia pursuant to a management agreement.
(3) Associated companies in which Inkia has minority investments.

The Offering

The following summary contains basic information about the notes and is not intended to be complete. It does not contain all of the information that is important to you. For a more complete understanding of the notes, please refer to the section of this offering memorandum entitled "Description of the Notes."

Issuer	Inkia Energy Limited.
Notes Offered	US$300,000,000 aggregate principal amount of 8.375% notes due 2021.
Maturity	April 4, 2021.
Interest	The notes will bear interest at the rate of 8.375% per annum, payable semi-annually in arrears on each April 4 and October 4 of each year, beginning on October 4, 2011.
Issue Price	99.169%.
Ranking	The notes will be our senior unsecured obligations and will rank equally in right of payment with all of our existing and future unsubordinated indebtedness. The notes will be effectively junior to all of our existing and future secured indebtedness to the extent of the assets securing that indebtedness and to all of the existing and future liabilities of our subsidiaries. As of December 31, 2010, we had consolidated indebtedness, excluding related party debt, of US$403.3 million, of which US$82.8 million was secured debt of Inkia and US$320.5 million was debt of Inkia's subsidiaries. We intend to repurchase all of the secured indebtedness of Inkia with the proceeds of this offering.
Optional Redemption	On or after April 4, 2016, we may redeem the notes, in whole or in part, at the redemption prices set forth in "Description of the Notes—Optional Redemption." Before April 4, 2016, we may also redeem the notes, in whole or in part, at a redemption price based on a "make-whole" premium. In addition, prior to or on April 4, 2014, we may redeem up to 35% of the original principal amount of the notes with the net proceeds from certain equity offerings by us, at a price of 108.375% of the aggregate principal amount thereof, plus accrued and unpaid interest.
Change of Control Offer	Upon the occurrence of a Change of Control that results in a Ratings Event (as defined in "Description of the Notes"), we will be required to make an offer to purchase the notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest. See "Description of the Notes—Change of Control" and "—Certain Definitions."
Optional Redemption upon Tax Event	The notes are redeemable at our option, in whole but not in part, at any time, at the principal amount thereof plus accrued and unpaid interest and any additional amounts due thereon if certain changes in applicable tax laws occur. See "Description of the Notes—Optional Redemption—Optional Redemption for Changes in Withholding Taxes."
Covenants	The indenture governing the notes contains covenants that will limit our and our restricted subsidiaries' ability to, among other things: • incur additional indebtedness;

- pay dividends on our capital stock or redeem, repurchase or retire our capital stock or subordinated indebtedness;
- make investments;
- create liens;
- create limitations on the ability of our restricted subsidiaries to pay dividends, make loans or transfer property to us;
- engage in transactions with affiliates;
- sell assets, including capital stock of our subsidiaries; and
- consolidate, merge or transfer assets.

These covenants are subject to a number of important limitations and exceptions. See "Description of the Notes—Certain Covenants." In particular, although the indenture governing the notes will contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of important qualifications and exceptions, and the debt incurred in compliance with these restrictions could be substantial.

Events of Default.......................................	For a discussion of certain events of default that will permit acceleration of the principal of the notes plus accrued and unpaid interest, if any, and any other amounts due with respect to the notes, see "Description of the Notes—Events of Default."
Book-Entry System; Delivery and Form and Denomination of the Notes.................	The notes will be issued only in fully registered form, without coupons, in the form of beneficial interests in respect of one or more global securities in denominations of US$200,000 and integral multiples of US$1,000 thereof. Beneficial interests in respect of the global securities will be shown on, and transfers thereof will be effected only through, the book-entry records maintained by DTC and its participants, including Euroclear and Clearstream. The notes will not be issued in definitive form except under certain limited circumstances.
Use of Proceeds...	We intend to use the net proceeds of this offering to finance our equity contribution to one of our subsidiaries that will develop the Cerro del Aguila Project, as well as other projects and acquisitions by our subsidiaries which we may pursue in the future, to repurchase all of the secured indebtedness of Inkia, and for working capital and general corporate purposes.
Governing Law..	The notes and the indenture will be governed by the laws of the State of New York.
Listing..	Application has been made to list the notes on the Global Exchange Market of the Irish Stock Exchange. However, we cannot assure you that the listing application will be approved.
Peruvian SBS Registration	The notes have been registered with the Foreign Investment Instruments Registry (*Registro de Instrumentos de Inversión Extranjeros*) of the Superintendency of Banks, Insurance & Private Pension Fund Administrators (*Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones*) , or the SBS, in order to make the notes eligible for Peruvian pension fund investment, as required by Peruvian legislation. This registration was approved on March 28, 2011 and its effectiveness is conditioned on the delivery of the final offering memorandum and other ancillary documents to the SBS.

Trustee, Registrar, Paying Agent and Transfer Agent	Citibank N.A.
Irish Listing Agent	A&L Listing Limited
Transfer Restrictions	The notes have not been registered under the Securities Act and are subject to restrictions on transfer and resale. See "Transfer Restrictions" and "Plan of Distribution."
Risk Factors	Investing in the notes involves substantial risks and uncertainties. See "Risk Factors" and other information included in this offering memorandum for a discussion of factors you should carefully consider before deciding to invest in the notes.

Summary Financial and Other Information

The summary financial data as of December 31, 2010 and 2009 and for the three years ended December 31, 2010 have been derived from our audited consolidated financial statements included elsewhere in this offering memorandum.

This financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and the related notes thereto, which are included elsewhere in this offering memorandum.

	As of and for the Years Ended December 31,		
	2010	**2009**	**2008**
	(in millions of U.S. dollars, except as indicated)		
Inkia Consolidated:			
***Statement of Income Data*:**			
Revenue	US$420.6	US$327.4	US$289.7
Cost of sales	(297.4)	(236.5)	(228.1)
Gross profit	123.2	90.9	61.6
Administrative expenses	(19.7)	(25.8)	(23.7)
Depreciation and amortization	(35.2)	(26.0)	(19.6)
Other, net	9.3	—	2.8
Results from operating activities	77.6	39.1	21.1
Finance income	3.3	4.9	3.9
Gains (losses) from derivative financial instruments	0.4	1.6	(3.1)
Finance expenses	(32.9)	(27.0)	(30.2)
Share of profit in associates	20.0	21.5	12.2
Capital gain	—	34.7	—
Income before income tax	68.4	74.8	3.9
Income tax expense	(12.5)	(8.6)	(7.5)
Net income (loss)	US$55.9	US$66.2	US$(3.6)
***Statement of Financial Position Data*:**			
Cash and cash equivalents	US$112.3	US$61.9	
Restricted cash	7.2	7.1	
Trade and other accounts receivable	109.3	118.6	
Total current assets	251.4	216.6	
Property, plant and equipment	631.5	577.6	
Investments in associates	268.3	255.7	
Goodwill	51.6	51.6	
Total assets	1,228.9	1,155.0	
Short-term loans and current portion of interest bearing borrowing	42.7	44.5	
Trade and other accounts payable	51.5	52.8	
Total current liabilities	94.2	97.3	
Long-term interest bearing borrowing	360.6	327.9	
Shareholder loans	176.9	136.3	
Total liabilities	701.9	638.9	
Total equity	526.9	516.1	
Other Financial Information and Operating Data:			
Cash flow data:			
Net cash provided by operating activities	US$103.9	US$67.0	US$14.0
Net cash used in investing activities(1)	(134.1)	(15.9)	(26.3)
Net cash provided by (used in) financing activities	80.8	(20.6)	12.8

	As of and for the Years Ended December 31,		
	2010	2009	2008
	(in millions of U.S. dollars, except as indicated)		
Other Financial Information(2):			
Consolidated Adjusted EBITDA(2)(3)	US$130.3	US$80.6	US$50.0
Consolidated net debt(4)	291.0	310.5	298.1
Consolidated leverage ratio(5)	2.2x	3.9x	6.0x
Other Data:			
Effective capacity of operating subsidiaries at year-end (MW)	1,001	802	608
Weighted average availability during the year (%)	93.8%	93.5%	94.0%
Energy generated during the year (GWh)(6)	5,135	3,169	2,818
Energy sold under PPAs during the year (GWh)	4,626	3,165	3,145
Inkia Unconsolidated:			
Financial Information:			
Distributions received from:			
Southern Cone Power Limited	US$7.4	US$2.7	US$1.5
COBEE	7.3	1.5	9.3
Nejapa and Cenergica	4.0	7.8	6.9
CEPP	27.9	10.7	1.2
Pedregal and Jamaica Private Power	1.8	1.5	2.7
Total distributions received	48.4	24.2	21.6
Operating expenses	(3.0)	(3.9)	(4.6)
Incurrence of indebtedness	—	—	88.5
Purchase of non-controlling interest	(53.2)	—	—
Incurrence (payment) of shareholder loans	36.5	—	(88.4)
Capital expenditures and investments	(0.4)	(0.5)	—
Equity contribution	—	(9.4)	(14.0)
Cash available for debt service	28.3	10.4	3.1
Interest expense	(6.7)	(6.7)	(0.5)
Debt amortization and repayment	(6.2)	—	—
Cash available after debt service	US$15.4	US$3.7	US$2.6
Unconsolidated operating cash flow(7)	US$45.4	US$20.3	US$17.0
Unconsolidated interest expense(7)	(6.7)	(6.7)	(0.5)
Unconsolidated interest coverage ratio(7)	6.8x	3.0x	34.0x

(1) Excludes Kallpa's investment in the Kallpa II and Kallpa III turbines, which are leased by Kallpa under capital leases.
(2) We have included a calculation of our consolidated Adjusted EBITDA, consolidated net debt and consolidated leverage ratio as (1) our management uses such measures to evaluate our operating performance, and (2) we believe that information about these measures is important for investors to understand our liquidity. Consolidated net debt is not the equivalent of "Consolidated Total Net Indebtedness" as defined in the indenture governing the notes, and consolidated leverage ratio is not the equivalent of "Consolidated Net Leverage Ratio" as defined in the indenture governing the notes.
(3) Other companies may calculate Adjusted EBITDA differently, and therefore this presentation of our Adjusted EBITDA may not be comparable to other similarly titled measures used by other companies.
(4) Consolidated net debt represents the sum of short-term loans, current portion of interest bearing borrowing and long-term interest bearing borrowing *less* cash and cash equivalents.
(5) Consolidated leverage ratio means the ratio of consolidated net debt to consolidated Adjusted EBITDA.
(6) Represents gross generation.
(7) The indenture governing the notes will prohibit us from issuing debt (subject to certain exceptions) unless our unconsolidated interest coverage ratio is equal to or greater than 2.0 to 1.0, and will prohibit our subsidiaries from issuing debt (subject to certain exceptions) unless our consolidated net leverage ratio is less than 4.5 to 1.0, if such Indebtedness is incurred on or prior to December 31, 2013, and 4.0 to 1.0, if such indebtedness is incurred thereafter. See

"Description of the Notes—Covenants." We have included a calculation of our unconsolidated operating cash flow, our unconsolidated interest expense, our unconsolidated interest coverage ratio and our consolidated Adjusted EBITDA as (1) our compliance with the covenants in our indenture will be critical to our future financial performance, (2) our management uses such measures to evaluate our operating performance, and (3) we believe that information about these measures is important for investors to understand our liquidity. For more information on the definitions of terms used to calculate our unconsolidated interest coverage ratio and a reconciliation of our Adjusted EBITDA to our income statement, see the footnotes to the table presented in "Selected Financial and Other Information."

	As of and for the Years Ended December 31,		
	2010	2009	2008
	(in millions of U.S. dollars, except as indicated)		
Financial and Other Information of Subsidiaries and Associated Company:			
Kallpa:(1)			
Financial Information:			
Revenue	US$195.0	US$109.8	US$57.8
Net income (loss)	14.0	8.8	(1.8)
EBITDA(2)(3)	48.1	24.4	12.1
EBITDA margin(4)	24.7%	22.2%	20.9%
Cash	39.7	29.6	3.5
Interest bearing borrowings and short-term loans	244.7	209.6	151.5
Capital expenditures(5)	(76.5)	(40.7)	(3.2)
Distributions(6)	—	—	—
Operating Data:			
Effective capacity at year-end (MW)	566	368	174
Availability during the year (%)	93.8%	91.6%	96.0%
Energy generated during the year (GWh)(7)	3,210	1,238	988
Energy sold under PPAs during the year (GWh)	3,606	1,981	1,119
Nejapa:(8)			
Financial Information:			
Revenue	US$99.3	US$114.2	US$132.9
Net income	12.1	5.5	1.5
EBITDA(2)(3)	22.5	13.6	8.2
EBITDA margin(4)	22.7%	11.9%	6.2%
Cash	29.0	4.3	5.7
Interest bearing borrowings and short-term loans	—	6.9	16.3
Capital expenditures	(2.0)	(2.8)	(3.0)
Distributions(6)	—	—	10.1
Operating Data:			
Effective capacity at year-end (MW)	140	140	140
Availability during the year (%)	95.1%	94.5%	93.0%
Energy generated during the year (GWh)(7)	407	528	521
Energy sold under PPAs during the year (GWh)	431	599	801
CEPP:(9)			
Financial Information:			
Revenue	US$67.9	US$50.0	US$65.0
Net income	21.3	9.7	10.2
EBITDA(2)(3)	23.1	9.4	9.8
EBITDA margin(4)	34.0%	18.8%	15.1%
Cash	2.9	6.2	5.7

	As of and for the Years Ended December 31,		
	2010	2009	2008
	(in millions of U.S. dollars, except as indicated)		
Interest bearing borrowings and short-term loans	8.7	0.1	—
Capital expenditures	(3.1)	(1.8)	(2.6)
Distributions(6)	29.1	11.0	1.3
Operating Data:			
Effective capacity at year-end (MW)	67	67	67
Availability during the year (%)	87.0%	88.0%	95.0%
Energy generated during the year (GWh)(7)	363	302	270
Energy sold under PPAs during the year (GWh)	302	387	398
COBEE:(10)			
Financial Information:			
Revenue	US$48.0	US$44.4	US$24.5
Net income (loss)	8.2	5.0	(4.5)
EBITDA(2)(3)	20.4	17.2	7.3
EBITDA margin(4)	42.5%	38.7%	29.8%
Cash	7.0	1.8	1.1
Interest bearing borrowings and short-term loans	53.5	49.5	56.9
Capital expenditures	(0.6)	(5.3)	(8.0)
Distributions(6)	7.3	1.5	9.3
Operating Data:			
Effective capacity at year-end (MW)	229	228	228
Availability during the year (%)	98.0%	95.0%	93.0%
Energy generated during the year (GWh)(7)	1,154.6	1,100.3	1,039.3
Energy sold under PPAs during the year (GWh)	287	298	927
Southern Cone:(11)			
Dividends received	US$16.1	US$14.0	US$6.6
Debt service	(7.6)	(7.6)	(7.6)
Income (expenses), net	(0.2)	(0.5)	2.0
Incurrence (payment) of shareholder loans	—	(1.4)	1.5
Pre-tax distributions	8.3	4.5	2.5
Withholding tax	(0.3)	(0.2)	(0.1)
Distributions(6)	8.0	4.3	2.4
Edegel:(12)			
Financial Information:			
Revenue	US$410.0	US$376.9	US$392.6
Net income	86.1	80.5	38.4
EBITDA(2)(13)	210.1	197.8	167.3
EBITDA margin(4)	51.2%	52.5%	42.6%
Cash	29.5	41.7	17.4
Interest bearing borrowings and short-term loans	439.1	462.6	487.3
Capital expenditures	(18.9)	(24.6)	(8.5)
Distributions(6)	75.5	64.8	32.2
Operating Data:			
Effective capacity at year-end (MW)	1,668	1,667	1,467
Availability during the year (%)	93.6%	93.4%	95.9%
Energy generated during the year (GWh)(7)	8,602	8,303	8,236
Energy sold under PPAs during the year (GWh)	7,563.0	5,760.8	5,438.5

(1) Kallpa prepares its financial statements under Peruvian GAAP, which differs in important respects from IFRS. We have not included financial statements of Kallpa in this offering memorandum. The financial data used in the preparation of Inkia's consolidated financial statements prepared under IFRS differs in many respects from the financial data reflected in Kallpa's financial statements prepared under Peruvian GAAP. The financial data with respect to Kallpa presented in this offering memorandum is derived from the books and records of Inkia and is not derived from Kallpa's financial statements prepared under Peruvian GAAP.
(2) EBITDA represents net income before finance income (expenses), depreciation and amortization and income taxes expenses.
(3) Other companies may calculate EBITDA differently, and therefore the presentation of the EBITDA of each of Kallpa, Nejapa, CEPP and COBEE may not be comparable to other similarly titled measures used by other companies. For a reconciliation of the EBITDA of each of Kallpa, Nejapa, CEPP and COBEE to its respective net income, derived from the financial data used in the preparation of Inkia's consolidated financial statements, see the footnotes to the table presented in "Selected Financial and Other Information."
(4) Represents EBITDA divided by revenue.
(5) Excludes Kallpa's investment in the Kallpa II and Kallpa III turbines, which are leased by Kallpa under capital leases.
(6) Includes dividends, capital reductions and net repayments of loans to shareholders.
(7) Represents gross generation.
(8) Nejapa prepares its financial statements under Salvadorian GAAP, which differs in important respects from IFRS. We have not included financial statements of Nejapa in this offering memorandum. The financial data used in the preparation of Inkia's consolidated financial statements prepared under IFRS differs in many respects from the financial data reflected in Nejapa's financial statements prepared under Salvadorian GAAP. The financial data with respect to Nejapa presented in this offering memorandum is derived from the books and records of Inkia and is not derived from Nejapa's financial statements prepared under Salvadorian GAAP.
(9) CEPP prepares its financial statements under IFRS. We have not included financial statements of CEPP in this offering memorandum. In the preparation of Inkia's consolidated financial statements, Inkia makes a variety of adjustments to the financial data reflected in CEPP's financial statements to conform to Inkia's accounting policies. The financial data with respect to CEPP presented in this offering memorandum is derived from the books and records of Inkia and is not derived from CEPP's financial statements prepared under IFRS.
(10) COBEE prepares its financial statements under IFRS. We have not included financial statements of COBEE in this offering memorandum. In the preparation of Inkia's consolidated financial statements, Inkia makes a variety of adjustments to the financial data reflected in COBEE's financial statements to conform to Inkia's accounting policies. The financial data with respect to COBEE presented in this offering memorandum is derived from the books and records of Inkia and is not derived from COBEE's financial statements prepared under IFRS.
(11) Southern Cone prepares its financial statements under Peruvian GAAP, which differs in important respects from IFRS. We have not included financial statements of Southern Cone in this offering memorandum. The financial data used in the preparation of Inkia's consolidated financial statements prepared under IFRS differs in many respects from the financial data reflected in Southern Cone's financial statements prepared under Peruvian GAAP. The financial data with respect to Southern Cone presented in this offering memorandum is derived from the books and records of Inkia and is not derived from Southern Cone's financial statements prepared under Peruvian GAAP.
(12) Edegel prepares its financial statements under Peruvian GAAP, which differs in important respects from IFRS. We have not included financial statements of Edegel in this offering memorandum. The financial data used in the preparation of Inkia's consolidated financial statements prepared under IFRS differs in many respects from the financial data reflected in Edegel's financial statements prepared under Peruvian GAAP. The financial data with respect to Edegel presented in this table is derived from Edegel's audited consolidated financial statements prepared under Peruvian GAAP as filed with CONASEV. Edegel prepares its financial statements in *nuevos soles*, the functional currency of Edegel. We have translated the financial data reflected in Edegel's statement of income to U.S. dollars at the average daily exchange rate for *nuevos soles* into U.S. dollars of S/.2.82 to US$1.00 for the year ended December 31, 2010, S/.3.01 to US$1.00 for the year ended December 31, 2009 and S/.2.93 to US$1.00 for the year ended December 31, 2008, in each case, as reported by the Peruvian Central Reserve Bank. We have translated the financial data reflected in Edegel's balance sheet to U.S. dollars at the exchange rate for *nuevos soles* into U.S. dollars of S/.2.81 to US$1.00 as of December 31, 2010, S/.2.89 to US$1.00 as of December 31, 2009 and S/.3.14 to US$1.00 as of December 31, 2008, in each case, as reported by the Peruvian Central Reserve Bank. The operating data with respect to Edegel included in this table has been derived from Edegel's public filings made with CONASEV and other information regarding Edegel that is publicly available, principally through the COES and the OSINERGMIN. Although we have significant rights under a shareholders' agreement that we have entered into with Endesa Chile, the owner of 61.0% of the capital stock of Generandes and the controlling shareholder of Edegel, we do not manage Edegel or participate in the preparation of its financial statements or other public reports, and have not independently verified the information regarding Edegel included in this table.

(13) Other companies may calculate EBITDA differently, and therefore this presentation of Edegel's EBITDA may not be comparable to other similarly titled measures used by other companies. For a reconciliation of Edegel's EBITDA to Edegel's net income as presented in Edegel's audited consolidated financial statements prepared under Peruvian GAAP as filed with CONASEV, see the footnotes to the table presented in "Selected Financial and Other Information."

RISK FACTORS

Prospective purchasers of notes should carefully consider the risks discussed below, as well as the other information in this offering memorandum, before deciding to purchase any notes. Our business, results of operations, financial condition or prospects could be negatively affected if any of these risks occurs and, as a result, the trading price of the notes could decline and you could lose all or part of your investment. The risk factors discussed below are not the only risks that we face, but are the risks that we currently consider to be material. There may be additional risks that we currently consider immaterial or of which we are currently unaware, and any of these risks could have similar effects to those set forth below.

Risks Related to Our Company and Our Operations

We may not be able to enter into long-term contracts for the sale of energy and capacity, which reduce volatility in our results of operations.

We sell a substantial majority of our energy under long-term PPAs. Most of our operating subsidiaries rely on PPAs with a limited number of customers for the majority of their energy sales and revenues over the term of the PPAs, which range from one to 10 years. In these instances, the cash flows and results of operations are dependent on the continued ability of customers to meet their obligations under the relevant PPAs. Some of our long-term PPAs are at prices above current spot market prices. Depending on market conditions and regulatory regimes, it may be difficult for us to secure long-term contracts when our current contracts expire, with new customers or to support the development of new projects. For example, CEPP's current PPA, under which it has contracted 74.4% of its installed capacity, expires in September 2014 and we cannot assure you that this PPA will be extended or replaced with one or more PPAs on comparable terms. In El Salvador, upon the implementation of Decree No. 88, which is designed to shift the Salvadorian electrical sector to a marginal cost basis, our currently effective PPAs will be replaced with PPAs under which Nejapa has contracted 53.7% of its installed capacity for the two years following the effective date. We cannot assure you that we will be able to enter into additional PPAs for Nejapa's unsold capacity or that upon the expiration of the replacement PPAs Nejapa will be able to enter into PPAs on comparable terms. If we are unable to enter into long-term PPAs, we may be required to sell electricity into spot markets at prices that may be below the prices established in our PPAs. Because of the volatile nature of power prices, the inability to secure long-term PPAs could generate increased volatility in our earnings and cash flows and could generate substantial losses during certain periods which could materially and adversely affect us.

Supplier and/or customer concentration may expose us to significant financial credit or performance risks.

The generation facilities of Kallpa rely on the Camisea consortium composed of Pluspetrol Peru Corporation S.A., Pluspetrol Camisea S.A., Hunt Oil Company of Peru L.L.C. Sucursal del Perú, SK Corporation Sucursal Peruana, Sonatrach Peru Corporation S.A.C., Tecpetrol del Perú S.A.C. and Repsol Exploración Perú Sucursal del Perú, which we refer to as the Camisea Consortium, for the provision of natural gas and on Transportadora de Gas del Perú S.A., or TGP, for the transportation of natural gas. If either of these suppliers cannot perform under its contracts, Kallpa would be unable to generate electricity at its facilities. The failure of the Camisea Consortium or TGP to fulfill its contractual obligations could have a material adverse effect on our financial results. Further, as the Camisea Consortium and TGP are the principal suppliers of natural gas and natural gas transportation services to substantially all generation facilities in Peru fueled by natural gas, a failure by either of these suppliers to meet its contractual obligations could be expected to have a significant effect in Peru's electricity supply, and therefore, prompt the competent governmental authorities to take remedial actions. We cannot assure that such actions would be adopted and, if adopted, the effect on Kallpa's operations.

In addition, we rely on natural gas and heavy fuel oil to fuel a majority of our power generation facilities. Delivery of these fuels to the facilities is dependent upon the continuing financial viability of contractual counterparties as well as upon the infrastructure (including barge facilities, roadways and natural gas pipelines) available to serve each generation facility. As a result, we are subject to the risks of disruptions or curtailments in the production of power at our generation facilities if a counterparty fails to perform or if there is a disruption in the fuel delivery infrastructure.

Each of our operating subsidiaries has a small number of customers to purchase a significant portion of that subsidiary's output under PPAs that account for a substantial percentage of the anticipated revenue of that subsidiary. As a result, we are exposed to credit risks of those customers. A default by any of our key customers could materially and adversely affect our financial condition or results of operations. CEPP, our Dominican Republic generation subsidiary, has experienced significant payment delays under its sole PPA, although CEPP's delays in collecting payments have been significantly reduced as a result of actions taken by the Dominican Republic in compliance with the commitments undertaken with the International Monetary Fund.

We rely on power transmission facilities that we do not own or control and that are subject to transmission constraints. If these facilities fail to provide us with adequate transmission capacity, we may be restricted in our ability to deliver wholesale electric power and we may either incur additional costs or forego revenues.

We depend on transmission facilities owned and operated by others to deliver the wholesale power we sell from our power generation plants. If transmission is disrupted, or if the transmission capacity infrastructure is inadequate, our ability to sell and deliver wholesale power may be adversely impacted. If the power transmission infrastructure in one or more of the markets that we serve is inadequate, our recovery of wholesale costs and profits may be limited. If restrictive transmission price regulation is imposed, the transmission companies may not have sufficient incentive to invest in expansion of transmission infrastructure. We cannot predict whether transmission facilities will be expanded in specific markets to accommodate competitive access to those markets.

We are exposed to commodity price volatility, which could have a material adverse effect on our financial condition or results of operations.

We buy and sell electricity in the wholesale spot markets. During 2010, we purchased on the spot market 8.5% of the electricity that we sold. As a result, we are exposed to the risks of rising prices in those markets. Market prices for power tend to fluctuate substantially. Unlike most other commodities, electric power can only be stored on a very limited basis and generally must be produced concurrently with its use. As a result, power prices are subject to significant volatility from supply and demand imbalances, especially in the spot markets. Typically, spot market prices for electricity are volatile and often reflect the cyclical fluctuating cost of coal, natural gas and oil, rain volumes or the conditions of hydro reservoirs. Consequently, any changes in the supply and cost of coal, natural gas and oil, rain volumes, the conditions of hydro reservoirs or the unexpected unavailability of other generating units may impact the open market wholesale price of electricity. Volatility in market prices for fuel and electricity may result from many factors which are beyond our control and we do not generally engage in hedging transactions.

If one of our generation units is unable to generate energy as a result of a breakdown or other failure, we may be required to purchase energy on the spot market to meet our contractual obligations under the relevant PPAs.

The breakdown or failure of one of our generation facilities may require us to purchase energy in the spot market to meet our contractual obligations under our PPAs while simultaneously resulting in an increase the spot market price of energy, resulting in a contraction of our margins which could have a material and adverse effect on us. In addition, the failure or breakdown of one of our generation units may prevent that facility from performing under applicable PPAs which, in certain situations, could result in termination of the PPA or liability for liquidated damages.

Our controlling shareholder may have conflicts of interest relating to our business.

Israel Corporation indirectly owns all of our capital stock. As a result, Israel Corporation has the power to determine the outcome of all matters that require shareholder votes, such as the election of our board members and, subject to contractual and legal restrictions, the distribution of dividends and payments in respect of intercompany debt. Israel Corporation also has the power to determine our business strategy. The interests of Israel Corporation may in some cases differ from those of the holders of our notes. Israel Corporation conducts its energy generation business through us as well as through other entities in which we do not have an equity interest. In circumstances involving a conflict of interest between Israel Corporation and the holders of the notes, Israel Corporation may exercise its rights in a manner that would benefit Israel Corporation to the detriment of the holders of the notes.

We have non-controlling interests in some of our investments which may limit our ability to control the development or operation of such investments.

We have investments in Edegel, Pedregal and Jamaica Private Power that represent less than a majority of the voting equity of these companies. Although we seek to exert a degree of influence with respect to the management and operation of these investments by exercising certain limited governance rights, such as rights to veto significant actions, in the case of Edegel, or to operate the generation facilities, in the case of Pedregal, our ability to control the development and operation of these companies may be limited, we may be dependent on the majority shareholders to operate such businesses, and the approval of the majority shareholders is required for distributions of funds to us.

We have granted protective rights to the minority holder of Kallpa, which entails certain risks.

Although we own a majority of the voting equity in Kallpa, we have entered into a shareholders' agreement granting protective minority rights to Quimpac S.A., or Quimpac, the other shareholder. Among other things, the shareholders' agreement grants Quimpac veto rights over significant acquisitions and dispositions by Kallpa and the incurrence of significant debt by Kallpa. As a result, our ability to develop and operate Kallpa may be limited if we are unable to obtain the approval of Quimpac for certain corporate actions that we may deem to be in the best interest of our company and our flexibility regarding any future disposal of our interests in Kallpa may be limited.

Our insurance policies may not fully cover damage or we may not be able to obtain insurance against certain risks.

We maintain insurance policies intended to mitigate our losses due to customary risks. These policies cover our assets against loss for physical damage, loss of revenue and also third-party liability. However, we cannot assure that the scope of damages suffered in the event of a natural disaster or catastrophic event would not exceed the policy limits of our insurance coverage. We maintain all-risk physical damage coverage for losses resulting from, but not limited to, fire, explosions, floods, windstorms, strikes, riots, mechanical breakdowns and business interruption. Our level of insurance may not be sufficient to fully cover all losses that may arise in the course of our business or insurance covering our various risks may not continue to be available in the future. In addition, we may not be able to obtain insurance on comparable terms in the future. We may be materially and adversely affected if we incur losses that are not fully covered by our insurance policies.

We have exposure to material litigation for which we have not established provisions.

We are currently involved in various litigation proceedings, which could result in unfavorable decisions or financial penalties against us, and we will continue to be subject to future litigation proceedings, which could have material adverse consequences to our business. We are a party to a number of legal proceedings, some of which have been pending for several years. Some of these claims may be resolved against us. Although we believe that we have established adequate provisions for these legal proceedings, there are some legal proceedings with respect to which we have not established provisions based on our assessment of an adverse outcome in these legal proceedings.

In particular, a claim has been filed against us by Crystal Power Corporation Limited, or Crystal Power, the holder of the minority interest in Nejapa alleging that we breached certain rights of Crystal Power as the holder of a minority interest in Nejapa. Crystal Power's complaint in these proceedings, as amended, does not specify the amount of damages claimed, although we believe that the maximum damages that could be claimed would not exceed US$25 million. We believe that the probability of loss in these proceedings is remote and, as a result, have not recorded any provision for these proceedings. In the event of an adverse judgment in this proceeding, we could be materially and adversely affected.

For more information regarding the significant legal claims against our company, see "Business—Legal Proceedings" and note 20 to our audited consolidated financial statements.

Risks Relating to the Industry in which We Operate

Our operations are subject to significant government regulation and our business and results of operations could be adversely affected by changes in the regulatory environment in the countries in which we operate.

We operate electricity generation businesses in five countries and, therefore, we are subject to significant and diverse government regulation. Our inability to forecast, influence or respond to changes in law or regulatory schemes could adversely impact our results of operations. Furthermore, changes in laws or regulations or changes in the application or interpretation of regulatory provisions in jurisdictions in which we operate could adversely affect our results of operations. Other generation companies in the jurisdictions in which we operate may have legal or administrative proceedings pending in which they are contesting the application or interpretation of a variety of regulatory provisions and the decisions rendered in these proceedings could lead to changes in the application or interpretation of the challenged regulatory provisions. Such changes may include:

- changes or terminations of key permits or operating licenses;
- changes in rules governing electricity supply and purchase contracts;

- changes in subsidies and/or incentives provided by governments;
- changes in rules governing dispatch order;
- changes in methodology of calculating firm capacity payment charges and frequency of adjustment of those charges;
- changes in market rules for the calculation of marginal costs or spot prices;
- other changes in regulatory determinations under the relevant licenses;
- changes in calculation of transportation/transmission rates;
- changes in the regulation of energy transmission, fuel supply or fuel transportation; and
- changes in applicable tax laws.

Any of these factors, by itself or in combination with others, could result in lower margins or otherwise materially and adversely affect us.

In addition, regulations under which spot market prices in El Salvador are determined are undergoing material changes. In 2011, El Salvador is expected to adopt a marginal cost system that is similar to the regulatory scheme that is currently in force in Peru, the Dominican Republic and Bolivia. Although we are familiar with this regulatory scheme in general, uncertainty exists regarding the precise way in which the marginal cost system will be implemented in El Salvador, including the volume of capacity and energy that the distribution companies will be required to contract. If regulatory changes are implemented in ways that we do not expect, the changes to the regulatory scheme in El Salvador could materially and adversely affect us.

Our results of operations or financial condition may be adversely affected if we are unable to address various operating risks typically faced by companies in the generation business.

We face a number of operating risks applicable to companies in the electricity generation business including:

- forecasting errors for price and volume projections;
- fluctuations or a decline in aggregate customer demand for electricity in line with prevailing economic conditions, which could result in decreased revenues;
- equipment or other failures at our facilities causing unplanned outages;
- the unavailability of critical equipment or parts;
- the unavailability or interruptions of fuel supply or fuel transport;
- breakdown or failure of one of our generation facilities;
- work stoppages and labor unrest;
- failures and faults in the electricity transmission system;
- system failure affecting our information technology systems or those of other energy industry participants, which could result in loss of operational capacities or critical data;
- natural disasters or catastrophic events, terrorist acts or other similar occurrences that affect our physical assets or cause interruptions in our ability to provide our services and products, particularly ones that cause damage in excess of our insurance policy limits;

- environmental costs and liabilities arising from our operations, which may be difficult to quantify and could affect our results of operations; and

- injuries to third parties or our employees in connection with our businesses, which may result in liabilities, higher insurance costs or denial of insurance coverage.

Any of these factors, by itself or in combination with others, could materially and adversely affect us.

Competition in the power generation industry is increasing and could adversely affect us.

The power production markets in which we operate are characterized by numerous strong and capable competitors, many of which may have extensive and diversified developmental or operating experience (including both domestic and international) and financial resources similar to or greater than ours. Further, in recent years, the power production industry has been characterized by strong and increasing competition with respect to both obtaining PPAs and acquiring existing power generation assets. In certain markets, these factors have caused reductions in prices contained in PPAs and, in many cases, have caused higher acquisition prices for existing assets through competitive bidding processes. The evolution of competitive electricity markets and the development of highly efficient gas-fired power plants have also caused, or are anticipated to cause, price pressure in certain power markets where we sell or intend to sell power. These competitive factors could materially and adversely affect us.

Our equipment, facilities and operations are subject to numerous environmental, health and safety laws and regulations that are expected to become more stringent in the future.

We are subject to a broad range of environmental, health and safety laws and regulations which require us to incur ongoing costs and capital expenditures and expose us to substantial liabilities in the event of non-compliance. These laws and regulations require us to, among other things, minimize risks to the natural and social environment while maintaining the quality, safety and efficiency of our facilities.

These laws and regulations also require us to obtain and maintain environmental permits, licenses and approvals for the construction of new facilities or the installation and operation of new equipment required for our business. Some of these permits, licenses and approvals are subject to periodic renewal. We expect environmental, health and safety rules to become more stringent over time, making our ability to comply with the applicable requirements more difficult. Government environmental agencies could take enforcement actions against us for any failure to comply with applicable laws and regulations. Such enforcement actions could include, among other things, the imposition of fines, revocation of licenses, suspension of operations or imposition of criminal liability for non-compliance. Environmental laws and regulations can also impose strict liability for the environmental remediation of spills and discharges of hazardous materials and wastes and require us to indemnify or reimburse third parties for environmental damages. Compliance with changed or new environmental, health and safety regulations could require us to make significant capital investments in additional pollution controls or process modifications. These expenditures may not be recoverable and may consequently divert funds away from planned investments in a manner that could materially and adversely affect us.

Our business is subject to risks arising from natural disasters, catastrophic accidents and acts of terrorism.

Our generation facilities or the third-party fuel transportation or electricity transmission infrastructure that we rely on, may be damaged by earthquakes, flooding, fires, other catastrophic disasters arising from natural or accidental human causes, as well as acts of terrorism. Notwithstanding our insurance against these risks, we could still experience severe business disruptions, significant decreases in revenues based on lower demand arising from catastrophic events, or significant additional costs to us not otherwise covered by business interruption insurance clauses. There may be an important time lag between a major accident or catastrophic event and our definitive recovery from our insurance policies, which typically carry non-recoverable deductible amounts, and in any event are subject to caps per event. In addition, any of these events could cause adverse effects on the energy demand of some of our customers and of consumers generally in the affected market. Some of these considerations, among others, could materially and adversely affect us.

Risks Related to Our Growth Plans and Financing Needs

Our proposed and potential development projects may not be completed or, if completed, may not perform as expected.

We plan to grow our business through greenfield development projects in markets in which we operate. Development projects require us to spend significant sums for engineering, permitting, legal, financial advisory and other expenses in preparation for competitive bids that we may not win or before we determine whether a development project is feasible, economically attractive or capable of being financed. These activities consume a portion of our management's focus and could increase our leverage or reduce our profitability.

Furthermore, the development and construction of power generation facilities involve many additional risks, including:

- delays in obtaining necessary permits and licenses, including environmental permits;
- unforeseen engineering, environmental and geological problems;
- adverse changes in the political and regulatory environment in the country in which the project is located;
- opposition by political, environmental and other local groups;
- shortages or increases in the price of equipment, materials or labor;
- work stoppages or labor disputes;
- adverse weather conditions, natural disasters, accidents or other unforeseen events;
- unanticipated cost overruns; and
- the inability to obtain financing at affordable rates.

Any of these risks could cause our financial returns on new investments to be lower than expected, or could cause us to operate below expected capacity or availability levels, which could result in lost revenues, increased expenses, and higher maintenance costs. We maintain insurance to protect against some of these risks that we generally obtain for limited periods relating to the construction of each project and its equipment in varying degrees, and contractors and equipment suppliers are obligated to meet certain performance levels. The insurance, warranties or performance guarantees, however, may not be adequate to cover increased expenses. As a result, a project may cost more than projected and may be unable to fund principal and interest payments under its construction financing obligations, if any. A default under such a financing obligation could result in losing our interest in a power generation facility.

We believe that capitalized costs for projects under development are recoverable; however, we cannot assure you that any individual project will be completed and reach commercial operation. If these development efforts are not successful, we may abandon a project under development and write off the costs incurred in connection with such project. At the time of abandonment, we would expense all capitalized development costs incurred in connection therewith and could incur additional losses associated with any related contingent liabilities.

Our combined-cycle conversion may not be completed on a timely basis or may not perform as expected.

Although POSCO has agreed to complete the conversion of our Kallpa plant to a combined-cycle plant by a fixed date in July 2012, and has committed that the installed capacity of the combined-cycle plant when completed will be a minimum of 854 MW, the conversion of this plant to a combined-cycle plant is subject to the risks described above that are customarily attendant to the construction of plants of this type. Although the Kallpa EPC contract specifies penalties to be paid by POSCO in the event that the completion of this conversion is delayed and we carry insurance against certain delays, we cannot assure you that the penalties and insurance proceeds, if any, that we receive will cover all contingent risks to our company in the event that the combined-cycle plant does not commence operations as scheduled or that the combined-cycle plant does not perform in accordance with the specifications set forth in the Kallpa EPC contract.

We may determine not to proceed with the Cerro del Aguila Project.

We intend to use a portion of the net proceeds of this offering to finance our equity contribution to the Cerro del Aguila Project. However, although we have completed the feasibility study for this project and obtained a permanent concession to build and operate this project, we have not yet (1) entered into an engineering, procurement and construction agreement for this project, (2) entered into long-term PPAs for the sale of all of the electricity to be generated by this project, or (3) arranged for committed financing for the construction of this project. In the event that were are unable to enter into an engineering, procurement and construction agreement for this project, enter into long-term PPAs for the sale of electricity to be generated by this project or obtain financing for this project, in each case on terms satisfactory to us, we could determine not to proceed with this project. In the event that we do not proceed with this project, we would seek to use a portion of the net proceeds of this offering to develop other projects or make one or more acquisitions of generation assets. However we cannot assure you as to the timing of the development of any other project or the acquisition of any generation assets. A prolonged delay in deploying the proceeds of this offering for the development or acquisition of generation assets could materially and adversely affect us.

Future acquisitions may not perform as expected.

We plan to grow our business through acquisitions in attractive markets in which we do not currently operate. Acquisitions require us to spend significant sums for legal, financial advisory and other expenses in preparation for competitive bids we may not win or in due diligence and negotiations related to these acquisitions before we determine whether an acquisition is feasible, economically attractive or capable of being financed. These activities consume a portion of our management's focus and could increase our leverage or reduce our profitability.

Future acquisitions may be large and complex, and we may not be able to complete them. We cannot assure you that we will be able to negotiate the required agreements, obtain the necessary financing or satisfy ourselves that the target company has not engaged in activities that would violate laws and regulations that are applicable to us.

Although acquired businesses may have significant operating histories at the time we acquire them, we will have no history of owning and operating these businesses and potentially limited or no experience operating in the country where these businesses are located. In particular:

- acquired businesses may not perform as expected;
- we may incur unforeseen obligations or liabilities;
- acquired businesses may not generate sufficient cash flow to support the indebtedness incurred to acquire them or the capital expenditures needed to operate them;
- the rate of return from acquired businesses may be lower than anticipated in our decision to invest our capital to acquire them; or
- we may not be able to expand as planned or to integrate the acquired company's activities and achieve the economies of scale and any expected efficiency gains that often drive such acquisitions.

We have a significant amount of indebtedness, a large percentage of which is secured, and the indenture governing the notes will allow us to incur significantly more indebtedness after the issue date, which could materially and adversely affect us.

As of December 31, 2010, we had US$403.3 million of outstanding indebtedness on a consolidated basis, excluding related party debt, of which US$394.6 million is secured, including S/.232.5 million (approximately US$82.8 million) outstanding under Inkia's bonds which we intend to repurchase with the proceeds of this offering. Although the indenture governing the notes will contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of important qualifications and exceptions, and the debt incurred in compliance with these restrictions could be substantial. Further, our Consolidated Net Leverage Ratio is calculated on a net debt basis and the net proceeds from this offering are treated as cash and Cash Equivalents until the proceeds are invested, thereby allowing us to incur additional debt. See "Use of Proceeds," "Description of the Notes—Certain Covenants" and "—Certain Definitions." All outstanding borrowings under the bonds issued by Southern Cone and Kallpa, as well as Kallpa's senior secured credit facility and Kallpa's capital leases, are secured by certain of our assets, including the pledge of capital stock of some of our associated companies. We use a substantial portion of cash flow from operations to make debt service payments, reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities. Furthermore, the pledge of a significant percentage of our assets to secure this debt has reduced the amount of collateral that is available for future secured debt or credit support and our flexibility in dealing with these secured assets. This level of indebtedness and related security could have other important consequences to us, including:

- increasing our vulnerability to general adverse economic and industry conditions;

- limiting our flexibility in planning for, or reacting to, changes in our business and the industry;

- limiting our ability to enter into long-term power sales or fuel purchases which require credit support;

- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors that are not as highly leveraged; and

- limiting, along with the financial and other restrictive covenants relating to such indebtedness, among other things, our ability to borrow additional funds for working capital including collateral postings, capital expenditures, acquisitions and general corporate or other purposes.

Our ability to grow our business could be materially and adversely affected if we were unable to raise capital on favorable terms.

From time to time, we rely on access to capital markets as a source of liquidity for capital requirements not satisfied by operating cash flows. Our ability to arrange for financing on either a recourse or non-recourse basis and the costs of such capital are dependent on numerous factors, some of which are beyond our control, including:

- general economic and capital market conditions;

- the availability of bank credit;

- investor confidence;

- the financial condition, performance and prospects of our company in general and/or that of any subsidiary requiring the financing as well as companies in our industry or similar financial circumstances; and

- changes in tax and securities laws which are conducive to raising capital.

Should future access to capital not be available to us, we may have to sell assets or decide not to build new plants or expand or improve existing facilities, either of which would affect our future growth.

We may not be able to raise sufficient capital to fund greenfield development in certain less developed economies which could change or in some cases adversely affect our growth strategy.

Part of our strategy is to grow our business by developing generation projects in less developed economies where the return on our investment may be greater than projects in more developed economies. Commercial lending institutions sometimes refuse to provide financing in certain less developed economies, and in these situations we may seek direct or indirect (through credit support or guarantees) project financing from a limited number of multilateral or bilateral international financial institutions or agencies. As a precondition to making such project financing available, the lending institutions may also require sponsor guarantees for completion risks and governmental guarantees of certain business and sovereign related risks. However, financing from international financial agencies or governmental guarantees required to complete projects may not be available when needed, and if they are not, we may have to abandon these projects or invest more of our own funds which may not be in line with our investment objectives and would leave less funds for other investments and development projects.

Financial market developments may adversely affect our financial condition, results of operations or access to capital.

Dramatic declines in asset values held by financial institutions over the past few years have resulted in significant write-downs. These write-downs, from mortgage-backed securities to credit default swaps and other derivative securities, in turn have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and investors have ceased to provide funding to even the most creditworthy borrowers or to other financial institutions. The resulting lack of available credit and lack of confidence in the financial markets could materially and adversely affect our access to capital and our ability to pursue our expansion plans. In connection with these events, our ability to borrow from financial institutions on favorable terms or at all could be adversely affected by further disruptions in the capital markets or other events.

Risks Related to the Countries in which We Operate

Our results of operations and financial condition are dependent upon economic conditions in those countries in which we operate, and any decline in economic conditions could harm our results of operations or financial condition.

All of our Latin American operations and development are in countries in emerging markets, and we expect to have additional operations in these or other emerging market countries. Many of these countries have a history of political, social and economic instability. Our revenue is derived primarily from the sale of electricity, and the demand for electricity is largely driven by the economic conditions of the countries in which we operate. Therefore, our results of operations and financial condition are to a large extent dependent upon the overall level of economic activity and political and social stability in those emerging market countries. Should economic conditions deteriorate in these countries or in emerging markets generally, we could be materially and adversely affected.

Governments have a high degree of influence in the economies in which we operate, which could harm our results of operations or financial condition.

Governments in many of the markets in which we operate frequently intervene in the economy and occasionally make significant changes in monetary, credit, industry and other policies and regulations. Government actions to control inflation and other policies and regulations have often involved, among other measures, price controls, currency devaluations, capital controls and limits on imports. We have no control over, and cannot predict, what measures or policies governments may take in the future. The results of operations and financial condition of our businesses may be adversely affected by changes in governmental policy or regulations in the jurisdictions in which they operate that impact factors such as:

- consumption of electricity and natural gas;
- supply of electricity and natural gas;
- energy policy;
- subsidies and incentives;
- labor laws;
- economic growth;
- currency fluctuations;
- inflation;
- capital control policies;
- interest rates;
- liquidity of domestic capital and lending markets;
- fiscal policy;
- tax laws, including the effect of tax laws on distributions from our subsidiaries;
- import/export restrictions; and
- other political, social and economic developments in or affecting the country where each business is based.

Uncertainty over whether governments will implement changes in policy or regulation affecting these or other factors in the future may contribute to economic uncertainty and heightened volatility in the securities markets.

Due to populist political trends that have become more prevalent in certain countries in Latin America over recent years, some of the administrations in countries where we operate might seek to promote efforts to increase government involvement in regulating economic activity, including the energy sector, which could result in the introduction of additional political factors in economic decisions. For example, as described below, Bolivia has nationalized natural gas and petroleum assets, as well as generation companies that compete with us.

Presidential elections will be held in Peru in April 2011. The President of Peru has considerable power to determine governmental policies and actions that relate to the Peruvian economy and that consequently affect the operations and financial performance of businesses such as our company. The run-up to the presidential elections may result in changes in existing governmental policies, and the new administration may seek to implement changes in policies. We cannot predict whether the current or any future Peruvian administration will implement changes in policies or regulations affecting these or other factors in the future and whether they will have an adverse effect on the Peruvian economy and, consequently, on our business, results of operations and financial condition.

The re-implementation of certain laws by the Peruvian government, most notably restrictive exchange rate policies, could have an adverse effect on our business, financial condition and results of operations.

Since 1991, the Peruvian economy has experienced a major transformation from a highly protected and regulated system to a free market economy. During this period, protectionist and interventionist laws and policies have been gradually dismantled to create a liberal economy dominated by private sector and market forces. The Peruvian economy has generally responded positively to this transformation, having increased its GDP by an average annual rate of over 4.6% during the period from 1995 to 2010. Exchange controls and restrictions on remittances of profits, dividends and royalties have ceased. Prior to 1991, Peru exercised control over foreign exchange markets by imposing restrictions to multiple exchange rates and restrictions to the possession and use of foreign currencies. In 1991, President Fujimori’s administration eliminated all foreign exchange controls and unified the exchange rate. Currently, foreign exchange rates are determined by market conditions, with regular operations by the Peruvian Central Reserve Bank in the foreign exchange market in order to reduce volatility in the value of Peru’s currency against the U.S. dollar.

The Peruvian government may institute restrictive exchange rate policies in the future. Any such restrictive exchange rate policy could affect the ability of our subsidiary Kallpa to engage in foreign exchange activities, and could also materially and adversely affect us.

Peruvian inflation could adversely affect our financial condition and results of operations.

As a result of reforms initiated in the 1990s, Peruvian inflation has decreased significantly in recent years from four-digit inflation during the 1980s. The Peruvian economy experienced annual inflation of 6.7% in 2008, 0.3% in 2009 and 2.1% in 2010, as measured by the Peruvian Consumer Price Index (*Índice de Precios al Consumidor del Perú*).

If Peru experiences substantial inflation in the future, the costs of our subsidiary Kallpa could increase and its operating margins could decrease, which could materially and adversely affect us. Inflationary pressures may also limit our ability to access foreign financial markets and may cause government intervention in the economy, including the introduction of government policies that may adversely affect the overall performance of the Peruvian economy.

In the past, Peru experienced significant levels of domestic terrorist activity. It is possible that a resurgence of terrorism in Peru may occur in the future, which would have a material adverse effect on the Peruvian economy and, ultimately, our business.

In the past, Peru experienced significant levels of terrorist activity that reached its peak of violence against the government and private sector in the late 1980s and early 1990s. These activities were attributed mainly to two local terrorist groups, *Sendero Luminoso,* and *Movimiento Revolucionario Túpac Amaru,* or the MRTA.

Both terrorist groups suffered significant defeats in the 1990s, including the arrest of their leaders, causing considerable limitations in their activities during the decade of 2000. Although we believe that *Sendero Luminoso* and MRTA no longer pose a significant risk as they did during the 1980s and early 1990s, their members still operate in remote mountainous and jungle areas in central and southern Peru, where military patrols have decreased due to military spending cutbacks. If a resurgence of terrorism in Peru occurs, it could have a material adverse effect upon the economy and prospects of Peru and, ultimately, our business.

The Bolivian government has nationalized other generation companies in Bolivia and our businesses in Bolivia may also be nationalized.

In May 2010, the Bolivian government nationalized Empresa Eléctrica Guaracachi S.A., or Guaracachi, Empresa Eléctrica Valle Hermoso S.A., or Valle Hermoso, and Empresa Eléctrica Corani S.A., or Corani, each a significant generation company in Bolivia that had been privatized by the Bolivian government in 1994. As a result, our subsidiary COBEE is one of the few remaining privately held generation companies in Bolivia. Although we believe that our circumstances are different than those of the nationalized generation companies because COBEE was not previously owned by the Bolivian government, there is a risk that COBEE will be subject to nationalization. If COBEE were nationalized, we cannot assure you that we would receive fair compensation for our interests in COBEE.

Changes in tax laws may increase our tax burden and, as a result, negatively affect our profitability.

The governments of each of the countries in which we operate regularly implement changes to the tax regulations that may increase our tax burdens. These changes include modifications in the methods for tax audits and, from time to time, the enactment of temporary taxes. The effects of these proposed tax reforms and any other changes resulting from the enactment of additional tax reforms have not been quantified. However, if enacted, some of these reforms may result in increases in our overall tax burden, which could materially and adversely affect us.

Risks Relating to the Notes

Inkia is a holding company with no independent operations or generation assets and it is dependent on cash flow generated by its subsidiaries.

Inkia is a holding company, and all of its generation assets are held by its direct and indirect subsidiaries. Repayment of Inkia's indebtedness, including the notes, is dependent on the generation of cash flow by Inkia's subsidiaries and their ability to make such cash available to Inkia, by dividend, debt repayment or otherwise. The ability of Inkia's subsidiaries to make dividend or other payments to Inkia are affected by, among other factors, the obligations of these subsidiaries to their creditors, requirements of the relevant corporate and other laws in the jurisdiction in which each subsidiary operates, and restrictions contained in agreements entered into by or relating to these entities.

Inkia's subsidiaries do not have any obligation to pay amounts due on the notes or to make funds available for that purpose. While the indenture governing the notes limits the ability of Inkia's subsidiaries to incur consensual restrictions on their ability pay dividends or make intercompany payments to Inkia, these limitations are subject to certain qualifications and exceptions. In the event that Inkia does not receive distributions from its subsidiaries, Inkia may be unable to make required payments on its indebtedness, including the notes.

Payments on the notes will be effectively junior to debt obligations of Inkia's subsidiaries.

The notes will constitute senior unsecured obligations of Inkia and will rank equal in right of payment with all of Inkia's other existing and future senior unsecured indebtedness.

As of December 31, 2010, Inkia had total consolidated debt of approximately US$403.3 million, excluding related party debt, of which US$82.8 million was secured debt of Inkia and US$320.5 million was debt of Inkia's subsidiaries. We intend to repurchase all of the secured indebtedness of Inkia with the proceeds of this offering.

The notes will be subordinated to secured debt of Inkia to the extent of the assets and property securing such debt. Payment on the notes will also be structurally subordinated to the payment of secured and unsecured debt and other creditors of Inkia's subsidiaries. Any right of the holders of the notes to participate in the assets of Inkia, including the capital stock of its subsidiaries, and the assets of Inkia's subsidiaries upon any liquidation or reorganization will be subject to the prior claims of Inkia's secured creditors and the creditors of its subsidiaries. The indenture relating to the notes includes a limitation on Inkia's ability and the ability of Inkia's subsidiaries to incur certain indebtedness, although this limitation is subject to certain significant exceptions, and the debt incurred in compliance with these restrictions could be substantial.

We may be able to distribute to our shareholders the proceeds of certain asset sales and other corporate transactions.

For purposes of the covenant under "Description of the Notes—Certain Covenants—Limitation on Incurrence of Additional Indebtedness," the indenture governing the notes treats all cash flows distributed to us from our subsidiaries and minority investments in the form of dividends and capital reductions as Unconsolidated Cash Flows regardless of the source and regardless of whether there is a gain or loss, including the proceeds from any asset sales by Kallpa and Edegel. In addition, for purposes of the covenant under "Description of the Notes—Certain Covenants—Limitation on Restricted Payments," the indenture treats all proceeds received from Unrestricted Subsidiaries and minority investments as Consolidated Net Income regardless of their source and regardless of whether there is a gain or loss. As result, certain assets sales and other corporate transactions can generate Unconsolidated Cash Flows and Consolidated Net Income which may be available for distribution to our shareholders, even if those proceeds are reinvested in our company. If we were to engage in any such transactions, such transactions could lower our Unconsolidated Interest Coverage Ratio and increase our Consolidated Net Income, thereby allowing us to incur additional debt and make additional distributions to our shareholders. See "Description of the Notes—Certain Covenants" and "—Certain Definitions."

Inkia may not be able to obtain the funds required to purchase the notes upon a specified Change of Control event.

Upon the occurrence of a specified Change of Control event, Inkia will be required to offer to purchase each holder's notes at a price equal to 101% of their principal amount plus accrued and unpaid interest. At the time of any specified Change of Control event, Inkia may not have sufficient funds available and may not be able to obtain the funds necessary to purchase the notes that holders may tender in connection with any such Change of Control offer.

Developments in other emerging markets may adversely affect the market value of the notes.

The market price of the notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for securities of companies doing substantially all of their business in Latin American markets, such as our company, is influenced, to varying degrees, by economic and market conditions in other emerging market countries, especially those in Latin America. Although economic conditions are different in each country, investors' reaction to developments in one country may affect the securities markets and the securities of issuers in other countries. We cannot assure you that the market for our securities will not be affected negatively by events in countries in which we do not operate, particularly in emerging markets, or that such developments will not have a negative impact on the market value of the notes.

We cannot assure you that a judgment of a U.S. court for liabilities under U.S. securities laws would be enforceable in Bermuda, or that an original action can be brought in Bermuda against Inkia or our management for liabilities under U.S. securities laws.

Inkia is an exempted limited liability company incorporated under the laws of Bermuda. Substantially all of Inkia's assets are located outside the United States. In addition, all of the directors and officers of Inkia and some of the advisors named in this offering memorandum reside in Peru or elsewhere outside the United States, and all or a significant portion of the assets of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, or to enforce against such persons judgments predicated upon the civil liability provisions of the U.S. federal securities laws. In addition, it may not be possible to bring an original action in Bermuda against Inkia for liabilities under the U.S. federal securities laws.

There is no existing market for the notes and we cannot assure the future development of a market for them.

The notes constitute new securities for which there is no existing market. Although we have applied to list the notes on the Irish Stock Exchange, we cannot assure you that the application will be approved or that an active trading market in the notes will develop. In addition, we cannot provide you with any assurances regarding the ability of holders of the notes to sell their notes, or the price at which such holders may be able to sell their notes. If such a market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, our results of operations and financial condition, political and economic developments in and affecting the jurisdictions where we have operations, and the market for similar securities. The initial purchasers of this offering have advised our company that they currently intend to make a market in the notes. However, the initial purchasers are not obligated to do so, and any market-making with respect to the notes may be discontinued at any time without notice.

There are restrictions on your ability to transfer or resell the notes without registration under applicable securities laws.

The notes have not been, and will not be, registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemptions include offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act and in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A under the Securities Act.

USE OF PROCEEDS

We expect the net proceeds from the sale of the notes to be approximately US$291.4 million, after deducting the fees and expenses of the offering. We intend to use the net proceeds of this offering to finance our equity contribution to one of our subsidiaries that will develop the Cerro del Aguila Project, as well as other projects and acquisitions by our subsidiaries which we may pursue in the future, to repurchase all of the secured indebtedness of Inkia, and for working capital and general corporate purposes.

While we intend to use a portion of the net proceeds of this offering to finance our equity contribution to the Cerro del Aguila Project and have completed the feasibility study for this project and obtained a permanent concession to build and operate this project, we have not yet (1) entered into an engineering, procurement and construction agreement for this project, (2) entered into long-term PPAs for the sale of all of electricity to be generated by this project, or (3) arranged for committed financing for the construction of this project. See "Risk Factors—Risks Related to our Growth Plans and Financing Needs—We may determine not to proceed with the Cerro del Aguila Project."

CAPITALIZATION

The following table sets forth our consolidated debt and capitalization as of December 31, 2010, derived from our audited consolidated statement of financial position as of December 31, 2010 prepared in accordance with IFRS:

- on an actual historical basis; and
- as adjusted for the sale of the notes in the offering, the receipt of net proceeds therefrom in the aggregate amount of US$291.4 million after deduction of commissions and expenses and the use of a portion of the proceeds to repurchase all of the secured indebtedness of Inkia in the aggregate amount of US$82.8 million, consisting of US$70.4 million of long-term debt and US$12.4 million of short-term debt.

You should read this table in conjunction with "Use of Proceeds," "Selected Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and the related notes thereto, which are included elsewhere in this offering memorandum.

	As of December 31, 2010	
	Historical	**As Adjusted**
	(in millions of U.S. dollars)	
Cash and cash equivalents	US$112.3	US$320.9
Short-term debt(1)(2)	US$42.7	US$30.3
Long-term debt(3)	360.6	581.6
Total debt	403.3	611.9
Shareholder loan(4)	176.9	176.9
Total equity	526.9	526.9
Total capitalization(5)	US$1,107.1	US$1,315.7

(1) Short-term loans and current portion of interest bearing borrowings.
(2) Since December 31, 2010, Nejapa borrowed a net amount of US$4.0 million under a short-term line of credit. This amount has not been included in the "As Adjusted" column of the table above.
(3) Long-term interest bearing borrowings, excluding the current portion thereof.
(4) In February 2011, we repaid US$20.0 million to Israel Corporation under our shareholder loan. This amount has not been excluded from the "As Adjusted" column of the table above.
(5) Corresponds to the sum of total debt, shareholder loan and total equity.

There has been no material change in our capitalization since December 31, 2010, except as disclosed above.

SELECTED FINANCIAL AND OTHER INFORMATION

The selected financial data as of December 31, 2010 and 2009 and for the three years ended December 31, 2010 have been derived from our audited consolidated financial statements included elsewhere in this offering memorandum.

This financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and the related notes thereto, which are included elsewhere in this offering memorandum.

	As of and for the Years Ended December 31,		
	2010	**2009**	**2008**
	(in millions of U.S. dollars, except as indicated)		
Inkia Consolidated:			
***Statement of Income Data*:**			
Revenue	US$420.6	US$327.4	US$289.7
Cost of sales	(297.4)	(236.5)	(228.1)
Gross profit	123.2	90.9	61.6
Administrative expenses	(19.7)	(25.8)	(23.7)
Depreciation and amortization	(35.2)	(26.0)	(19.6)
Other, net	9.3	—	2.8
Results from operating activities	77.6	39.1	21.1
Finance income	3.3	4.9	3.9
Gain (losses) from derivative financial instruments	0.4	1.6	(3.1)
Finance expenses	(32.9)	(27.0)	(30.2)
Share of profit in associates	20.0	21.5	12.2
Capital gain	—	34.7	—
Income before income tax	68.4	74.8	3.9
Income tax expense	(12.5)	(8.6)	(7.5)
Net income (loss)	US$55.9	US$66.2	US$(3.6)
***Statement of Financial Position Data*:**			
Cash and cash equivalents	US$112.3	US$61.9	
Restricted cash	7.2	7.1	
Trade and other accounts receivable	109.3	118.6	
Total current assets	251.4	216.6	
Property, plant and equipment	631.5	577.6	
Investments in associates	268.3	255.7	
Goodwill	51.6	51.6	
Total assets	1,228.9	1,155.0	
Short-term loans and current portion of interest bearing borrowing	42.7	44.5	
Trade and other accounts payable	51.5	52.8	
Total current liabilities	94.2	97.3	
Long-term interest bearing borrowing	360.6	327.9	
Shareholder loans	176.9	136.3	
Total liabilities	701.9	638.9	
Total equity	526.9	516.1	
Other Financial Information and Operating Data:			
Cash flow data:			
Net cash provided by operating activities	US$103.9	US$67.0	US$14.0
Net cash used in investing activities(1)	(134.1)	(15.9)	(26.3)
Net cash provided by (used in) financing activities	80.8	(20.6)	12.8

	As of and for the Years Ended December 31,		
	2010	2009	2008
	(in millions of U.S. dollars, except as indicated)		
Other Financial Information(2):			
Consolidated Adjusted EBITDA(3)(4)	US$130.3	US$80.6	US$50.0
Consolidated net debt(5)	291.0	310.5	298.1
Consolidated net leverage ratio(6)	2.2x	3.9x	6.0x
Other Data:			
Effective capacity of operating subsidiaries at year-end (MW)	1,001	802	608
Weighted average availability during the year (%)	93.8%	93.5%	94.0%
Energy generated during the year (GWh)(7)	5,135	3,169	2,818
Energy sold under PPAs during the year (GWh)	4,626	3,165	3,145
Inkia Unconsolidated:			
Financial Information:			
Distributions received from:			
Southern Cone Power Limited	US$7.4	US$2.7	US$1.5
COBEE	7.3	1.5	9.3
Nejapa and Cenergica	4.0	7.8	6.9
CEPP	27.9	10.7	1.2
Pedregal and Jamaica Private Power	1.8	1.5	2.7
Total distributions received	48.4	24.2	21.6
Operating expenses	(3.0)	(3.9)	(4.6)
Incurrence of indebtedness	—	—	88.5
Purchase of non-controlling interest	(53.2)	—	—
Incurrence (payment) of shareholder loans	36.5	—	(88.4)
Capital expenditures and investments	(0.4)	(0.5)	—
Equity contribution	—	(9.4)	(14.0)
Cash available for debt service	28.3	10.4	3.1
Interest expense	(6.7)	(6.7)	(0.5)
Debt amortization and repayment	(6.2)	—	—
Cash available after debt service	US$15.4	US$3.7	US$2.6
Unconsolidated operating cash flow(8)(9)	US$45.4	US$20.3	US$17.0
Unconsolidated interest expense(8)(10)	(6.7)	(6.7)	(0.5)
Unconsolidated interest coverage ratio(8)(11)	6.8x	3.0x	34.0x

(1) Excludes Kallpa's investment in the Kallpa II and Kallpa III turbines, which are leased by Kallpa under capital leases.

(2) We have included a calculation of our consolidated Adjusted EBITDA, consolidated net debt and consolidated leverage ratio as (1) our management uses such measures to evaluate our operating performance, and (2) we believe that information about these measures is important for investors to understand our liquidity. Consolidated net debt is not the equivalent of "Consolidated Total Net Indebtedness" as defined in the indenture governing the notes, and consolidated leverage ratio is not the equivalent of "Consolidated Net Leverage Ratio" as defined in the indenture governing the notes.

(3) We define "consolidated Adjusted EBITDA" for each year as consolidated revenue; *minus* consolidated cost of sales; *minus* consolidated administrative expenses; *plus* consolidated other non-operating income, net; *plus* non-cash or non recurring losses or expenses included in any of the foregoing; *plus* any dividends, distributions or cash received by Inkia from any entity in which Inkia owns a minority interest.

(4) Consolidated Adjusted EBITDA is not recognized under IFRS or any other generally accepted accounting principles as a measure of financial performance and should not be considered as a substitute for net income or loss, cash flow from

operations or other measures of operating performance or liquidity determined in accordance with IFRS. Consolidated Adjusted EBITDA is not intended to represent funds available for dividends or other discretionary uses by us because those funds are required for debt service, capital expenditures, working capital and other commitments and contingencies. Consolidated Adjusted EBITDA presents limitations that impair its use as a measure of our profitability since it does not take into consideration certain costs and expenses that result from our business that could have a significant effect on our net income, such as financial expenses, taxes, depreciation, capital expenses and other related charges. The following table sets forth a reconciliation of our Consolidated Adjusted EBITDA to our net income for the years ended December 31, 2010, 2009 and 2008.

	For the Years Ended December 31,		
	2010	**2009**	**2008**
	(in millions of U.S. dollars)		
Net income (loss)	US$55.9	US$66.2	US$(3.6)
Depreciation and amortization	35.2	26.0	19.6
Finance expenses, net	25.1	15.9	17.5
Israel Corporation loan interest expense	4.1	4.6	11.9
Capital gain	—	(34.7)	—
Share in profit of associates	(20.0)	(21.5)	(12.2)
Taxes	12.5	8.6	7.5
Dividends received from Generandes, Pedregal and Jamaica Private Power	17.5	15.5	9.3
Consolidated Adjusted EBITDA	US$130.3	US$80.6	US$50.0

Other companies may calculate Adjusted EBITDA differently, and therefore this presentation of Adjusted EBITDA may not be comparable to other similarly titled measures used by other companies.

(5) Consolidated net debt represents the sum of short-term loans, current portion of interest bearing borrowing and long-term interest bearing borrowing *less* cash and cash equivalents.

(6) Consolidated leverage ratio means the ratio of consolidated net debt to consolidated Adjusted EBITDA.

(7) Represents gross generation.

(8) The indenture governing the notes will prohibit us from issuing debt (subject to certain exceptions) unless our unconsolidated interest coverage ratio is equal to or greater than 2.0 to 1.0, and will prohibit our subsidiaries from issuing debt (subject to certain exceptions) unless our consolidated net leverage ratio is less than 4.5 to 1.0, if such Indebtedness is incurred on or prior to December 31, 2013, and 4.0 to 1.0, if such indebtedness is incurred thereafter. See “Description of the Notes—Covenants.” We have included a calculation of our unconsolidated operating cash flow, our unconsolidated interest expense and our consolidated Adjusted EBITDA as (1) our compliance with the covenants in our indenture will be critical to our future financial performance, (2) our management uses such measures to evaluate our operating performance, and (3) we believe that information about these measures is important for investors to understand our liquidity.

(9) We define “unconsolidated operating cash flow” for any year as the sum of the following amounts (determined on an unconsolidated basis, without duplication), but only to the extent received in cash by Inkia during that year: dividends paid to Inkia by its subsidiaries during that year; consulting and management fees paid to Inkia during that year; interest and other distributions paid during that year with respect to cash and cash equivalents of Inkia; distributions arising from any capital reduction; interest payments made with respect to any intercompany loans provided to any of Inkia’s subsidiaries; and loans made or repaid to Inkia from its subsidiaries in anticipation of the payment of dividends which funds for the payment of such dividends have been set aside for such period, *less* the sum of the following expenses (determined on an unconsolidated basis without duplication), in each case to the extent paid by Inkia during that year and regardless of whether any such amount was accrued during that year: income tax expenses of Inkia; and expenses paid in cash in conducting normal business operations, including wages, salaries, administrative expenses, professional expenses, insurance and rent, of Inkia for that year, determined on an unconsolidated basis.

(10) We define "unconsolidated interest expense" for any year as Inkia's aggregate accrued interest expense for that year (determined on an unconsolidated basis, without duplication), including the portion of any payments made in respect of capitalized lease liabilities allocable to interest expense, but excluding any interest expense incurred in connection with any intercompany loan provided by Israel Corporation or any of its affiliates.

(11) We define "unconsolidated interest coverage ratio" as the ratio of unconsolidated operating cash flow to unconsolidated interest expense.

	As of and for the Years Ended December 31,		
	2010	**2009**	**2008**
	(in millions of U.S. dollars, except as indicated)		
Financial and Other Information of Subsidiaries and Associated Company:			
Financial Information:			
Kallpa:(1)			
Revenue	US$195.0	US$109.8	US$57.8
Net income (loss)	14.0	8.8	(1.8)
EBITDA(2)(3)	48.1	24.4	12.1
EBITDA margin(4)	24.7%	22.2%	20.9%
Cash	39.7	29.6	3.5
Interest bearing borrowings and short-term loans	244.7	209.6	151.5
Capital expenditures(5)	(76.5)	(40.7)	(3.2)
Distributions(6)	—	—	—
Operating Data:			
Effective capacity at year-end (MW)	566	368	174
Availability during the year (%)	93.8%	91.6%	96.0%
Energy generated during the year (GWh)(7)	3,210	1,238	988
Energy sold under PPAs during the year (GWh)	3,606	1,981	1,119
Nejapa:(8)			
Financial Information:			
Revenue	US$99.3	US$114.2	US$132.9
Net income	12.1	5.5	1.5
EBITDA(2)(9)	22.5	13.6	8.2
EBITDA margin(4)	22.7%	11.9%	6.2%
Cash	29.0	4.3	5.7
Interest bearing borrowings and short-term loans	—	6.9	16.3
Capital expenditures	(2.0)	(2.8)	(3.0)
Distributions(6)	—	—	10.1
Operating Data:			
Effective capacity at year-end (MW)	140	140	140
Availability during the year (%)	95.1%	94.5%	93.0%
Energy generated during the year (GWh)(7)	407	528	521
Energy sold under PPAs during the year (GWh)	431	599	801
CEPP:(10)			
Financial Information:			
Revenue	US$67.9	US$50.0	US$65.0
Net income	21.3	9.7	10.2
EBITDA(2)(11)	23.1	9.4	9.8
EBITDA margin(4)	34.0%	18.8%	15.1%
Cash	2.9	6.2	5.7
Interest bearing borrowings and short-term loans	8.7	0.1	—

	As of and for the Years Ended December 31,		
	2010	2009	2008
	(in millions of U.S. dollars, except as indicated)		
Capital expenditures	(3.1)	(1.8)	(2.6)
Distributions(6)	29.1	11.0	1.3
Operating Data:			
Effective capacity at year-end (MW)	67	67	67
Availability during the year (%)	87.0%	88.0%	95.0%
Energy generated during the year (GWh)(7)	363	302	270
Energy sold under PPAs during the year (GWh)	302	387	398
COBEE:(12)			
Financial Information:			
Revenue	US$48.0	US$44.4	US$24.5
Net income (loss)	8.2	5.0	(4.5)
EBITDA(2)(13)	20.4	17.2	7.3
EBITDA margin(4)	42.5%	38.7%	29.8%
Cash	7.0	1.8	1.1
Interest bearing borrowings and short-term loans	53.5	49.5	56.9
Capital expenditures	(0.6)	(5.3)	(8.0)
Distributions(6)	7.3	1.5	9.3
Operating Data:			
Effective capacity at year-end (MW)	229	228	228
Availability during the year (%)	98.0%	95.0%	93.0%
Energy generated during the year (GWh)(7)	1,154.6	1,100.3	1,039.3
Energy sold under PPAs during the year (GWh)	287	298	927
Southern Cone:(14)			
Dividends received	US$16.1	US$14.0	US$6.6
Debt service	(7.6)	(7.6)	(7.6)
Income (expenses), net	(0.2)	(0.5)	2.0
Incurrence (payment) of shareholders loans	—	(1.4)	1.5
Pre-tax distributions	8.3	4.5	2.5
Withholding tax	(0.3)	(0.2)	(0.1)
Distributions(6)	8.0	4.3	2.4
Edegel:(15)			
Financial Information:			
Revenue	US$410.0	US$376.9	US$392.6
Net income	86.1	80.5	38.4
EBITDA(2)(16)	210.1	197.8	167.3
EBITDA margin(4)	51.2%	52.5%	42.6%
Cash	29.5	41.7	17.4
Interest bearing borrowings and short-term loans	439.1	462.6	487.3
Capital expenditures	(18.9)	(24.6)	(8.5)
Distributions(6)	75.5	64.8	32.2
Operating Data:			
Effective capacity at year-end (MW)	1,668	1,667	1,467
Availability during the year (%)	93.6%	93.4%	95.9%
Energy generated during the year (GWh)(7)	8,602	8,303	8,236
Energy sold under PPAs during the year (GWh)	7,563.0	5,760.8	5,438.5

(1) Kallpa prepares its financial statements under Peruvian GAAP, which differs in important respects from IFRS. We have not included financial statements of Kallpa in this offering memorandum. The financial data used in the preparation of Inkia's consolidated financial statements prepared under IFRS differs in many respects from the financial data reflected in Kallpa's financial statements prepared under Peruvian GAAP. The financial data with respect to Kallpa presented in this offering memorandum is derived from the books and records of Inkia and is not derived from Kallpa's financial statements prepared under Peruvian GAAP.

(2) EBITDA represents net income before finance income (expenses), depreciation and amortization and income taxes expenses. EBITDA is not recognized under IFRS or any other generally accepted accounting principles as a measure of financial performance and should not be considered as a substitute for net income or loss, cash flow from operations or other measures of operating performance or liquidity determined in accordance with IFRS. EBITDA is not intended to represent funds available for dividends or other discretionary uses by us because those funds are required for debt service, capital expenditures, working capital and other commitments and contingencies. EBITDA presents limitations that impair its use as a measure of our profitability since it does not take into consideration certain costs and expenses that result from our business that could have a significant effect on our net income, such as financial expenses, taxes, depreciation, capital expenses and other related charges.

(3) The following table sets forth a reconciliation of Kallpa's EBITDA to Kallpa's net income, derived from the financial data used in the preparation of Inkia's consolidated financial statements, for the years ended December 31, 2010, 2009 and 2008.

	For the Years Ended December 31,		
	2010	**2009**	**2008**
	(in millions of U.S. dollars)		
Net income (loss)	US$14.0	US$8.8	US$(1.8)
Depreciation	17.4	8.5	3.2
Finance expense, net	11.7	3.1	8.2
Taxes	5.0	4.0	2.5
EBITDA	US$48.1	US$24.4	US$12.1

Other companies may calculate EBITDA differently, and therefore this presentation of Kallpa's EBITDA may not be comparable to other similarly titled measures used by other companies.

(4) Represents EBITDA divided by revenue.

(5) Excludes Kallpa's investment in the Kallpa II and Kallpa III turbines, which are leased by Kallpa under capital leases.

(6) Includes dividends, capital reductions and net repayments of loans to shareholders.

(7) Represents gross generation.

(8) Nejapa prepares its financial statements under Salvadorian GAAP, which differs in important respects from IFRS. We have not included financial statements of Nejapa in this offering memorandum. The financial data used in the preparation of Inkia's consolidated financial statements prepared under IFRS differs in many respects from the financial data reflected in Nejapa's financial statements prepared under Salvadorian GAAP. The financial data with respect to Nejapa presented in this offering memorandum is derived from the books and records of Inkia and is not derived from Nejapa's financial statements prepared under Salvadorian GAAP.

(9) The following table sets forth a reconciliation of Nejapa's EBITDA to Nejapa's net income, derived from the financial data used in the preparation of Inkia's consolidated financial statements, for the years ended December 31, 2010, 2009 and 2008.

	For the Years Ended December 31,		
	2010	2009	2008
	(in millions of U.S. dollars)		
Net income	US$12.1	US$5.5	US$1.5
Depreciation	5.3	5.3	5.2
Finance expense, net	0.9	0.9	0.9
Taxes	4.2	1.9	0.6
EBITDA	US$22.5	US$13.6	US$8.2

Other companies may calculate EBITDA differently, and therefore this presentation of Nejapa's EBITDA may not be comparable to other similarly titled measures used by other companies.

(10) CEPP prepares its financial statements under IFRS. We have not included financial statements of CEPP in this offering memorandum. In the preparation of Inkia's consolidated financial statements, Inkia makes a variety of adjustments to the financial data reflected in CEPP's financial statements to conform to Inkia's accounting policies. The financial data with respect to CEPP presented in this offering memorandum is derived from the books and records of Inkia and is not derived from CEPP's financial statements prepared under IFRS.

(11) The following table sets forth a reconciliation of CEPP's EBITDA to CEPP's net income, derived from the financial data used in the preparation of Inkia's consolidated financial statements, for the years ended December 31, 2010, 2009 and 2008.

	For the Years Ended December 31,		
	2010	2009	2008
	(in millions of U.S. dollars)		
Net income	US$21.3	US$9.7	US$10.2
Depreciation	1.8	1.5	1.5
Finance expense (income), net	0.1	(1.6)	(2.0)
Taxes	(0.1)	(0.2)	0.1
EBITDA	US$23.1	US$9.4	US$9.8

Other companies may calculate EBITDA differently, and therefore this presentation of CEPP's EBITDA may not be comparable to other similarly titled measures used by other companies.

(12) COBEE prepares its financial statements under IFRS. We have not included financial statements of COBEE in this offering memorandum. In the preparation of Inkia's consolidated financial statements, Inkia makes a variety of adjustments to the financial data reflected in COBEE's financial statements to conform to Inkia's accounting policies. The financial data with respect to COBEE presented in this offering memorandum is derived from the books and records of Inkia and is not derived from COBEE's financial statements prepared under IFRS.

(13) The following table sets forth a reconciliation of COBEE's EBITDA to COBEE's net income, derived from the financial data used in the preparation of Inkia's consolidated financial statements, for the years ended December 31, 2010, 2009 and 2008.

	For the Years Ended December 31,		
	2010	2009	2008
	(in millions of U.S. dollars)		
Net income (loss)	US$8.2	US$5.0	US$(4.5)
Depreciation	4.3	4.8	4.3
Finance expense, net	4.5	4.8	4.5
Taxes	3.4	2.6	3.0
EBITDA	US$20.4	US$17.2	US$7.3

Other companies may calculate EBITDA differently, and therefore this presentation of COBEE's EBITDA may not be comparable to other similarly titled measures used by other companies.

(14) Southern Cone prepares its financial statements under Peruvian GAAP, which differs in important respects from IFRS. We have not included financial statements of Southern Cone in this offering memorandum. The financial data used in the preparation of Inkia's consolidated financial statements prepared under IFRS differs in many respects from the financial data reflected in Southern Cone's financial statements prepared under Peruvian GAAP. The financial data with respect to Southern Cone presented in this offering memorandum is derived from the books and records of Inkia and is not derived from Southern Cone's financial statements prepared under Peruvian GAAP.

(15) Edegel prepares its financial statements under Peruvian GAAP, which differs in important respects from IFRS. For example, Edegel includes employee profit sharing expense as part of its income tax expense under Peruvian GAAP while this expense would be included in operating expenses under IFRS. We have not included financial statements of Edegel in this offering memorandum. The financial data used in the preparation of Inkia's consolidated financial statements prepared under IFRS differs in many respects from the financial data reflected in Edegel's financial statements prepared under Peruvian GAAP. The financial data with respect to Edegel presented in this table is derived from Edegel's audited consolidated financial statements of Edegel prepared under Peruvian GAAP as filed with CONASEV. Edegel prepares its financial statements in *nuevos soles*, the functional currency of Edegel. We have translated the financial data reflected in Edegel's statement of income to U.S. dollars at the average daily exchange rate for *nuevos soles* into U.S. dollars of S/.2.82 to US$1.00 for the year ended December 31, 2010, S/.3.01 to US$1.00 for the year ended December 31, 2009 and S/.2.93 to US$1.00 for the year ended December 31, 2008, in each case, as reported by the Peruvian Central Reserve Bank. We have translated the financial data reflected in Edegel's balance sheet to U.S. dollars at the exchange rate for *nuevos soles* into U.S. dollars of S/.2.81 to US$1.00 as of December 31, 2010, S/.2.89 to US$1.00 as of December 31, 2009 and S/.3.14 to US$1.00 as of December 31, 2008, in each case, as reported by the Peruvian Central Reserve Bank. The operating data with respect to Edegel included in this table has been derived from Edegel's public filings made with CONASEV and other information regarding Edegel that is publicly available, principally through the COES and the OSINERGMIN. Although we have significant rights under a shareholders' agreement that we have entered into with Endesa Chile, the owner of 61.0% of the capital stock of Generandes and the controlling shareholder of Edegel, we do not manage Edegel or participate in the preparation of its financial statements or other public reports, and have not independently verified the information regarding Edegel included in this table.

(16) The following table sets forth a reconciliation of Edegel's EBITDA to Edegel's net income for the years ended December 31, 2010, 2009 and 2008.

	For the Years Ended December 31,		
	2010	2009	2008
	(in millions of U.S. dollars)		
Net income	US$86.1	US$80.5	US$38.4
Depreciation	76.9	70.4	71.9
Interest expense, net	21.2	17.0	49.7
Share in profit of associates	(18.5)	(17.5)	(16.7)
Taxes	44.4	47.4	24.0
EBITDA	US$210.1	US$197.8	US$167.3

Other companies may calculate EBITDA differently, and therefore this presentation of Edegel's EBITDA may not be comparable to other similarly titled measures used by other companies.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements as of December 31, 2010 and 2009 and for the three years ended December 31, 2010, included in this offering memorandum, as well as with the information presented under "Presentation of Financial and Other Information" and "Selected Financial and Other Information."

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth in "Forward-Looking Statements" and "Risk Factors."

The discussion and analysis of our financial condition and results of operations has been organized to present the following:

- a brief overview of our company and the principal factors that influence our results of operations, financial condition and liquidity;
- a review of our financial presentation and accounting policies, including our critical accounting policies;
- a discussion of the principal factors that influence our financial condition and results of operations;
- a discussion of developments since December 31, 2010 that may materially affect our financial condition and results of operations;
- a discussion of our results of operations for the years ended December 31, 2010, 2009 and 2008;
- a discussion of our liquidity and capital resources, including our working capital as of December 31, 2010, our cash flows for the years ended December 31, 2010, 2009 and 2008, and our material short-term and long-term indebtedness as of December 31, 2010;
- a discussion of our contractual commitments; and
- a discussion of market risks that may have a material effect on our results of operations, financial condition and liquidity.

Overview

We are an international electric power generation company based in Latin America and have operations in Peru, the Dominican Republic, El Salvador and Bolivia and investments in Peru, Panama and Jamaica. We are focused on Latin American markets because they have higher rates of growth of gross domestic product, as well as lower base levels of overall and per capita energy consumption compared to developed markets. We believe that growth in Latin American markets will drive increases in overall and per capita energy consumption and therefore require significant additional investments in electricity generation assets.

We own, operate and develop power plants to generate and sell electricity to distribution companies and unregulated consumers under long-term and short-term PPAs and to the spot market. Our operating companies use natural gas, hydroelectric resources and heavy fuel oil to produce electricity. Our generation capacity is largely contracted, which reduces the risk related to market prices of electricity and fuel. During 2010, we sold 2,996 GWh of electricity to distribution companies, 1,642 GWh of electricity to consumers in the unregulated markets and 1,319 GWh of electricity in the spot markets. During 2010, 30.7% of our revenues were generated from sales to distribution companies, 45.1% were generated from sales to consumers in the unregulated markets and 18.2% were generated from sales in the spot markets.

Our largest asset is our Kallpa facility. Through our subsidiary Kallpa, we operate an open-cycle gas-fired generation plant in Peru with three turbines that have an aggregate effective capacity of 566 MW. Kallpa is the largest thermoelectric plant in Peru, according to the COES. We are converting this plant to a combined-cycle facility. Upon completion of the conversion, which is being performed by POSCO under the Kallpa EPC contract, Kallpa's combined-cycle plant will have an aggregate installed capacity of a minimum of 854 MW and is expected to be the largest generation plant in Peru. As of December 31, 2010, Kallpa's effective capacity represented 8.8% of the total effective capacity in Peru. For the year ended December 31, 2010, our operations and investments in Peru, including our non-controlling interest in Generandes, generated 46.4% of our consolidated revenues and 49.3 % of our Consolidated Adjusted EBITDA.

In addition, we indirectly own 21.1% of the shares of Edegel, which was the largest generator of electricity in Peru as of December 31, 2010, according to the COES. As of December 31, 2010, Edegel had an aggregate effective capacity of 1,668 MW, representing 25.8% of the total effective capacity in Peru. Edegel is a public company listed on the Lima Stock Exchange, and as of February 28, 2011, Edegel's market capitalization was S/.4,619 million. Endesa Chile is the controlling shareholder of Edegel, but we have significant minority rights.

Our operations in Peru, the Dominican Republic, El Salvador and Bolivia had an aggregate effective capacity of approximately 1,001 MW as of December 31, 2010 and are expected to have an aggregate effective capacity of at least 1,289 MW upon completion of the Kallpa conversion. These generation plants generated 5,135 GWh of electricity in 2010.

We are also developing the Cerro del Aguila Project. When completed, we expect that this plant will have an installed capacity of 402 MW. We have completed the feasibility study for this project and obtained a permanent concession to operate this plant. On March 23, 2011, we were awarded in a public auction the right to sell 200 MW and the associated energy to Electroperu. Under the bidding procedures, we and Electroperu agreed to enter into a definitive PPA within 60 days after the date of the auction. This PPA will have a 15-year term commencing in January 2016. We intend to supply capacity and energy under this PPA through the Cerro del Aguila Project. We are currently seeking proposals for the engineering, procurement and construction work for this project and expect that the financing for this project will be in place by mid-2011. We expect that this project will commence commercial operation in the second half of 2015.

For the year ended December 31, 2010, we generated consolidated revenue of US$420.6 million and net income of US$55.9 million. As of December 31, 2010, we had consolidated assets of US$1,228.9 million.

Our results of operations for the years ended December 31, 2010, 2009 and 2008 have been influenced, and our future results of operations will continue to be influenced, by a variety of factors, including:

- the growth of our capacity as a result of the commencement of operations of our Kallpa II and Kallpa III turbines and our conversion of Kallpa's plant to combined-cycle operations;

- macroeconomic conditions, including the rate of GDP growth, foreign exchange rates and inflation rates, in the countries in which we operate;

- the amount of firm capacity assigned to our operating subsidiaries, which is affected by the availability of our generation plants, changes in applicable regulations and the volume of new generation capacity introduced in the markets that we serve;

- the availability of our plants for dispatch, the volume of electrical dispatch from our plants and the volume of electricity that we purchase and sell in spot market transactions;

- the volume of capacity and electricity that we have committed to sell under PPAs;

- our operating expenses;

- the results of the companies in which we have investments;

- the level of our outstanding indebtedness; and

- the amount of taxes we are required to pay.

Financial Presentation and Accounting Policies

Presentation of Financial Statements

We have prepared our consolidated financial statements as of and for the years ended December 31, 2010 and 2009 in accordance with IFRS as issued by the IASB.

Critical Accounting Policies and Estimates

Our significant accounting policies are described in note 3 to our audited consolidated financial statements included elsewhere in this offering memorandum. In preparing our consolidated financial statements, we relied on estimates and assumptions derived from historical experience and various other factors that we deemed reasonable and relevant. Critical accounting policies are those that are important to the portrayal of our consolidated financial position and results of operations and require management's subjective and complex judgments, estimates and assumptions. The application of these critical accounting policies often requires judgments made by management regarding the effects of matters that are inherently uncertain with respect to our results of operations and the carrying value of our assets and liabilities. Our results of operations and financial position may differ from those set forth in our consolidated financial statements if our actual experience differs from management's assumptions and estimates. In order to provide an understanding of our critical accounting policies, including some of the variables and assumptions underlying the estimates, and the sensitivity of those assumptions and estimates to different parameters and conditions, we set forth below a discussion of our critical accounting policies relating to:

- depreciation and amortization of long-lived assets;
- decommissioning liability;
- impairment of long-lived assets
- impairment of goodwill;
- contingencies;
- deferred income tax; and
- other long-term employee benefits.

Depreciation and Amortization of Long-Lived Assets

We calculate asset depreciation using the straight-line method. We estimate depreciation rates based on the estimated useful life of assets and their residual values. We have conducted an annual review of the residual value and useful life of our assets. We amortize intangible assets that have determined useful lives over their effective period of use. We review the estimated useful life of our assets at the end of each year.

Such estimates could be significantly modified and/or the carrying values of the assets could be impaired by such factors as the relative pricing of wholesale electricity, the anticipated costs of fuel, changes in legal factors or in the business climate, including an adverse action or assessment by regulators, or a significant change in the market value, operation or profitability of an asset.

The estimated useful lives of long-lived assets range from four to 90 years. Depreciation and amortization expense of these assets under the straight-line method over their estimated useful lives totaled US$35.2 million in 2010. If the useful lives of the assets were found to be shorter than originally estimated, depreciation and amortization charges would be accelerated over the revised useful life.

Decommissioning Liability

A provision for decommissioning costs arises on construction of a generation plant. A corresponding asset is recognized in property, plant and equipment. Decommissioning costs are recorded at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate.

Impairment of Long-Lived Assets

We analyze the recovery of long-lived assets, mainly property, plant and equipment and intangible assets, taking into account the existence of impairment. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Impairment of Goodwill

Goodwill is tested annually for impairment and whenever events or circumstances make it more likely than not that impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a business unit. Impairment is determined for goodwill by assessing the recoverable amount of the cash generating units to which the goodwill relates. Where the recoverable amount of the cash generating units is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Contingencies

We are currently involved in some legal and tax proceedings. As discussed in note 20 to our consolidated financial statements as of December 31, 2010, we have estimated the probable outflows of resources of resolving these claims. Estimating probable losses requires an analysis of uncertainties that often depend upon judgments about potential actions by third parties, status of laws and regulations and the information available about conditions in the various countries. We have reached this estimate after consulting our legal and tax advisors who are carrying out our defense in these matters and an analysis of potential results, assuming a combination of litigation and settlements strategies. The range of potential liabilities could be significantly different than amounts currently accrued and disclosed, with the result that our financial condition and results of operations could be materially affected by changes in the assumptions or estimates related to these contingencies.

Deferred Income Tax

We operate through various subsidiaries in several countries. Deferred tax assets and liabilities are recognized based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities given the enacted tax laws. Income taxes have been provided based upon the tax laws and rates of the countries in which operations are conducted and income is earned. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither the accounting nor taxable profit or loss; and differences relating to investments in subsidiaries, associates and interests in joint ventures, to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but such taxable entities intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Other Long-term Employee Benefits

Our net obligation for long-term employee benefits, which are not attributable to post-employment plans, is for the amount of the future benefit to which employees are entitled for services that were provided during the current and past periods. The amount of these benefits is discounted to its present value and the fair value of any related assets is deducted. The discount rate is determined according to the yield on government bonds, where their currency and maturity date are similar to the terms and conditions of our obligations, as at the reporting date. The calculations are performed by using the projected unit credit method. Any actuarial gains and losses are recorded to the statement of income in the period in which they arise.

Principal Factors Affecting Our Financial Condition and Results of Operations

Capacity Growth

Our Kallpa II turbine, which has an effective capacity of 194 MW, commenced operations in June 2009, and our Kallpa III turbine, which has an effective capacity of 198 MW, commenced operations in March 2010. As a result of the completion of these plants, Kallpa's effective capacity has grown from 174 MW, upon the commencement of operations of our Kallpa I turbine in July 2007, to 566 MW, upon the commencement of operations of our Kallpa III turbine in March 2010. We intend to upgrade our Kallpa I turbine in November 2011, which will increase its effective capacity by 12 MW. We are currently converting our Kallpa plant to combined-cycle operations. Upon completion of the conversion, which is being performed by POSCO under the Kallpa EPC contract that requires that this conversion be completed in July 2012, Kallpa's combined-cycle plant will have an aggregate installed capacity of a minimum of 854 MW and is expected to be the largest generation plant in Peru. As a result of the expansion of our capacity in Peru, our revenue, operating income and net income have substantially increased and we expect that these measures will increase further upon the commencement of operation of our combined-cycle plant.

Macroeconomic Conditions

Macroeconomic conditions in the countries in which we operate may have a significant effect on our operating results. For example, when a country experiences sustained economic growth, consumption of electricity by industrial and individual consumers increases.

The following table sets forth the GDP and electricity growth rate for the years indicated for each of the countries in which we have operating subsidiaries.

	2010		2009		2008	
	GDP Growth(1)	Energy Demand Growth	GDP Growth	Energy Demand Growth	GDP Growth	Energy Demand Growth
	(%)	(%)	(%)	(%)	(%)	(%)
Peru	9.0	8.6	0.9	0.6	9.8	8.5
Dominican Republic	6.5	7.0	3.5	(6.5)	5.3	8.0
El Salvador	1.0	2.4	(3.3)	(0.9)	2.5	3.1
Bolivia	3.6	7.7	3.4	5.1	6.2	9.6

Sources:
Peru: GDP – Peruvian Central Reserve Bank; Energy Demand – COES.
Dominican Republic: GDP – Banco Central de la República Dominicana; Energy Demand – OC.
El Salvador: GDP – COPADES; Energy Demand – UT.
Bolivia: GDP – Banco Central de Bolivia; Energy Demand – CNDC.
(1) Estimated.

In addition to affecting energy demand, macroeconomic conditions affect foreign exchange, domestic interest rates and inflation. These key economic variables have an effect on financial and operating costs. The U.S. dollar is the functional currency of Inkia due to its use in most of its transactions, such as the pricing of most of our PPAs and our purchases of fuel, natural gas and spare parts. Therefore, fluctuations in the exchange rate between local currencies in the countries in which we operate and the U.S. dollar will generate either gains or losses on monetary assets and liabilities denominated in these local currencies. Inflation increases labor costs and other local expenses of our operating companies that are not passed through to our customers through our PPAs.

The following table sets forth the average local currencies per dollar exchange rates and the annual inflation rate for the years indicated for each of the countries in which we have operating subsidiaries.

	2010		2009		2008	
	Exchange Rate	Inflation Rate	Exchange Rate	Inflation Rate	Exchange Rate	Inflation Rate
		(%)		(%)		(%)
Peru(1)	2.81	2.1	2.89	0.3	3.14	6.7
Dominican Republic(2)	37.54	6.2	36.12	5.8	35.39	4.5
El Salvador(3)	1.00	2.1	1.00	(0.2)	1.00	5.5
Bolivia(4)	7.04	7.2	7.07	0.3	7.07	11.9

Sources:

Peru: Exchange rate – Peruvian Central Reserve Bank; Inflation rate – Peruvian Central Reserve Bank.

Dominican Republic: Exchange rate – Banco Central de la República Dominicana; Inflation rate – Banco Central de la República Dominicana.

El Salvador: Inflation rate – COPADES.

Bolivia: Exchange rate – Banco Central de Bolivia; Inflation rate – Instituto Nacional de Estadística.

(1) Exchange rates represent the exchange rate for the Peruvian *nuevos soles* to the U.S. dollar as of December 31 of each year. Inflation rate represents the change in the Peruvian Consumer Price Index for the year.

(2) Exchange rates represent the exchange rate for the Dominican *peso* to the U.S. dollar as of December 31 of each year. Inflation rate represents the change in the Dominican Consumer Price Index for the year.

(3) The U.S. dollar has been the official currency of El Salvador since January 2001. Inflation rate represents the change in the Salvadorian Consumer Price Index for the year.

(4) Exchange rates represent the exchange rate for the Bolivian *boliviano* to the U.S. dollar as of December 31 of each year. Inflation rate represents the change in the Bolivian Consumer Price Index for the year.

Allocations of Firm Capacity and Spot Market Prices for Capacity

The regulatory framework in Peru, the Dominican Republic and Bolivia establish methodologies for periodically allocating firm capacity to each generation unit that is part of the interconnected system in that country. To the extent that our operating subsidiaries are not allocated sufficient firm capacity to cover their commitments under their PPAs, these generators must purchase firm capacity from generators that have been allocated firm capacity in excess of the amounts necessary to cover their commitments under their PPAs and from generators with no commitments under PPAs. To the extent that our operating subsidiaries are allocated firm capacity in excess of the amount necessary to cover their commitments under their PPAs, they may sell their excess firm capacity.

The following table sets forth the average firm capacity allocated by the relevant regulatory agency to our generation units for the periods presented.

	Year Ended December 31,		
	2010	2009	2008
		(MW)	
Kallpa (Peru)	556	362	174
CEPP (Dominican Republic)	65	65	65
COBEE (Bolivia)	216	212	213

Sources:

Peru: COES.

Dominican Republic: OC.

Bolivia: CNDC.

In Peru, the spot market price for capacity is fixed by the COES on an annual basis. The amount of firm capacity that a generator is required to supply is determined on a monthly basis by the COES based on the demand of that generator's customers during the interval of peak load on the SEIN during that month. Kallpa's commercial strategy is to enter into PPAs under which it sells more capacity than it is allocated by the COES. If during any particular month Kallpa is required to supply more capacity to the SEIN than its allocated firm capacity, Kallpa purchases the excess capacity on the spot market at a fixed price.

Several companies, including Kallpa, have generation projects under development in Peru. Some of our competitors also have generation projects under development in other markets that we serve. To the extent that the effective capacity in any of the markets that we serve increases at a rate that is more rapid than the rate of growth of capacity demand, our allocations of firm capacity in those markets could decline, resulting in increased purchases of capacity by our company to meet our obligations under our PPAs. In addition, such an imbalance between supply and demand for capacity could result in increased pricing pressure in our negotiation of new and renewed PPAs.

Availability and Dispatch

The regulatory framework in Peru, the Dominican Republic and Bolivia establish a marginal cost system in these power markets. The relevant regulatory agencies determine which generation units are to be dispatched with the final goal of minimizing the cost of energy supplied. This system makes it possible for us to cover our commitments under our PPAs through our own energy generation, through purchases of energy in the spot market or through contracts with third parties.

Availability refers to the percentage of time that a plant is available to generate energy. Hydroelectric plants are unavailable when they are removed from operation to conserve water in the associated reservoirs or river basins, for maintenance or when there are unscheduled outages. Thermal plants are unavailable when they are removed from operation for maintenance or when there are unscheduled outages. According to the relevant regulatory agencies, our average availability in 2010 was 93.8% in Peru, 87.2% in the Dominican Republic, 99.4% in El Salvador and 97.6% in Bolivia. The relevant regulatory agencies consider the average availability of the generation plants of our operating subsidiaries when they allocate firm capacity.

A substantial portion of the generation capacity in Peru, El Salvador, the Dominican Republic and Bolivia is comprised of hydroelectric plants. The marginal cost of production by these plants is almost nil. As a result, these plants are generally the first to be dispatched, when available. However, the availability of these plants is subject to annual and seasonal variations based on the hydrology of the reservoirs and river basins that provide the water to operate these plants. Dispatch of Peru's hydroelectric plants is subject to seasonal variations as greater amounts of hydroelectric power are dispatched between November and April, the rainy season in Peru, and hydroelectric dispatch declines during May and October as operators of hydroelectric plants conserve water in the reservoirs serving their plants. In addition, dispatch of Peru's hydroelectric plants is subject to annual variations depending on climactic conditions, such as the El Niño phenomenon. Dispatch of hydroelectric plants in El Salvador, the Dominican Republic and Bolivia are similarly influenced by hydrological conditions in those countries: the rainy season in El Salvador is between May and October and the rainy season in the Dominican Republic and Bolivia is between November and April. COBEE's hydroelectric plants are among the first generation units to be dispatched in Bolivia as a result of the low variable costs associated with these units. Consequently, ensuring that COBEE's hydroelectric units are available to be dispatched is key to positioning COBEE to capture the benefits of marginal cost dispatch and therefore to maximize our margins.

Our Kallpa units are among the first generation units to be dispatched in Peru after the hydroelectric plants as a result of being among the lowest-cost thermal generation units in Peru. Although CEPP's generation units are below the Dominican Republic's hydroelectric plants, natural gas plants and coal plants in the dispatch order, these units are frequently dispatched as a result of the high demand for energy in the Dominican Republic relative to the effective capacity in the country. Consequently, ensuring that the Kallpa and CEPP thermal units are available to be dispatched is key to positioning Kallpa and CEPP to capture the benefits of marginal cost dispatch and therefore to maximize our margins.

To the extent that our generation plants are not available for dispatch or our obligations to deliver energy exceed the energy dispatched from our own generation units at any particular time, we purchase energy in the spot market to satisfy our obligations under our PPAs, and there is a risk that the price of such energy may be higher than the price for energy that we receive under our PPAs. To the extent that our plants are dispatched in a manner that results in our generating more energy than is required to satisfy our obligations under our PPAs, we sell the excess energy in the spot market.

To the extent that our plants are dispatched in a manner that results in our generating more energy than is required to satisfy our obligations under our PPAs, we sell the excess energy in the spot market. To the extent that our generation plants are available for dispatch and are not dispatched or partially dispatched by the system operator and as a result our obligations to deliver energy exceed the energy dispatched from our own generation units at any particular time, we purchase energy in the spot market to satisfy our obligations under our PPAs, usually at prices that are lower than our own generation costs resulting in a higher margin. To the extent that our generation plants are not available for dispatch, we purchase energy in the spot market to satisfy our obligations under our PPAs, and there is a risk that the price of such energy may be higher than the price for energy that we receive under our PPAs.

Although Kallpa has adopted a commercial strategy under which it generally enter into PPAs under which it sells more capacity than it is allocated by the COES, we review the anticipated load curves of our customers prior to entering PPAs in order to determine whether our contracting strategy will present a risk that total energy demand under our PPAs will exceed our effective capacity. Because the times at which our customers are expected to demand energy varies (e.g., residential customers of our distribution company customers tend to have greater demands for energy during certain hours of the morning and the evening, while our unregulated manufacturing customers tend to have greater demands for energy during business hours), we believe that our review of our customer's anticipated load curves minimizes the risk that we will be required to supply more energy under our PPAs than we are able to dispatch based on our effective capacity, and consequently, that we would be required to purchase energy on the spot market at prices above our marginal production cost.

The following table sets forth the amount of energy sold by our operating subsidiaries under their PPAs and in the spot market, and the amount of energy generated and purchased by our operating subsidiaries, for the periods presented.

Year Ended December 31,	**Sales under PPAs**	**Sales in Spot Market**	**Energy Dispatched**	**Energy Purchased**
		(GWh)		
Kallpa:				
2010	3,606	317	3,141	773
2009	1,981	—	1,200	779
2008	1,119	81	988	228
CEPP:				
2010	302	54	357	—
2009	287	21	295	13
2008	298	16	263	51
Nejapa:				
2010	431	148	398	181
2009	599	139	517	221
2008	801	76	510	367
COBEE:				
2010	287	822	1,109	—
2009	298	759	1,057	—
2008	927	69	996	—

Cost of Sales

Our principal costs of sales are fuel, gas and lubricants, purchases of capacity and energy on the spot market, transmission costs, personnel and third party services, and maintenance costs.

Our costs for natural gas, which include transportation costs, vary primarily based on the quantity of natural gas consumed, the variation of market prices of heavy fuel oil and whether we consume all of the natural gas that we are obligated to purchase under our natural gas supply contracts. We hedge variations in the price of natural gas through price adjustment mechanisms in our PPAs in Peru, where we generate electricity using natural gas. Our costs for heavy fuel oil, which include transportation costs, vary primarily based on the quantity of heavy fuel oil consumed and the variation of market prices of heavy fuel oil. We generate electricity using heavy fuel oil in the Dominican Republic and El Salvador. We hedge variations in the price of heavy fuel oil through price adjustment mechanisms in our PPA in the Dominican Republic.

In El Salvador, we submit our bids to supply energy to the SIEG based on, among other things, Nejapa's cost for heavy fuel oil.

We purchase capacity on the spot market to meet our obligations under our PPAs in the event that we are allocated less capacity than we have contracted to deliver under our PPAs. We purchase energy on the spot market to meet our obligations under our PPAs in the event that our plants dispatch less energy than we have contracted to deliver under our PPAs. Our costs for energy purchases generally vary as a result of the quantity of energy that we purchase on the spot markets in the countries in which we operate. Because we generally set prices for energy in our PPAs at levels greater than our marginal cost to produce this energy, we purchase energy at times when the spot market price for this energy is less than our own marginal cost, resulting in higher margins on the purchased energy than on our own generation.

Our costs for transmission, which include transformation costs, vary primarily based on the quantity of energy that we sell and the specific nodes in the SEIN through which our customers withdraw energy from the SEIN. Under our PPAs and the regulatory regimes under which we sell energy in the spot market, most transmission costs are passed through to our customers.

We incur personnel and third party services costs in the operation of our plants. These costs are usually independent of the volumes of energy produced by our plants. We incur maintenance costs in connection with ongoing and periodic maintenance of our generation plants. These costs are usually correlated to the volumes of energy produced by our plants.

Results of Associates

Our net income, cash flows from operations and statement of financial condition are affected by the results of Generandes and Pedregal. Our wholly-owned subsidiary Southern Cone owns 39.0% of the outstanding shares of Generandes, which, in turn, owns 54.2% of the outstanding shares of Edegel. As a result, we have a 21.1% economic interest in Edegel. We also own 21.2% of Pedregal. Although we seek to exert a degree of influence with respect to the management and operation of these investments by exercising certain limited governance rights, such as rights to veto significant actions, in the case of Generandes and Edegel, or to operate the generation facilities, in the case of Pedregal, our ability to control the development and operation of these companies may be limited, we may be dependent on the majority shareholders to operate such businesses, and the approval of the majority shareholders is required for distributions of funds to us.

We record our proportional share in the net income of Generandes and Pedregal in our statement of income as share of profit in associates. In 2010, share of profit in associated companies was US$20.0 million. We record dividends received from Generandes and Pedregal as cash flow from operations in our statement of cash flows. In 2010, we received dividends from these companies in the aggregate amount of US$17.0 million. The book value that we record for these investments in our statement of financial position is adjusted to reflect our proportional share in the net income of these companies, the dividends received from these companies and the cumulative translation adjustment to the value of our investment in Generandes.

Effects of Outstanding Indebtedness, including Capital Leases

At December 31, 2010, our total outstanding consolidated indebtedness, excluding related party debt, was US$403.3 million. The level of our indebtedness results in significant finance expenses that are reflected in our statement of income. Finance expenses consist of interest expense on our debt securities, loans, and shareholder loan, and other items as set forth in note 16 to our audited consolidated financial statements. The interest rates that we pay depend on a variety of factors, including prevailing international interest rates and risk assessments of our company, our industry and the economies of the countries in which we operated made by potential lenders to our company, potential purchasers of our debt securities and the rating agencies that assess Inkia, our operating subsidiaries and their debt securities.

We financed our acquisition of the Kallpa I, II and III turbines through financial leases. As a result, we have recognized these turbines as property, plant and equipment and have recognized the lease obligations as interest bearing borrowings, but did not recognize any cash flow from investing activities. Payments under our leases are recognized in our statement of cash flows as cash flows from financing activities at the time that these payments are made.

Income Taxes

Under Bermuda law, Inkia does not pay income tax. We operate through various subsidiaries in several countries and, as a result, are subject to income tax in each jurisdiction in which we have operations.

In Peru, Kallpa, Edegel, Generandes and Southern Cone are subject to corporate income tax at a rate of 30% on net income. However, dividends received by Generandes from Edegel or by Southern Cone from Generandes are not considered taxable income of Generandes or Southern Cone, respectively. In addition, the capital gain that we recorded in 2009 as a result of the capital increase of Kallpa was not subject to income tax in Peru. Distributions of dividends made to non-resident shareholders by Kallpa and Southern Cone are subject to withholding taxes at a rate of 4.1%. In November 2010, Kallpa entered into a legal stability agreement with the Peruvian government under which the Peruvian government agreed that the income tax regime applicable to Kallpa would not be modified for a period of ten years.

In the Dominican Republic, the corporate income tax rate is 25%. CEPP has an exemption from all direct Dominican Republic taxes, including income tax, that expires in May 2011. Distributions made to non-resident shareholders by Inkia CEPP Operations S.A., which performs operating and maintenance services for CEPP, are subject to withholding taxes at a rate of 25%.

Nejapa's branch in El Salvador and Cenergica are subject to corporate income tax in El Salvador at a rate of 25%. COBEE's branch in Bolivia is subject to corporate income tax in Bolivia at a rate of 25%. In addition, the net income of COBEE's branch in Bolivia is subject to withholding of a branch profits tax at a rate of 12.5%.

Recent Developments

In February 2011, we repaid US$20.0 million to Israel Corporation under our shareholder loan.

Results of Operations

The following discussion of our results of operations is based on our consolidated financial statements prepared in accordance with IFRS.

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

The following table sets forth the components of our net income, as well as the percentage change from the prior year, for the years ended December 31, 2009 and 2010.

	Year Ended December 31,		
	2010	**2009**	**% Change**
	(in millions of U.S. dollars, except percentages)		
Revenue	US$420.6	US$327.4	28.5
Cost of sales	(297.4)	(236.5)	25.8
Gross profit	123.2	90.9	35.5
Administrative expenses	(19.7)	(25.8)	(23.6)
Depreciation and amortization	(35.2)	(26.0)	35.4
Other, net	9.3	—	n.m.
Results from operating activities	77.6	39.1	98.5
Net finance costs	(29.2)	(20.5)	42.4
Share of profit in associates	20.0	21.5	(7.0)
Capital gain	—	34.7	(100.0)
Income before income tax	68.4	74.8	(8.6)
Income tax expense	(12.5)	(8.6)	45.3
Net income	US$55.9	US$66.2	(15.6)

n.m.Not meaningful.

Revenue

Revenue increased by US$93.2 million, or 28.5%, to US$420.6 million in 2010 from US$327.4 million in 2009, primarily due to (1) a 77.6% increase in Kallpa's revenue to US$195.0 million in 2010 from US$109.8 million in 2009, and (2) a 35.8% increase in CEPP's revenue to US$67.9 million in 2010 from US$50.0 million in 2009. The effects of these increases were partially offset by a 13.0% decline in Nejapa's revenue to US$99.3 million in 2010 from US$114.2 million in 2009.

Kallpa's revenue increased in 2010 principally as a result of increased sales under Kallpa's PPAs due to the commencement of operations of our Kallpa II turbine in June 2009 and our Kallpa III turbine in March 2010. Revenue from energy sales increased by 77.6% to US$131.6 million in 2010 from US$74.1 million in 2009 as a result of a 98.0% increase in energy sales to 3,923 GWh in 2010 from 1,981 GWh in 2009, the effects of which were partially offset by a 10.3% decline in the average price of Kallpa's energy sales to US$33.54 per MWh in 2010 from US$37.38 per MWh in 2009. Kallpa generated 80.1% of the energy that it sold in 2010 and 60.6% in 2009; the remainder of the energy sold by Kallpa was purchased in the spot market.

Revenue from Kallpa's capacity sales increased by 99.2% to US$50.0 million in 2010 from US$25.1 million in 2009 as a result of a 90.4% increase in Kallpa's capacity sales to an average of 1,068 MW in 2010 from an average of 561 MW in 2009, and a 4.7% increase in Kallpa's average price per kW/month to US$4.68 in 2010 from US$4.47 in 2009. The increase in Kallpa's capacity sales was primarily as a result of Kallpa's entering into additional PPAs supported by the commencement of operations of our Kallpa II turbine in June 2009 and our Kallpa III turbine in March 2010.

CEPP's revenue increased in 2010 principally as a result of increases in energy prices realized from its sales under its PPA and in the spot market as a result of the increase in international fuel prices, as well as increased sales volume in the spot market as a result of the increased level of dispatch of our plants. Revenue from energy sales increased by 43.3% to US$58.9 million in 2010 from US$41.1 million in 2009, primarily as a result of a 24.0% increase in the average price of CEPP's energy sales to US$165.45 per MWh in 2010 from US$133.44 per MWh in 2009, and a 15.6% increase in energy sales to 356 GWh in 2010 from 308 GWh in 2009. CEPP generated 99.4% of the energy that it sold in 2010 and 95.8% in 2009; the remainder of the energy sold by CEPP was purchased in the spot market.

Nejapa's revenue, substantially all of which is derived from energy sales, declined in 2010 principally as a result of a 21.5% decline in energy sales to 579 GWh in 2010 from 738 GWh in 2009, primarily as a result of the increased dispatch of El Salvador's hydroelectric plants which increased their energy sales by 579 GWh. The effects of this decline were partially offset by a 9.8% increase in the average price of Nejapa's energy sales to US$168.0 per MWh in 2010 from US$153.0 per MWh in 2009. Nejapa generated 68.7% of the energy that it sold in 2010 and 70.1% in 2009; the remainder of the energy sold by Nejapa was purchased in the spot market.

Cost of Sales and Gross Profit

Cost of sales increased by US$60.9 million, or 25.8%, to US$297.4 million in 2010 from US$236.5 million in 2009, principally as a result of:

- a 42.5% increase in fuel, gas and lubricants to US$179.4 million in 2010 from US$125.9 million in 2009, principally due to (1) a US$51.1 million increase in Kallpa's gas and gas transportation costs as a result of the increase in the volume of energy generated by Kallpa as a result of the commencement of operations of our Kallpa III turbine in March 2010, and an increase in the average price paid by Kallpa for delivered natural gas, and (2) to a lesser extent, a US$12.9 million increase in CEPP's fuel and lubricants cost as a result of the increase in the volume of energy generated by CEPP's plants and an increase in the average price paid by CEPP for heavy fuel oil. The effects of these increases were partially offset by a US$8.6 million decline in Nejapa's fuel and lubricants cost as a result of the decline in the volume of energy generated by Nejapa's plant, the effects of which were partially offset by an increase in the average price paid by Nejapa for heavy fuel oil.

- a 43.0% increase in transmission costs to US$26.6 million in 2010 from US$18.6 million in 2009, primarily due to the increase in the volume of energy generated by Kallpa.

Gross profit increased by US$32.3 million, or 35.5%, to US$123.2 million in 2010 from US$90.9 million in 2009. As a percentage of revenue, gross profit increased to 29.3% in 2010 from 27.8% in 2009.

Administrative Expenses

Administrative expenses declined by US$6.1 million, or 23.6%, to US$19.7 million in 2010 from US$25.8 million in 2009, primarily due to (1) a 55.9% decline in our legal expenses to US$4.1 million 2010 from US$9.3 million in 2009, primarily as a result of the conclusion of our arbitration proceedings against Comisión Ejecutiva Hidroeléctrica del Rio Lempa, or CEL, a state-owned generation company in El Salvador, and reduced legal costs relating to the defense of lawsuits brought against our company by Crystal Power, and (2) our recovery of US$3.8 million of legal costs incurred in arbitration proceedings against CEL as a result of an award issued in our favor by the arbitral tribunal, the effects of which were partially offset by US$1.7 million in expenses that we recorded as a result of our grant of options to certain of our executive officers under our stock option plan in 2010.

As a percentage of our revenue, administrative expenses declined to 4.7% in 2010 from 7.9% in 2009.

Depreciation and Amortization

Depreciation and amortization increased by US$9.2 million, or 35.4%, to US$35.2 million in 2010 from US$26.0 million in 2009, primarily due to the increase in our depreciable property, plant and equipment as a result of the commencement of operations of our Kallpa II turbine in June 2009 and the commencement of operations of our Kallpa III turbine in March 2010.

Other, Net

Other, net was US$9.3 million in 2010, primarily as a result of the offset by CEPP of certain accounts receivable owed to CEPP by CDEEE against certain accounts payable owed by CDEEE to CEPP which CEPP had purchased from a third party at a discount and had written down due to questions regarding the collectability of such accounts receivable. As a result of this transaction, CEPP reversed a provision for doubtful accounts in the amount of US$3.6 million and accelerated the recognition of deferred income in the amount of US$4.0 million.

Results from Operating Activities

As a result of the foregoing, results from operating activities increased by US$38.5 million, or 98.5%, to US$77.6 million in 2010 from US$39.1 million in 2009. As a percentage of our revenue, results from operating activities increased to 18.4% in 2010 from 11.9% in 2009.

Net Finance Costs

Net finance costs increased by US$8.7 million, or 42.4%, to US$29.2 million in 2010 from US$20.5 million in 2009, primarily due to (1) an 18.4% increase in interest expense on loans and bonds to US$24.4 million in 2010 from US$20.6 million in 2009, primarily as a result of the recognition of the interest expense related to the financial leases of our Kallpa II and Kallpa III turbines in our financing costs upon the commencement of their operations in June 2009 and March 2010, respectively, and (2) a US$1.9 million financial expense incurred in 2010 as a result of CEPP's sale of certain accounts receivable owed by CDEEE. Prior to the commencement of operations of our Kallpa II and Kallpa III turbines, interest expense related to their financing was capitalized as property, plant and equipment.

Share in Profit of Associates

Share in profit of associates declined by US$1.5 million, or 7.0%, to US$20.0 million in 2010 from US$21.5 million in 2009, primarily due to the decline in the value of our share in the net profit of Generandes, the controlling shareholder of Edegel, to US$18.6 million in 2010 from US$19.8 million in 2009, as a result of the decline in the net income of Edegel.

Capital Gain

In 2009, we recorded a capital gain of US$34.7 million as a result of Kallpa's agreement in October 2009 to sell newly issued shares of its capital stock representing 25.1% of its issued and outstanding shares to Quimpac for US$73.7 million. Under accounting rules and interpretations in effect at the time that the agreement related to this transaction was entered into, we recorded the excess of the price to be paid by Quimpac for these shares over US$39.0 million, the book value of the shares to be issued, as a capital gain.

No capital gain was recorded in 2010.

Income Tax Expense

The weighted average tax rate applicable to our operating companies was approximately 27% in 2010 and 2009. Our effective tax rate was 18.3% on our income before income tax in 2010, resulting in a tax expense of US$12.5 million, primarily because our US$20.0 million share of profit in associates and US$6.4 million of income generated by holding companies in our corporate structure was non-taxable. Our effective tax rate was 11.5% on our income before income tax in 2009, resulting in a tax expense of US$8.6 million, primarily because our capital gain of US$34.7 million, our US$21.5 million share of profit in associates and US$3.0 million of income generated by holding companies in our corporate structure was non-taxable. The effects of these factors on our effective tax rate in 2009 was partially offset by our recording of non-deductible tax expenses of US$4.3 million.

Net Income

As a result of the foregoing, net income declined by US$10.3 million, or 15.6%, to US$55.9 million in 2010 from US$66.2 million in 2009. As a percentage of our revenue, net income declined to 13.3% in 2010 from 20.2% in 2009.

Year Ended December 31, 2009 Compared with Year Ended December 31, 2008

The following table sets forth the components of our net income, as well as the percentage change from the prior year, for the years ended December 31, 2008 and 2009.

	Year Ended December 31,		
	2009	**2008**	**% Change**
	(in millions of U.S. dollars, except percentages)		
Revenue	US$327.4	US$289.7	13.0
Cost of sales	(236.5)	(228.1)	3.7
Gross profit	90.9	61.6	47.6
Administrative expenses	(25.8)	(23.7)	8.9
Depreciation and amortization	(26.0)	(19.6)	32.7
Other, net	—	2.8	(100.0)
Results from operating activities	39.1	21.1	85.3
Net finance costs	(20.5)	(29.4)	(30.3)
Share of profit in associates	21.5	12.2	76.2
Capital gain	34.7	—	n.m.
Income before income tax	74.8	3.9	n.m.
Income tax expense	(8.6)	(7.5)	14.7
Net income (loss)	US$66.2	US$(3.6)	n.m.

n.m.Not meaningful.

Revenue

Revenue increased by US$37.7 million, or 13.0%, to US$327.4 million in 2009 from US$289.7 million in 2008, primarily due to (1) an 90.0% increase in Kallpa's revenue to US$109.8 million in 2009 from US$57.8 million in 2008, and (2) a 81.2% increase in COBEE's revenue to US$44.4 million in 2009 from US$24.5 million in 2008. The effects of these increases were partially offset by (1) a 14.1% decline in Nejapa's revenue to US$114.2 million in 2009 from US$132.9 million in 2008, and (2) a 23.1% decline in CEPP's revenue to US$50.0 million in 2009 from US$65.0 million in 2008.

Kallpa's revenue increased in 2009 principally as a result of increased sales under Kallpa's PPAs due to the commencement of operations of our Kallpa II turbine in June 2009. Revenue from energy sales increased by 82.1% to US$74.1 million in 2009 from US$40.7 million in 2008 as a result of a 65.1% increase in energy sales to 1,981 GWh in 2009 from 1,200 GWh in 2008 and a 10.3% increase in the average price of Kallpa's energy sales to US$37.38 per MWh in 2009 from US$33.88 per MWh in 2008. Kallpa generated 60.6% of the energy that it sold in 2009 and 80.7% in 2008; the remainder of the energy sold by Kallpa was purchased in the spot market.

Revenue from Kallpa's capacity sales increased by 93.1% to US$25.1 million in 2009 from US$13.0 million in 2008 as a result of a 70.5% increase in Kallpa's capacity sales to an average of 561 MW in 2009 from an average of 329 MW in 2008, and a 12.9% increase in Kallpa's average price per kW/month to US$4.47 in 2009 from US$3.96 in 2008. The increase in Kallpa's capacity sales was primarily as a result of Kallpa's entering into additional PPAs due to the commencement of operations of our Kallpa II turbine in June 2009.

COBEE's revenue increased in 2009 principally as a result of the expiration of its cost-plus based PPAs with Empresa Luz y Fuerza Electrica de Oruro S.A. and Electricidad de La Paz S.A. in December 2008 and the diversion of COBEE's energy sales to its PPA with Minera San Cristobal S.A., or Minera San Cristobal, a subsidiary of Sumitomo Corp., and the spot market following the expiration of its PPAs with the distribution companies. Revenue from energy sales increased by 91.9% to US$21.3 million in 2009 from US$11.1 million in 2008, as a result of (1) a 80.7% increase in the average price of COBEE's energy sales to US$20.15 per MWh in 2009 from US$11.15 per MWh in 2008, and (2) a 6.1% increase in energy sales to 1,057 GWh in 2009 from 996 GWh in 2008. COBEE generated all of the energy that it sold in 2009 and 2008. Revenue from COBEE's capacity sales increased by 79.3% to US$21.7 million in 2009 from US$12.1 million in 2008 as a result of (1) a 74.4% increase in COBEE's average price per kW/month to US$10.76 in 2009 from US$6.17 in 2008, and (2) a 3.1% increase in COBEE's capacity sales to an average of 202 MW in 2009 from an average of 196 MW in 2008.

Nejapa's revenue declined in 2009 principally as a result of a 25.2% decline in the volume of energy delivered under its PPAs with Salvadorian distribution companies as a result of increased competition as a result of the commencement of operations in May 2009 of a new generation plant with an installed capacity of 50 MW, the effects of which were partially offset by an increase in Nejapa's spot market sales to 139 GWh in 2009 from 76 GWh in 2008. Nejapa's revenue, substantially all of which is derived from energy sales, declined as a result of a 15.8% decline in energy sales to 738 MWh in 2009 from 877 MWh in 2008. Nejapa generated 70.1% of the energy that it sold in 2009 and 58.2% in 2008; the remainder of the energy sold by Nejapa was purchased in the spot market.

CEPP's revenue declined in 2009 principally as a result of the 26.7% decline in energy prices realized by CEPP from its sales under its PPA as a result of the decline of international fuel prices. Revenue from energy sales declined by 27.4% to US$41.1 million in 2009 from US$56.6 million in 2008, primarily as a result of a 26.0% decline in the average price of CEPP's energy sales to US$133.37 per MWh in 2009 from US$180.14 per MWh in 2008, and to a lesser extent, a 1.9% decline in energy sales to 308 GWh in 2009 from 314 GWh in 2008. CEPP generated 95.8% of the energy that it sold in 2009 and 83.8% in 2008; the remainder of the energy sold by CEPP was purchased in the spot market.

Cost of Sales and Gross Profit

Cost of sales increased by US$8.4 million, or 3.7%, to US$236.5 million in 2009 from US$228.1 million in 2008, principally as a result of:

- an 80.6% increase in transmission costs to US$18.6 million in 2009 from US$10.3 million in 2008, primarily due to the increase in the volume of energy generated by Kallpa; and

- an 11.5% increase in energy purchases to US$60.3 million in 2009 from US$54.1 million in 2008, primarily due to (1) a US$19.8 million increase in the cost of energy and capacity purchases by Kallpa as a result of Kallpa's increased commitments under its PPAs, and (2) a US$8.4 million increase in the cost of energy and capacity purchases by COBEE as a result of energy consumption by Minera San Cristobal, under the PPA with COBEE being drawn from a different node in the system, the effects of which were partially offset by (1) a US$15.7 million decline in energy purchases by Nejapa, principally as a result in the decline in the volume of energy sales by Nejapa, and (2) a US$5.5 million decline in energy purchases by CEPP, principally as a result the increased volume of energy dispatched from CEPP's plants.

The effects of these increased costs were partially offset by a 6.5% decline in fuel, gas and lubricants to US$125.9 million in 2009 from US$134.7 million in 2008, principally due to (1) a US$12.8 million decline in Nejapa's fuel and lubricants cost as a result of a decline in the average price paid by Nejapa for heavy fuel oil; and (2) a US$9.3 million decline in CEPP's fuel and lubricants cost as a result of a decline in the average price paid by CEPP for heavy fuel oil, the effects of which were partially offset by the increase in the volume of energy generated by CEPP's plants. The effects of the declines of fuel and lubricants costs of Nejapa and CEPP were partially offset by a US$10.5 million increase in Kallpa's gas and gas transportation costs as a result of the increase in the volume of energy generated by Kallpa and an increase in the average price paid by Kallpa for delivered natural gas.

Gross profit increased by US$29.3 million, or 47.6%, to US$90.9 million in 2009 from US$61.6 million in 2008. As a percentage of revenue, gross profit increased to 27.8% in 2009 from 21.3% in 2008.

Administrative Expenses

Administrative expenses increased by US$2.1 million, or 8.9%, to US$25.8 million in 2009 from US$23.7 million in 2008, primarily due to a 69.1% increase in legal expenses to US$9.3 million 2009 from US$5.5 million in 2008, primarily as a result of increased activity in our arbitration proceedings against CEL and the defense of lawsuits brought against our company by Crystal Power.

As a percentage of our revenue, administrative expenses decreased to 7.9% in 2009 from 8.2% in 2008.

Depreciation and Amortization

Depreciation and amortization increased by US$6.4 million, or 32.7%, to US$26.0 million in 2009 from US$19.6 million in 2008, primarily due to the increase in our depreciable property, plant and equipment as a result of the commencement of operations of our Kallpa II turbine in June 2009.

Results from Operating Activities

As a result of the foregoing, results from operating activities increased by US$18.0 million, or 85.3%, to US$39.1 million in 2009 from US$21.1 million in 2008. As a percentage of our revenue, results from operating activities increased to 11.9% in 2009 from 7.3% in 2008.

Net Finance Costs

Net finance costs declined by US$8.9 million, or 30.3%, to US$20.5 million in 2009 from US$29.4 million in 2008, primarily due to:

- a 61.3% decline in interest on shareholder loan to US$4.6 million in 2009 from US$11.9 million in 2008, primarily as a result of our repayment of US$88.4 million principal amount of a shareholder loan to Israel Corporation in July 2008 and the decline in the interest rate on the remainder of this loan as a result of the decline in the LIBOR rate during 2009;

- our recognition of a US$1.6 million gain from derivative financial instruments in 2009 compared to our recognition of a US$3.1 million loss from derivative financial instruments in 2008 as a result of positive LIBOR rate movements in the Kallpa I swap; and

- the effects of an exchange rate expense of US$1.9 million that we recorded in 2008 as a result of the effect of a 7.1% depreciation of the *nuevos soles* against the U.S. dollar.

The effects of these factors were partially offset by a 36.4% increase in interest expenses on loans and bonds to US$20.6 million in 2009 from US$15.1 million in 2008, principally as a result of the increase in the amount outstanding under our debt instruments.

Share in Profit of Associates

Share in profit of associates increased by US$9.3 million, or 76.2%, to US$21.5 million in 2009 from US$12.2 million in 2008, primarily due to the increase in the value of our share in the net profit of Generandes to US$19.8 million in 2009 from US$10.0 million in 2008, as a result of the increase in Edegel's net income in 2009.

Capital Gain

In 2009, we recorded a capital gain of US$34.7 million as a result of Kallpa's agreement in October 2009 to sell newly issued shares of its capital stock representing 25.1% of its issued and outstanding shares to Quimpac for US$73.7 million. As a result of the implied valuation of Kallpa of US$220 million in this transaction, under accounting rules and interpretations in effect at the time that the agreement related to this transaction was entered into, we recorded the excess of the price to be paid by Quimpac for these shares over US$39.0 million, the book value of the shares to be issued, as a capital gain.

Income Tax Expense

The weighted average tax rate applicable to our operating companies was approximately 27% in 2010 and 2009. Our effective tax rate was 11.5% on our income before income tax in 2009, resulting in a tax expense of US$8.6 million, primarily because our capital gain of US$34.7 million, our US$21.5 million share of profit in associates and US$3.0 million of income generated by holding companies in our corporate structure was non-taxable. The effects of these factors on our effective tax rate in 2009 was partially offset by our recording of non-deductible tax expenses of US$4.3 million. Our effective tax rate was 192.3% on our income before income tax in 2008, resulting in a tax expense of US$7.5 million, primarily because US$20.2 million of losses generated by holding companies in our corporate structure was non-deductible and we recorded other non-deductible tax expenses of US$4.3 million in 2008. The effects of these factors on our effective tax rate in 2008 was partially offset by our US$12.2 million share of profit in associates, which was non-taxable.

Net Income

As a result of the foregoing, net income was US$66.2 million in 2009 compared to net loss of US$3.6 million in 2008. As a percentage of our revenue, net income was 20.2% in 2009 and net loss was 1.2% in 2008.

Liquidity and Capital Resources

Our principal cash requirements consist of the following:

- capital expenditures related to the development and construction of generation projects and the acquisition of other generation companies;
- working capital requirements;
- servicing of our indebtedness; and
- dividends on our shares.

Our principal sources of liquidity have traditionally consisted of the following:

- cash flows from operating activities, including dividends received from entities in which we own non-controlling interests;
- short-term and long-term borrowings; and
- sales of debt securities in domestic and international capital markets.

During 2010, cash flow generated by operations was used primarily for investing activities, for working capital requirements and to service our outstanding debt obligations. As of December 31, 2010, our consolidated cash and cash equivalents amounted to US$112.3 million. As of December 31, 2010, we had working capital of US$157.2 million. We believe that our working capital is sufficient for our present requirements.

Projected Sources and Uses of Cash

We anticipate that we will be required to spend approximately US$270.2 million to meet our short-term contractual obligations and commitments and budgeted capital expenditures in 2011, and approximately US$226.8 million to meet our long-term contractual obligations and commitments and budgeted capital expenditures in 2012 and 2013, excluding capital expenditures related to the Cerro del Aguila Project. We expect that we will meet these cash requirements through a combination of cash generated from operating activities and cash generated by financing activities, including disbursements under our committed financing for the conversion of Kallpa's plant to combined-cycle operations, new debt financings and the refinancing of our existing indebtedness as it becomes due.

Cash Flow

Cash Flows from Operating Activities

Our primary source of operating funds is cash flow generated from our operations. Net cash provided by operating activities was US$103.9 million in 2010, US$67.0 million in 2009 and US$14.0 million in 2008. We consider cash flows provided by our operating activities to be sufficient for our expected cash requirements related to operations. However, we generally finance our investments in property, plant and equipment through the use of bank loans, vendor financing, capital markets and other forms of financing.

Cash flow from operating activities increased by 55.1% to US$103.9 million in 2010 from US$67.0 million in 2009, principally as a result of a 30.1% increase in collections from customers to US$403.2 million in 2010 from US$310.0 million in 2009, principally as a result of our increased sales of capacity and energy under our PPAs due to the commencement of operations of our Kallpa II turbine in June 2009 and our Kallpa III turbine in March 2010. The effects of this increase were partially offset by a 20.2% increase in payments to suppliers and third parties to US$278.0 million in 2010 from US$231.2 million in 2009, principally as a result of our increased production of energy.

Cash flow from operating activities increased to US$67.0 million in 2009 from US$14.0 million in 2008, primarily as a result of (1) a 15.8% increase in collections from customers to US$310.0 million in 2009 from US$267.6 million in 2008, principally as a result of increased sales of capacity, primarily as a result of the commencement of operations of our Kallpa II turbine in June 2009, (2) a 71.4% decline in payments of income taxes to US$6.0 million in 2009 from US$21.0 million in 2008, principally due to the effects of our payment in 2008 of certain taxes in El Salvador relating to the years 2003 through 2006, and (3) a 66.7% increase in dividends received to US$15.5 million in 2009 from US$9.3 million in 2008, principally as a result of the improved results of Edegel. We contested our obligation to pay the taxes in El Salvador relating to the years 2003 through 2006 and an award was issued in our favor in arbitration proceedings by our company against CEL, as a result of which CEL became obligated to reimburse these amounts during 2010 through 2012.

Cash Flows Used in Investing Activities

Investing activities used net cash of US$134.1 million in 2010, US$15.9 million in 2009 and US$26.3 million in 2008.

During 2010, investing activities for which we used cash primarily consisted of (1) our purchase of all of the shares of capital stock of Southern Cone Power Limited, or SCPL, the sole shareholder of Southern Cone, that we did not already own, representing 32.1% of the outstanding shares of SCPL, for US$53.2 million, and (2) acquisitions of property, plant and equipment of US$82.6 million, primarily related to the development of our Kallpa III turbine and the conversion of Kallpa's plant to combined-cycle operations.

During 2009, investing activities for which we used cash primarily consisted of acquisitions of property, plant and equipment of US$51.2 million, primarily related to the development of our Kallpa II turbine, our Kallpa III turbine and the conversion of Kallpa's plant to combined-cycle operations. The effects of this capital expenditure were partially offset by (1) the release of the restrictions on US$24.4 million of restricted cash that were used in the construction of the Kallpa II turbine, and (2) our sale of certain bonds issued to us by the Dominican government as payment for past due receivables of the Dominican distribution companies for US$8.2 million.

During 2008, investing activities for which we used cash primarily consisted of (1) acquisitions of property, plant and equipment of US$16.9 million, primarily related to the development of our Kallpa II turbine and our Kallpa III turbine, and (2) the classification of US$15.4 million as restricted cash as a result of our deposit of this amount in a restricted account available solely for expenses related to the construction of the Kallpa II turbine.

Cash Flows from Financing Activities

Financing activities provided net cash of US$80.8 million in 2010, used net cash of US$20.6 million in 2009, and provided net cash of US$12.8 million in 2008.

During 2010, we received proceeds of an aggregate of US$69.0 million under Kallpa's syndicated loan agreement and 8.50% Bonds due 2022 and COBEE's notes, proceeds of US$50.0 million from a shareholder loan advanced to our company by Israel Corporation, and proceeds of US$41.0 million from the investment of Quimpac in Kallpa. Our net short-term borrowings and repayments used cash of US$3.0 million. We used cash to make payments on our long-term debt of US$38.5 million, to pay interest on borrowings of US$22.1 million and to make a payment on the shareholder loan of US$13.5 million. We used cash to pay dividends to non-controlling shareholders of Southern Cone and CEPP in the aggregate amount of US$2.0 million.

During 2009, we received proceeds of US$19.0 million under Kallpa's 8.50% Bonds due 2022 and received US$18.4 million in proceeds from the investment of Quimpac in Kallpa. Our net short-term borrowings and repayments used cash of US$17.0 million, while interest on borrowings used cash of US$24.9 million and payments of long-term debt used cash of US$16.0 million. We used cash to pay dividends to non-controlling shareholders of Southern Cone and CEPP in the aggregate amount of US$1.7 million.

During 2008, we received aggregate proceeds of US$108.8 million from the issuance of our *nuevos soles*-denominated 9.25% Bonds due 2015, or the Inkia Bonds, and COBEE's 9.40% Notes due 2015. In addition, our net short-term borrowings and repayments generated cash of US$22.8 million. We used cash to repay US$88.4 million of our shareholder loan, to make amortization payments on our long-term debt of US$23.7 million, and to pay interest on borrowings of US$11.6 million. We used cash to pay dividends to non-controlling shareholders of Nejapa, Southern Cone and CEPP in the aggregate amount of US$2.1 million.

Indebtedness

As of December 31, 2010, our total outstanding indebtedness on a consolidated basis, excluding related party debt, was US$403.3 million, consisting of US$42.7 million of short-term indebtedness, including the current portion of long-term indebtedness (or 10.6% of our total indebtedness), and US$360.6 million of long-term indebtedness (or 89.4% of our total indebtedness).

On a consolidated basis, our U.S. dollar-denominated indebtedness as of December 31, 2010 was US$310.9 million, or 77.1% of our total indebtedness, and our foreign currency-denominated indebtedness was US$92.4 million, or 22.9% of our total indebtedness. As of December 31, 2010, our U.S. dollar-denominated indebtedness bore interest at an average rate of 7.6% per annum, our indebtedness denominated in Peruvian *nuevos soles* bore interest at an average rate of 9.25% per annum, and our indebtedness denominated in Bolivian *bolivianos* bore interest at an average rate of 4.1% per annum.

We have entered into a cross-currency swap agreement with respect to our obligations under Inkia's 9.25% Bonds due 2015, which are denominated in *nuevos soles*, under which we have agreed to make payments of principal and interest in U.S. dollars and pay interest at the rate of 7.62% per annum. We have entered into interest rate swap agreements with respect to our obligations under the leases of the Kallpa I and Kallpa II turbines, under which we have agreed to pay interest at the rate of 8.3% per annum and 6.6% per annum, respectively. As a result, our U.S. dollar-denominated indebtedness bore interest at an effective average rate of 7.6% per annum.

Short-Term Indebtedness

Our consolidated short-term debt, including the current portion of long-term loans and financings and debentures, was US$42.7 million as of December 31, 2010. CEPP and Nejapa have entered into lines of credit with financial institutions in the Dominican Republic and El Salvador, respectively, under which they are permitted to borrow up to US$4 million and US$20 million, respectively. We use these lines of credit to finance fuel purchases by CEPP and Nejapa. Borrowings under these lines of credit bear interest at floating rates ranging from 7.0% to 8.0% per annum as of December 31, 2010. CEPP's lines of credit expire in April 2011 and Nejapa's lines of credit expire in December 2011.

Long-Term Indebtedness

The following table sets forth selected information with respect to our principal outstanding long-term debt instruments as of December 31, 2010.

Instrument	**Outstanding Principal Amount as of December 31, 2010** (in millions of U.S. dollars)	**Interest Rate**	**Final maturity**
Inkia:			
Inkia bonds(1)	82.8(2)	9.25%	July 2015
Kallpa:			
Kallpa I lease	37.4	LIBOR + 3.00%	March 2016
Kallpa II lease	60.3	LIBOR + 2.05%	December 2017
Kallpa III lease	72.7	7.57%	July 2018
Kallpa bonds	55.0	8.50%	May 2022
Kallpa syndicated loan	19.2	LIBOR + 5.50%	October 2019
Southern Cone:			
Southern Cone bonds	13.7	8.90%	August 2012
COBEE:			
COBEE I bonds	10.0	9.50%	June 2012
COBEE II bonds	20.4	9.40%	September 2015
COBEE III bonds(3)	13.8(4)	3.15%(5)	January 2020
CEPP:			
CEPP bonds	4.7	7.75%	December 2013

(1) We intend to repurchase these bonds with the proceeds of this offering.
(2) Represents S/.232.5 million (US$82.8 million), the aggregate principal amount outstanding of the Inkia bonds as of December 31, 2010, converted into U.S. dollars at the exchange rate for *nuevos soles* into U.S. dollars of S/.2.81 to US$1.00 as reported by the Peruvian Central Reserve Bank on December 31, 2010.
(3) Represents US$4.0 million of 5.00% notes due 2014, US$3.5 million of 6.50% notes due 2017, and Bs.44.2 million (US$6.3 million) of 9.00% notes due 2020.
(4) Includes Bs.44.2 million (US$6.3 million), the aggregate principal amount outstanding of COBEE's 9.00% notes due 2020 as of December 31, 2010, converted into U.S. dollars at the exchange rate for *bolivianos* into U.S. dollars of Bs.7.04 to US$1.00 as reported by the Banco Central de Bolivia on December 31, 2010. Excludes premium of US$3.1 million.
(5) Represents the weighted average of the interest rates of the three series of bonds that comprise the COBEE III bonds.

Some of our debt instruments require that Inkia, Kallpa, COBEE, CEPP and Southern Cone comply with financial covenants, semi-annually or quarterly. Under each of these debt instruments, the creditor has the right to accelerate the debt if, at the end of any applicable period we are not in compliance with the defined financial covenants ratios.

The instruments governing a substantial portion of the indebtedness of our subsidiaries contain clauses that would prohibit these subsidiaries from paying dividends or making other distributions in the event that the relevant subsidiary was in default on its obligations under the relevant instrument.

As of December 31, 2010, substantially all of the assets of Kallpa, other than the Kallpa I, Kallpa II and Kallpa III turbines, which are leased to us, are mortgaged or pledged as security for the financing agreements to which Kallpa is a party, the shares of Inkia Energy Limited and Inkia Americas Limited, wholly owned subsidiaries of Inkia that own, directly or indirectly, all of our interests in our subsidiaries and investments, are pledged as security for the Inkia Bonds, which we intend to repurchase with the proceeds of this offering, and the shares of Generandes that are owned by Southern Cone are pledged as security for Southern Cone's 8.90% Notes due 2012.

Inkia Bonds

In March 2008, Inkia approved a program bond under which Inkia is permitted to offer bonds in aggregate principal amount of up to US$200 million in multiple series. In July 2008, Inkia issued and sold S/.250 million aggregate principal amount of its *nuevos soles*–denominated 9.25% Bonds due 2015. The proceeds of these bonds were used principally to repay a portion of the loan outstanding to Israel Corporation. Interest on these bonds is payable semi-annually. Semiannual principal payments of approximately S/.17.5 million commenced in July 2010 and a final principal payment of S/.75 million is due at maturity in July 2015. These bonds are secured by the shares of Inkia Americas and Inkia Americas Holdings. As of December 31, 2010, the aggregate outstanding principal amount of these bonds was S/.232.5 million. We intend to use a portion of the net proceeds of this offering to repurchase all of these bonds.

Kallpa Leases

In March 2006, Kallpa entered into capital lease agreements with Citibank del Peru S.A., Citileasing S.A. and Banco de Crédito del Perú under which the lessors provided financing for the construction of the Kallpa I facility in an aggregate amount of US$56.1 million. Under these lease agreements, Kallpa will make monthly payments to the lessors through the expiration of these leases in March 2016. Upon expiration of these leases, Kallpa has an option to purchase the property related to Kallpa I for a nominal cost. These leases are secured by substantially all of the assets of Kallpa, including Kallpa's revenues under its PPAs. As of December 31, 2010, the aggregate outstanding principal amount under this lease was US$37.4 million.

In December 2007, Kallpa entered into a capital lease agreement with Banco de Crédito del Perú under which the lessor provided financing for the construction of the Kallpa II turbine in an amount of US$81.5 million. Under this lease agreement, Kallpa will make aggregate monthly payments to the lessors through the expiration of this lease in December 2017. Upon expiration of this lease, Kallpa has an option to purchase the property related to Kallpa II for a nominal cost. These leases are secured by substantially all of the assets of Kallpa, including Kallpa's revenues under its PPAs. As of December 31, 2010, the aggregate outstanding principal amount under this lease was US$60.3 million.

In October 2008, Kallpa entered into a capital lease agreement with Scotiabank Peru under which the lessor provided financing for the construction of the Kallpa III turbine in an aggregate amount of US$88 million. Under this lease agreement, Kallpa will make monthly payments to the lessors through the expiration of this lease in July 2018. Upon expiration of this lease, Kallpa has an option to purchase the property related to Kallpa III for a nominal cost. These leases are secured by substantially all of the assets of Kallpa, including Kallpa's revenues under its PPAs. As of December 31, 2010, the aggregate outstanding principal amount under this lease was US$72.7 million.

Kallpa Bonds

In November 2009, Kallpa issued US$172 million aggregate principal amount of its 8.50% Bonds due 2022. Holders of these bonds are required to make subscription payments under a defined payment schedule during the 21 months following the date of issue. We received proceeds of these bonds in the aggregate amount of US$18.9 million and US$36.1 million in 2009 and 2010, respectively, and will receive proceeds of these bonds in the aggregate amount of US$117.0 million in 2011. The proceeds of these bonds are being used for capital expenditures related to Kallpa's conversion of its open-cycle turbines to a combined-cycle plant. Interest on these bonds accrues based on the principal received by Kallpa and is payable quarterly. Principal amortization payments under these bonds in amounts varying between 0.25% and 5.00% of the outstanding principal amount of these bonds will commence in May 2013 and will continue until maturity in May 2022. These bonds are secured by Kallpa's combined-cycle plant and substantially all of Kallpa's other assets, including Kallpa's revenues under its PPAs. As of December 31, 2010, the aggregate outstanding principal amount of these bonds was US$55.0 million.

Kallpa Syndicated Loan

In November 2009, Kallpa entered into a secured credit agreement with The Bank of Nova Scotia and Banco de Crédito del Perú in the aggregate amount of US$104.6 million to finance capital expenditures related to Kallpa's combined-cycle plant. The loans under this credit agreement are secured by Kallpa's combined-cycle plant and substantially all of Kallpa's other assets, including Kallpa's revenues under its PPAs. The loans under this credit agreement bear interest payable monthly in arrears at a rate of LIBOR plus a margin of 5.50% per annum through November 2012, 5.75% per annum from November 2012 through November 2015 and 6.00% from November 2015 through maturity in November 2019. Scheduled amortizations of principal are payable monthly commencing in February 2013 through maturity in November 2019. As of December 31, 2010, the outstanding principal amount under this credit agreement was US$19.2 million.

Southern Cone Bonds

In August 2002, Southern Cone issued and sold US$50.0 million aggregate principal amount of its 8.90% Notes due 2012. Payments of interest and principal on these notes is payable in a fixed amount semi-annually in arrears in February and August of each year. As of December 31, 2010, the outstanding principal amount under these bonds was US$13.7 million.

COBEE Bonds

In July 2005, COBEE issued and sold US$10.0 million aggregate principal amount of its 9.50% Notes due 2012. Interest on these notes is payable semi-annually in June and December of each year and the principal of these notes is due at maturity in June 2012.

In October 2008, COBEE issued and sold US$20.4 million aggregate principal amount of its 9.40% Notes due 2015. COBEE used the proceeds of this offering to refinance existing debt and for capital expenditures. Interest on these bonds is payable semi-annually. Principal on these notes is payable in three equal annual installments commencing in September 2013.

In February 2010, COBEE approved a program bond under which COBEE is permitted to offer bonds in aggregate principal amount of up to US$40.0 million in multiple series. In March 2010, COBEE issued and sold three series of notes in the aggregate principal amount of US$13.8 million. The aggregate gross proceeds of these notes, which were issued at a premium, was US$17.3 million. We will amortize the premium of these notes over the respective terms of these notes, reducing the interest expense related to these notes. The Series A Notes, in the aggregate principal amount of US$4.0 million pay interest semi-annually at the rate of 5.00% per annum through maturity in February 2014. Principal on these notes is payable at maturity. The Series B Notes, in the aggregate principal amount of US$3.5 million, pay interest semi-annually at the rate of 6.50% per annum through maturity in February 2017. Principal on these notes will be paid in two equal annual installments commencing in February 2016. The Series C Notes, in the principal amount of Bs.44.2 million (US$6.3 million), pay interest semi-annually at the rate of 9.00% per annum through maturity in January 2020. Principal on these notes will be paid in four equal annual installments commencing in February 2017.

CEPP Bonds

In December 2010, CEPP approved a program bond offering under which CEPP is permitted to offer bonds in aggregate principal amount of up to US$25.0 million in multiple series. In December 2010, CEPP issued and sold US$4.7 million aggregate principal amount of its 7.75% Bonds due 2013. CEPP used the proceeds of this offering to finance its continuing operations and repay intercompany debt. Interest on these bonds is payable monthly and principal of these bonds is due at maturity in December 2013.

Shareholder Loans

In June 2007, Inkia borrowed US$200.0 million from Israel Corporation to finance its acquisition of certain power generation assets in Latin America and the Caribbean from Globeleq. This loan bears interest at a rate of LIBOR plus 2% per annum, which accrues quarterly. Under the terms of this loan, in the event of Inkia’s dissolution, liquidation or bankruptcy, or its default with respect to certain of its indebtedness, the loan will be subordinated in right of payment to any other indebtedness for borrowed money evidenced by bonds or other negotiable instruments issued by Inkia. In July 2008, Inkia repaid US$88.4 million of the principal amount of this loan with the proceeds of the issuance of the Inkia Bonds. In 2010, Inkia paid interest of US$13.5 million on this loan. This loan has no specified maturity and will not be paid prior to January 2012. Payments will be made in accordance with instructions to be received from Israel Corporation.

In September 2010, Inkia borrowed US$50.0 million from Israel Corporation to finance a portion of the purchase price of our acquisition of all of the shares of capital stock of Southern Cone that we did not already own. This loan bears interest at a rate of 8.0% per annum, which accrues quarterly. Under the terms of this loan, in the event of Inkia’s dissolution, liquidation or bankruptcy, or its default with respect to certain of its indebtedness, the loan will be subordinated in right of payment to any other indebtedness for borrowed money evidenced by bonds or other negotiable instruments issued by Inkia. This loan has no specified maturity and will not be paid prior to January 2012. Payments will be made in accordance with instructions to be received from Israel Corporation.

As of December 31, 2010, the outstanding balance of these loans, including accrued interest, was US$176.9 million.

Capital Expenditures

We commenced construction of our Kallpa II turbine in August 2008 and this plant was completed in June 2009. The completion of this plant increased our aggregate effective capacity by 194 MW at a total cost of US$80.2 million.

We commenced construction of our Kallpa III turbine in April 2009 and this plant was completed in March 2010. The completion of this plant increased our aggregate effective capacity by 198 MW at a total cost of US$90.6 million.

We commenced conversion of Kallpa's plant to combined-cycle operations in November 2009 and expect that this conversion will be completed in July 2012. Upon completion of the conversion, Kallpa's combined-cycle plant will have an aggregate installed capacity of a minimum of 854 MW. We expect that the total cost of this conversion will be US$395.0 million.

We expect to upgrade our Kallpa I turbine during a maintenance shutdown scheduled to occur in November 2011 to increase its effective capacity by 12 MW to 186 MW and improve its efficiency. We expect that the total cost of this upgrade will be US$12.5 million (not including lost generation as a result of the shutdown of this plant). We expect that the total time of this shutdown will be 35 days, or 20 days longer than would normally be required for the scheduled maintenance of this plant.

Other than our investments in our projects, our capital expenditures consist mainly of the portion of our maintenance costs that extend the useful life of our plants. We capitalized maintenance costs of US$2.8 million in 2010, US$2.6 million in 2009 and US$3.4 million in 2008.

As part of our growth strategy, we expect to develop, construct and operate additional greenfield expansion projects in the markets that we serve. For example, we are developing the Cerro del Aguila Project, which we expect to have an installed capacity of 402 MW when completed. Our development and construction of this plant, and other greenfield expansion projects that we may develop in the future, will require us to make significant capital expenditures.

Off-Balance Sheet Arrangements

We do not currently have any transactions involving off-balance sheet arrangements.

Contractual Commitments

The following table summarizes our significant contractual obligations and commitments as of December 31, 2010.

	Payments Due by Period				
	Less than One Year	One to Three Years	Three to Five Years	More than Five Years	Total
	(in millions of U.S. dollars)				
Short-term loans	US$4.0	US$—	US$—	US$—	US$4.0
Interest bearing borrowings(1)	38.7	99.5	120.0	141.1	399.3
Purchase obligations(2)	39.7	81.7	113.6	424.1	659.1
Operating and maintenance agreements(3)	7.3	14.6	14.6	46.1	82.6
Obligations under EPC contract(4)	180.5	31.0	—	—	211.5
Cash payments under stock option plan(5)	—	—	9.9	—	9.9
Subtotal	US$270.2	US$226.8	US$248.2	US$611.3	1,366.4
Shareholder loan(6)					176.7
Total contractual obligations and commitments					US$1,543.1

(1) Consists of estimated future payments of principal, interest and premium on our interest bearing borrowings, calculated based on interest rates and foreign exchange rates applicable as of December 31, 2010 and assuming that all amortization payments and payments at maturity on our interest bearing borrowings will be made on their scheduled payment dates.
(2) Consists of purchase commitments for natural gas and gas transportation pursuant to binding obligations which include all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price

provisions; and the approximate timing of the transaction. Based upon the applicable purchase prices as of December 31, 2010.

(3) Consists of future payments to be made under our services contract with Siemens based on our projections of the hours in service of Kallpa's turbines.

(4) Consists of future payments to be made under our EPC contract to convert the Kallpa plant to a combined-cycle plant, assuming that all progress and completion payments will be made on their scheduled payment dates.

(5) Consists of payments to be made to repurchase shares issued upon the exercise of outstanding options under our stock option plan based on our projections regarding our EBITDA for 2014 and assuming that all holders of these options will exercise them prior on the relevant expiration date.

(6) Consists of our obligations under our shareholder loans from Israel Corporation as of December 31, 2010. Under the terms of these loans, Israel Corporation may request repayment of all or a portion of the amounts outstanding under these loans at any time after January 1, 2012. Our ability to make payments under these loans is restricted by the covenants contained in the indenture. See "Description of the Notes—Certain Covenants."

Inkia is obligated to make up to US$7.5 million of additional equity contributions to Kallpa, in the event that Kallpa incurs certain interest expenses, taxes, and other costs in connection with the combined-cycle conversion after all amounts available under the syndicated loan agreement related to the financing of the combined-cycle conversion are disbursed.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to several market risks in our normal business activities. Our primary market risk exposure is to the price of commodities, particularly natural gas and fuel oil. We operate in multiple countries and as such we are exposed to volatility in the exchange rate between our functional currency, the U.S. dollar and currencies of the countries in which we operate. We are also exposed to interest rate fluctuations due to our issuance of debt and related financial instruments.

Exposure to Foreign Exchange Rates

We are exposed to exchange rate risk due to the exposure of our debt instruments denominated in *nuevos soles* and *bolivianos* to fluctuations of these currencies against the U.S. dollar. As of December 31, 2010, we had debt denominated in *nuevos soles* in the aggregate amount of US$82.8 million and debt denominated in *bolivianos* in the aggregate amount of US$9.6 million. We have entered into a cross-currency swap agreement with respect to our obligations under Inkia's 9.25% Bonds due 2015, which are denominated in *nuevos soles*, under which we have agreed to make payments of principal and interest in U.S. dollars and pay interest at the rate of 7.62% per annum.

Our functional currency is the U.S. dollar and, as a result, we must translate the value of monetary assets and liabilities denominated in the currencies of the countries in which we operate into U.S. dollars when preparing our financial statements. This translation can create foreign exchange gains or losses depending upon fluctuations in the relative value of these currencies against the U.S. dollar. We do not hedge against this exposure. For the year ended December 31, 2010, we recognized foreign exchange gain of US$0.2 million.

The prices that Kallpa receives under its PPAs with distribution companies are denominated in *nuevos soles*. Kallpa's costs for natural gas and gas transportation is denominated in U.S. dollars. We do not hedge against this exposure.

Exposure to Interest Rates

We are exposed to risk resulting from changes in LIBOR as a result of our secured credit agreement and our capital leases of our Kallpa I and Kallpa II turbines. As of December 31, 2010, the outstanding principal amount under these instruments was US$97.7 million. We have entered into interest rate swap agreements with respect to our obligations under the leases of the Kallpa I and Kallpa II turbines, but have not entered into any interest rate hedge with respect to our secured credit agreement.

Exposure to Costs of Commodities

We are exposed to risk resulting from changes in the cost of natural gas. Kallpa currently acquires the natural gas required for the operation of its plant from the Camisea consortium at a price that is indexed based on a basket of market prices for heavy fuel oil under an agreement that expires in January 2022. The prices that Kallpa receives for electricity under its PPAs are indexed to fluctuations in the price of natural gas. As a result, we believe that we have a natural hedge against fluctuations in the price of natural gas.

We are also exposed to risk resulting from changes in the cost of heavy fuel oil. CEPP and Nejapa acquire fuel oil from international suppliers at spot market prices. The prices that CEPP receives for electricity under its PPA are indexed to fluctuations in the price of heavy fuel oil. The prices that Nejapa currently receives for electricity under its PPAs are based on the prices that Nejapa bids for the dispatch of energy; however, following the implementation of Decree No. 88, which is designed to shift the Salvadorian electrical sector to a marginal cost basis, Nejapa's PPAs will be replaced with PPAs under which the prices that Nejapa will receive for electricity will be indexed to the price of heavy fuel oil. As a result, we believe that we have a natural hedge against fluctuations in the price of heavy fuel oil.

BUSINESS

Overview

We are an international electric power generation company based in Latin America and have operations in Peru, the Dominican Republic, El Salvador and Bolivia and investments in Peru, Panama and Jamaica. We are focused on Latin American markets because they have higher rates of growth of gross domestic product, as well as lower base levels of overall and per capita energy consumption compared to developed markets. We believe that growth in Latin American markets will drive increases in overall and per capita energy consumption and therefore require significant additional investments in electricity generation assets.

We own, operate and develop power plants to generate and sell electricity to distribution companies and unregulated consumers under long-term and short-term power purchase agreements, or PPAs, and to the spot market. Our operating companies use natural gas, hydroelectric resources and heavy fuel oil to produce electricity. Our generation capacity is largely contracted, which reduces the risk related to market prices of electricity and fuel. During 2010, we sold 2,996 GWh of electricity to distribution companies, 1,642 GWh of electricity to consumers in the unregulated markets and 1,319 GWh of electricity in the spot markets. During 2010, 30.7% of our revenues were generated from sales to distribution companies, 45.1% were generated from sales to consumers in the unregulated markets and 18.2% were generated from sales in the spot markets.

Our largest asset is our Kallpa facility. Through our subsidiary Kallpa, we operate an open-cycle gas-fired generation plant in Peru with three turbines that have an aggregate effective capacity of 566 MW. Kallpa is the largest thermoelectric plant in Peru. We are converting this plant to a combined-cycle facility. Upon completion of the conversion, which is being performed by POSCO under the Kallpa EPC contract that requires that this conversion be completed in July 2012, Kallpa's combined-cycle plant will have an aggregate installed capacity of a minimum of 854 MW and is expected to be the largest generation plant in Peru. As of December 31, 2010, Kallpa's effective capacity represented 8.8% of the total effective capacity in Peru. For the year ended December 31, 2010, our operations and investments in Peru, including our non-controlling interest in Generandes, generated 46.4% of our consolidated revenues and 49.3 % of our Consolidated Adjusted EBITDA.

In addition, we indirectly own 21.1% of the shares of Edegel, which was the largest generator of electricity in Peru as of December 31, 2010, according to the COES. As of December 31, 2010, Edegel had an aggregate effective capacity of 1,668 MW, representing 25.8% of the total effective capacity in Peru, according to the COES. Edegel is a public company listed on the Lima Stock Exchange and as of February 28, 2011, Edegel's market capitalization was S/.4,619 million. Endesa Chile is the controlling shareholder of Edegel, but we have significant minority rights.

Our operations in Peru, the Dominican Republic, El Salvador and Bolivia had an aggregate effective capacity of approximately 1,001 MW as of December 31, 2010 and are expected to have an aggregate effective capacity of at least 1,289 MW upon completion of the Kallpa conversion. These generation plants generated 5,135 GWh of electricity in 2010.

We are also developing the Cerro del Aguila Project. When completed, we expect that this plant will have an installed capacity of 402 MW. We have completed the feasibility study for this project and obtained a permanent concession to operate this plant. On March 23, 2011, we were awarded in a public auction the right to sell 200 MW and the associated energy to Electroperu. Under the bidding procedures, we and Electroperu agreed to enter into a definitive PPA within 60 days after the date of the auction. This PPA will have a 15-year term commencing in January 2016. We intend to supply capacity and energy under this PPA through the Cerro del Aguila Project. We are currently seeking proposals for the engineering, procurement and construction work for this project and expect that the financing for this project will be in place by mid-2011. We plan to commence commercial operations by the second half of 2015.

For the year ended December 31, 2010, we generated consolidated revenue of US$420.6 million and net income of US$55.9 million. As of December 31, 2010, we had consolidated assets of US$1,228.9 million.

The table below presents information, by country, about our consolidated revenue as of and for the periods presented.

Country (Company)	For the Years Ended December 31, 2010	2009	2008
	(in millions of U.S. dollars)		
Peru (Kallpa)(1)	US$195.0	US$109.8	US$57.8
El Salvador (Nejapa)(2)	99.3	114.2	132.9
Dominican Republic (CEPP)(3)	67.9	50.0	65.0
Bolivia (COBEE)(4)	48.0	44.4	24.5
Other(5)	10.4	9.0	9.5
Total	US$420.6	US$327.4	US$289.7

(1) Represents revenue derived from the books and records of Inkia and is not derived from Kallpa's financial statements prepared under Peruvian GAAP.
(2) Represents revenue derived from the books and records of Inkia and is not derived from Nejapa's financial statements prepared under Salvadorian GAAP.
(3) Represents revenue derived from the books and records of Inkia and is not derived from CEPP's financial statements prepared under IFRS.
(4) Represents revenue derived from the books and records of Inkia and is not derived from COBEE's financial statements prepared under IFRS.
(5) Represents revenue of Cenergica, Inkia CEPP Operations S.A., the management company for CEPP, Inkia Panamá Management SRL, the management company for Pedregal, holding companies in our corporate structure and consolidating adjustments.

Inkia was incorporated on June 4, 2007 as a special purpose vehicle to acquire certain power generation assets in Latin America and the Caribbean from Globeleq. On June 18, 2007, Inkia acquired controlling interests in Kallpa, Nejapa, CEPP, COBEE and Cenergica. As part of this transaction, Inkia also acquired minority interests in Edegel, Pedregal, and Jamaica Private Power.

Competitive Strengths

We believe that our competitive strengths are as follows:

- *Strong and growing presence in attractive Peruvian power market.* Through our Kallpa subsidiary and Edegel investment, we are one of the largest electricity generators in Peru, according to the COES. Peruvian GDP grew by 9.8% in 2008 and 0.9% in 2009, according to the Peruvian Central Reserve Bank, and, grew by an estimated 9.0% in 2010, according to the Peruvian Ministry of Economy and Finance. We believe that Peruvian GDP and demand for electrical energy will continue to grow due to the Peruvian government's fiscal and monetary policies over the last decade, which have resulted in economic stability and increasing internal demand, making Peru an attractive country for increased investment. In addition, Peru's natural resources wealth and increasing global prices for commodities have led to increased energy-intensive mining activity. We expect that continued growth of Peruvian GDP and demand for electricity will create opportunities for improvement of our economic performance and development of additional generation facilities. During the year ended December 31, 2010, our Peruvian operations represented US$195.0 million, or 46.4%, of our consolidated revenue.

- *Strategically-located modern thermal baseload plant in Peru with increased cash flow predictability from long-term fuel contract.* Kallpa is located in Chilca, south of Lima, along the route of the Camisea pipeline, the principal natural gas pipeline serving Peru, and adjacent to a principal substation, allowing convenient access to the Peruvian transmission grid. We have a long-term supply agreement with the Camisea consortium to supply the natural gas requirements of this plant until January 2022. The generation units installed in this plant are Siemens turbines that employ recent technology, which allows them to perform at high efficiency levels. As a result, Kallpa has flexibility regarding the variable cost that it declares, allowing it to influence its position in the dispatch order in order to maximize its margins.

- *Long-term power purchase agreements in Peru covering a substantial portion of our firm energy with prices in U.S. dollars or linked to U.S. dollars*. Kallpa has entered into PPAs under which we expect to sell approximately 97.7%

of Kallpa's available energy in 2011, 93.8% in 2012 and 93.1% in 2013, based on our projections of the load curves of our customers. Our current portfolio of PPAs have terms expiring between 2011 and 2021 and we have entered into additional long-term PPAs which will commence in future years, supported by the anticipated increase in our effective capacity upon the completion of the conversion of Kallpa's plant to combined-cycle operations. We seek to enter into long-term PPAs under which a substantial portion of our available energy is contracted, limiting our exposure to adverse fluctuations in the spot market for energy. Most of our PPAs provide for pricing in U.S. dollars or linked to U.S. dollars, providing a natural hedge against exchange rate fluctuation in the currencies of the countries in which we operate as our fuel costs, which represent our largest operating cost, are denominated in U.S. dollars. In addition, most of our PPAs include provisions that index our prices for energy to fluctuations in fuel costs, providing a natural hedge against fluctuations in the prices of natural gas and heavy fuel oil, the principal fuel sources used in our generation plants.

- *Operational excellence*. We have operated at weighted average availability rates (which refer to the number of hours that our generation facilities are available to produce electricity divided by the total number of hours in a year) of 94.0% in 2008, 93.5% in 2009 and 93.8% in 2010. Our operating performance is driven by our experienced, well-trained staff, consistent capital expenditures, long-term service agreement with Siemens for our Kallpa turbines, and consistent maintenance, which together keep our facilities in excellent operating condition, maximizing the availability and reliability of our facilities.

- *Experienced management team with strong local presence*. Our management team has extensive experience in the power generation business. Our executive officers have an average of more than 11 years of experience in the industry. We believe that this overall level of experience contributes to our ability to effectively manage existing businesses, identify and evaluate high quality growth opportunities and integrate new businesses that are acquired or developed. The management teams of our operating companies consist primarily of local executives who have significant experience working in the local energy industry and with government regulators. We believe that the market specific experience of our local management provides us with visibility into the local regulatory, political and business environment that gives us a greater ability to manage risk and identify new opportunities.

- *Strong and dedicated shareholder strategically focused on the energy sector with long-term commitment to growth of our company*. Israel Corporation indirectly owns all of our capital stock. Israel Corporation, which is listed on the Tel Aviv Stock Exchange under the symbol "ILCO," had US$12.5 billion and US$7.3 billion in revenues during the year ended December 31, 2009 and the nine-month period ended September 30, 2010, respectively, and a market capitalization, as of December 31, 2010, of approximately US$9.3 billion. Israel Corporation acquired our company as part of its strategy to pursue development opportunities in the electric power sector. Israel Corporation's international profile lends us credibility in conducting our operations, particularly with large national and international companies that are our unregulated customers. In addition, we benefit from the high corporate governance standards that Israel Corporation requires of all of its operating subsidiaries. Our senior executive officers report to, and frequently consult with, Israel Corporation's management team.

Our principal strategic objectives are to achieve sustained growth and profitability by expanding our presence in the markets in which we compete and entering new markets where we believe that growth opportunities are attractive. In order to achieve these objectives, our principal strategies are as follows:

- Pursue growth opportunities through greenfield expansion projects and acquisitions in markets that we serve.

- Pursue acquisitions in attractive markets that we do not currently serve.

- Maintain predictable cash flows from our generating assets which we believe will allow us to take advantage of growth opportunities and reinvest cash flow to enhance growth.

- Apply financial and operational best practices to maximize the operational performance and increase profitability and free cash flow of our existing businesses.

- Leverage our management team's relationships and market knowledge to optimize the management of our businesses and identify and execute growth opportunities.

- Develop and maintain strong relationships with local regulators, governments, employees and communities through active involvement in the regulatory process and the maintenance of open communication channels.

- Adopt a disciplined approach to the selection of new investment opportunities and strict project management practices to ensure that new investments and projects perform as expected.

History and Development of Our Company

Inkia was incorporated on June 4, 2007 as a special purpose vehicle to acquire the power generation assets and property of Globeleq in Latin America and the Caribbean. On June 18, 2007, Inkia acquired from Globeleq the outstanding shares of Globeleq, which we subsequently renamed Inkia Americas Limited. Globeleq indirectly owned:

- 100% of the outstanding shares of Kallpa, COBEE and Cenergica;

- 96.7% of the outstanding shares of CEPP;

- 86.6% of the outstanding shares of Nejapa Holdings Ltd., or Nejapa Holdings, the sole member of Nejapa;

- 67.9% of the outstanding shares of Southern Cone, which at that time owned 38.1% of the outstanding shares of Generandes, which, in turn, owned 55.4% of the outstanding shares of Edegel;

- 21.2% of the outstanding shares of Pedregal; and

- 15.6% of the outstanding shares of Jamaica Private Power.

Expansion of Kallpa Plant

At the time of the acquisition of our power generation assets from Globeleq, Kallpa did not have any operating generation facilities. In July 2007, our Kallpa I turbine, which has an effective capacity of 174 MW, commenced operations. In June 2009, our Kallpa II turbine, which has an effective capacity of 194 MW, commenced operations, and in March 2010, our Kallpa III turbine which has an effective capacity of 198 MW, commenced operations. We intend to upgrade our Kallpa I turbine in November 2011, which will increase its effective capacity by 12 MW and improve its efficiency. We are currently converting our Kallpa plant from an open-cycle to a combined-cycle operation. Upon completion of the conversion, which is being performed by POSCO under the Kallpa EPC contract that requires that this conversion be completed in July 2012, Kallpa's combined-cycle plant will have an aggregate installed capacity of a minimum of 854 MW and is expected to be the largest generation plant in Peru.

Investment of Quimpac in Kallpa

In October 2009, we entered into an investment agreement with Quimpac under which Quimpac agreed to subscribe to newly issued shares of Kallpa representing 25.1% of Kallpa's issued and outstanding shares for US$73.7 million, which we refer to as the Quimpac Investment Agreement. Installment payments of US$18.4 million and US$41.0 million were made in 2009 and 2010, respectively, and payments of US$14.3 million are due in 2011. Until final payment for these shares is received from Quimpac, these shares remain assessable.

In addition, the Quimpac Investment Agreement provides that each of Inkia and Quimpac will make contributions to Kallpa to fund the conversion of Kallpa's plant to combined-cycle operations. Under this agreement, Inkia and Quimpac are obligated to contribute US$34.7 million and US$11.6 million, respectively, payable in installments during 2011 and 2012.

In connection with the Quimpac Investment Agreement, we entered into a shareholders agreement, which we refer to as the Kallpa Shareholders' Agreement, with Quimpac, relating to our participation in Kallpa. The Kallpa Shareholders' Agreement will terminate upon the occurrence of certain events, including a reduction of Quimpac's stake in Kallpa to less than 17.5%, a change in control of Quimpac or the launch of an initial public offering of Kallpa shares in the Lima Stock Exchange. Under the Kallpa Shareholders' Agreement:

- Quimpac has the right to appoint two of Kallpa's eight directors and their respective alternates for so long as Quimpac continues to hold at least 25.1% of Kallpa's capital stock;

- Kallpa will distribute dividends proportionally to the ownership percentage of each party in an amount equivalent to 100% of Kallpa's net income after deductions required by applicable laws and provisions have been made to service Kallpa's indebtedness, for investments in approved projects, to reserve for operational contingencies;

- we have granted Quimpac veto rights over certain significant corporate actions, including: (1) amendments to Kallpa's bylaws or dividend policy, capital increases or repurchases of shares by Kallpa; (2) approval of Kallpa's annual budget and appointment or removal of Kallpa's chief executive officer or chief financial officer; (3) the merger, split or reorganization of Kallpa; (4) acquisitions of assets or other entities by Kallpa for a purchase price exceeding US$5 million; (5) sales of assets for a purchase price in excess of US$7.5 million; (6) incurring debt or extending guarantees for amounts in excess of US$20 million; and (7) certain transactions with related parties;

- Kallpa's shareholders have agreed to provide guarantees to support Kallpa's projects in proportion to their ownership percentage up to a maximum aggregate amount of US$20 million;

- we and Quimpac have agreed we will each submit projects related to generation or transmission of energy in Peru to Kallpa and will not develop such projects other than through Kallpa unless we and Quimpac fail to authorize the capital increase of Kallpa necessary to pursue such projects, in which case, the party that proposed such project will be free to carry it out independently;

- we and Quimpac have granted each other a right of first refusal with respect to transfers of any Kallpa shares to third parties, other than to entities directly or indirectly controlled by the transferring shareholder or in a qualifying initial public offering of Kallpa; and

- we have granted a tag-along right to Quimpac permitting Quimpac to participate in any sale of Kallpa shares by us, and Quimpac has granted a drag-along right to us, permitting us to require Quimpac to participate in any sale of Kallpa shares by us.

Issuance of Additional Shares of Nejapa Holdings

In October 2008, Nejapa Holdings issued additional shares to Crystal Power as required under a shareholders' agreement among the shareholders of Nejapa Holdings. As a result of the issuance of these shares, our interest in Nejapa was reduced to 71.0%.

Acquisition of SCPL Minority Interests

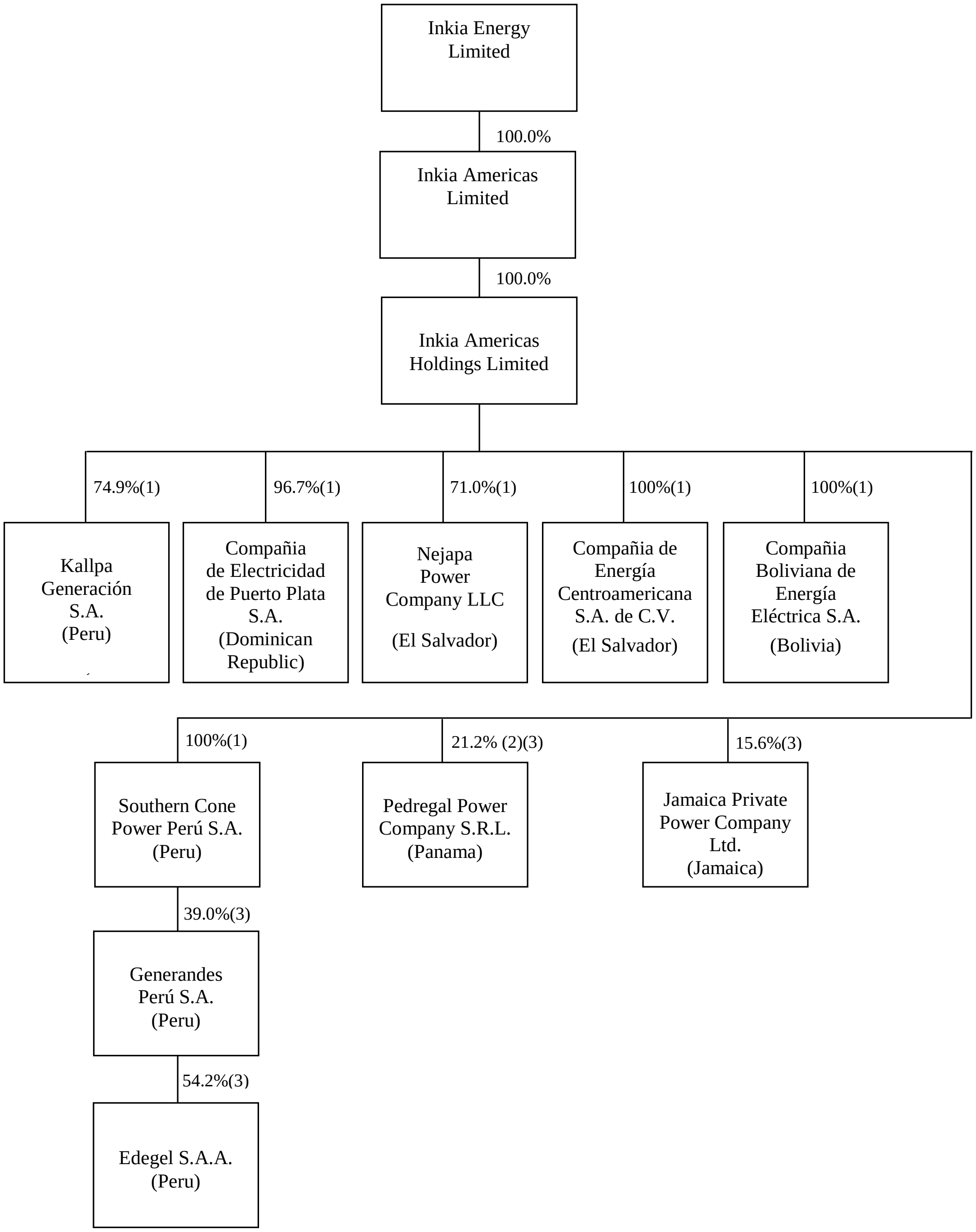
In September 2010, we acquired all of the shares of capital stock of SCPL that we did not already own from Conduit Capital Partners LLC and Hart Energy International Ltd. for an aggregate purchase price of US$53.2 million. As a result of this acquisition, Southern Cone became our wholly-owned subsidiary.

Tender Offer for Inkia Bonds

On March 10, 2011, we commenced a tender offer to purchase any and all of the Inkia Bonds for a price of S/.1,060 per S/.1,000 outstanding principal amount of these bonds. This tender offer expired on March 17, 2011. A majority of the Inkia Bonds were tendered in this tender offer and the tendering holders consented to an amendment to the agreements governing the Inkia Bonds to permit Inkia to redeem the remaining Inkia Bonds for a price of S/.1,060 per S/.1,000 outstanding principal amount of these bonds, subject to certain conditions. These amendments were adopted at a meeting of the bondholders on March 18, 2011. We intend to redeem all of the Inkia Bonds that were not tendered and to use a portion of the proceeds of this offering to pay for the tendered and redeemed bonds. In connection with the repurchase of the Inkia Bonds, we expect to terminate the cross-currency swap agreement with respect to our obligations under the Inkia Bonds.

Corporate Structure

The following chart presents our simplified corporate structure and principal subsidiaries as of the date of this offering memorandum.



(1) Subsidiaries included within the Restricted Group.
(2) Operated by Inkia pursuant to a management agreement.
(3) Associated companies in which Inkia has minority investments.

Generation Operations in Peru

Our subsidiary Kallpa owns and operates the largest thermoelectric plant in Peru based on information available from the COES. In addition, we have a minority interest in Edegel, the largest generator of electricity in Peru based on information available from the COES.

Market Overview

Kallpa and Edegel conduct all of their operations in Peru. According to the Peruvian National Institute of Statistics and Information (*Instituto Nacional de Estadística e Informática*), Peru had a population of approximately 28.2 million in 2007 (the year of the most recent national census). According to the Peruvian Central Reserve Bank, Peruvian GDP grew by 9.8% in 2008 and 0.9% in 2009 and, according to the Peruvian Ministry of Economy and Finance, Peruvian GDP grew an estimated 9.0% in 2010. Driven by this growth in domestic GDP, Peruvian energy consumption has also grown during recent years.

We believe that Peruvian GDP and demand for electrical energy will continue to grow because the Peruvian government has over the last decade maintained fiscal and monetary policies that have resulted in economic stability and increasing internal demand, making Peru an attractive country for increased investment. In addition, Peru's natural resources wealth and increasing global prices for commodities have led to increased energy-intensive mining activity. We believe that global commodity prices, particularly for the types of metal ore available in Peru, will continue to grow, increasing the growth of mining activity in Peru. Peru's increased domestic demand has led to an increase in investments in value-added manufacturing processes to create products to serve the domestic market and for export. We believe that this growth in manufacturing will continue and will continue to generate increased demand for electrical energy.

The following table sets forth a summary of Peruvian electricity generation, exports and domestic consumption for the periods presented.

Year Ended December 31,	Generation(1)	Exports(2)	Consumption
		(GWh)	
2006	24,763	—	24,763
2007	27,255	—	27,255
2008	29,559	—	29,559
2009	29,805	58	29,747
2010	32,427	112	32,315

(1) Gross generation.
(2) Represents exports to Ecuador.
Source: COES.

Hydroelectric plants account for 47.9% of Peruvian effective capacity as of December 31, 2010. The remainder of Peruvian effective capacity is provided by thermal plants, primarily open-cycle and combined-cycle plants fueled by natural gas, with additional effective capacity provided by plants fueled by coal and heavy fuel oil.

The following table sets forth a summary of Peruvian effective capacity and generation dispatched for the periods presented.

	As of December 31, Effective Capacity		Year Ended December 31, Generation(1)	
	Hydroelectric	Thermal	Hydroelectric	Thermal
	(MW)		(GWh)	
2006	2,785	1,686	18,671	6,092
2007	2,804	2,348	18,588	8,666
2008	2,816	2,332	18,010	11,548
2009	2,859	2,990	18,752	11,054
2010	3,097	3,366	18,965	13,462

(1) Gross generation.
Source: COES.

Dispatch of Peru's hydroelectric plants is subject to seasonal variations as greater amounts of hydroelectric power are dispatched between November and April, the rainy season in Peru, and hydroelectric dispatch declines during May and October as the volumes of rainfall decline and operators of hydroelectric plants have less water available for electricity generation in the reservoirs serving their plants. In addition, dispatch of Peru's hydroelectric plants is subject to annual variations depending on climactic conditions, such as the El Niño phenomenon.

Peruvian generation companies sell capacity and energy under PPAs or in the spot market. The principal consumers under PPAs are distribution companies and other unregulated consumers. Under regulations governing the Peruvian power sector, customers with capacity demands between 200kW and 2,500kW may elect to participate in the unregulated power market and enter into PPAs directly with generation companies. PPAs to sell capacity and energy to distribution companies for resale to regulated customers must be made at fixed prices based on public bids received by the distribution companies from generation companies or at the applicable bus bar tariff set by the OSINERGMIN. Generation and distribution companies are authorized to buy and sell capacity and energy in the spot market to cover their needs and the commitments under their PPAs.

The following table sets forth a summary of energy sales in the Peruvian market for the periods presented.

	Energy Sales under PPAs	
	Distribution	Other Unregulated
	(GWh)	
2006	12,170	10,130
2007	13,346	11,370
2008	14,566	12,437
2009	15,204	11,958
2010(1)	12,212	9,729

(1) Through September 30, 2010.
Source: OSINERGMIN.

Competition

The demand for power and electricity in Peru is served by a variety of generation companies, including Kallpa, Edegel, Electroperu, a state-owned generation company whose primary generation facilities are hydroelectric plants, Enersur S.A., or Enersur, an affiliate of GDF Suez S.A., or Suez, and Duke Energy Egenor S. en C. por A., or Egenor, an affiliate of Duke Energy Corp., or Duke. We compete with each of these companies for the right to supply capacity and energy to distribution companies and other unregulated customers and to develop projects to serve the growing demand for electricity in Peru. Some of our foreign competitors are substantially larger and have substantially greater resources than our company.

The following table sets forth for a summary of the principal generation companies in Peru, indicating their effective capacity by type of generation as of December 31, 2010.

	Effective Capacity as of December 31, 2010						
	Hydro	**Open-Cycle Natural Gas**	**Combined-Cycle Natural Gas**	**Coal**	**Fuel Oil**	**Other(1)**	**Total**
				(MW)			
Edegel	746	200	492	—	—	230	1,668
Enersur	136	536	—	142	224	—	1,038
Electroperu	886	—	—	—	103	—	989
Egenor(1)	374	374	—	—	77	—	825
Kallpa	—	566	—	—	—	—	566
Other generation companies	955	258	—	—	144	20	1,377
Total	3,097	1,934	492	142	548	250	6,463

(1) Edegel's 229MW plant is a dual fuel plant.
(2) Includes Egenor and Termoselva.
Source: COES.

The following table sets forth the quantity of energy generated by each of the principal generation companies in Peru for the periods presented.

	Energy Generation(1) For the Years Ended December 31,		
Company	**2010**	**2009**	**2008**
		(GWh)	
Edegel	8,602	8,303	8,235
Electroperu	7,224	7,168	6,740
Enersur	4,689	4,750	4,823
Kallpa	3,210	1,238	988
Egenor(2)	2,882	3,246	3,610
Other generation companies	5,820	5,100	5,163
Total	32,427	29,805	29,559

(1) Gross generation.
(2) Includes Egenor and Termoselva.
Source: COES.

Kallpa

Kallpa owns and operates the largest thermoelectric plant in Peru, based on information available from the COES. Kallpa's plant is comprised of three open-cycle natural gas powered generation turbines located 64 kilometers south of Lima in the district of Chilca, province of Cañete, Peru. As of December 31, 2010, Kallpa had an aggregate effective capacity of 566 MW, which represented approximately 8.8% of the total effective capacity in the SEIN, based on information available from the COES. During the year ended December 31, 2010, Kallpa generated 3,210 GWh of energy, representing 9.9% of the Peruvian interconnected system's energy requirements, based on information available from the COES. Kallpa represented 20.0% of our consolidated revenue in 2008, 33.5% in 2009 and 46.4% in 2010.

The following table sets forth certain financial data for Kallpa as of and for the three years ended December 31, 2010. Kallpa prepares its financial statements under Peruvian GAAP, which differs in important respects from IFRS. We have not included financial statements of Kallpa in this offering memorandum. The financial data used in the preparation of Inkia's consolidated financial statements prepared under IFRS differs in many respects from the financial data reflected in Kallpa's financial statements prepared under Peruvian GAAP. The financial data with respect to Kallpa presented in the following table is derived from the books and records of Inkia and is not derived from Kallpa's financial statements prepared under Peruvian GAAP.

	As of and for the Years Ended December 31,		
	2010	2009	2008
	(in millions of U.S. dollars, except as indicated)		
Financial Information:			
Revenue	US$195.0	US$109.8	US$57.8
Net income (loss)	14.0	8.8	(1.8)
EBITDA(1)	48.1	24.4	12.1
EBITDA margin(2)	24.7%	22.2%	20.9%
Cash	39.7	29.6	3.5
Interest bearing borrowings and short-term loans	244.7	209.6	151.5
Capital expenditures(3)	(76.5)	(40.7)	(3.2)
Distributions(4)	—	—	—
Operating Data:			
Effective capacity at year-end (MW)	566	368	174
Availability during the year (%)	93.8%	91.6%	96.0%
Energy generated during the year (GWh)(5)	3,210	1,238	988
Energy sold under PPAs during the year (GWh)	3,606	1,981	1,119

(1) EBITDA represents net income before finance income (expenses), depreciation and amortization and income taxes expenses. Other companies may calculate EBITDA differently, and therefore this presentation of Kallpa's EBITDA may not be comparable to other similarly titled measures used by other companies. For a reconciliation of Kallpa's EBITDA to Kallpa's net income, derived from the financial data used in the preparation of Inkia's consolidated financial statements, see the footnotes to the table presented in "Selected Financial and Other Information."
(2) Represents EBITDA divided by revenue.
(3) Excludes Kallpa's investment in the Kallpa II and Kallpa III turbines, which are leased by Kallpa under capital leases.
(4) Includes dividends, capital reductions and repayments of loans to parent company.
(5) Represents gross generation.

Generation Plants

The following table sets forth certain information for each of Kallpa's turbines for each of the periods presented.

		As of December 31, 2010	For the Years Ended December 31,					
			2010		2009		2008	
Turbine	Year of Commission	Effective Capacity	Energy Generated(1)	Availability Factor	Energy Generated(1)	Availability Factor	Energy Generated(1)	Availability Factor
		(MW)	(GWh)	(%)	(GWh)	(%)	(GWh)	(%)
Kallpa I	2007	174	880	94.3	734	92.8	988	96.3
Kallpa II	2009	194	1,252	94.2	504	92.0	—	—
Kallpa III	2010	198	1,078	92.7	—	—	—	—
Total		566	3,210		1,238		988	

(1) Gross generation.

Kallpa plans to upgrade its Kallpa I turbine during a maintenance shutdown scheduled to occur in November 2011 to increase its effective capacity by 12 MW to 186 MW and improve its efficiency. We expect that the total cost of this upgrade will be US$12.5 million, not including lost generation as a result of the shutdown of this plant.

Kallpa is currently converting its three open-cycle generation turbines into a combined-cycle plant. Upon completion of the conversion, Kallpa's combined-cycle plant will have an aggregate installed capacity of a minimum of 854 MW. Kallpa has executed the Kallpa EPC with POSCO under which the total cost of this conversion is expected to be approximately US$395 million. We anticipate that the combined-cycle unit will commence commercial operations on the contractually agreed upon date in July 2012. In the event that POSCO is unable to complete the project by this date, POSCO will be required to pay Kallpa US$150,000 for each day that the completion of the project is delayed. As of February 28, 2011, the conversion was 69% complete, based on the monthly progress reports provided by POSCO. All permits related to the project have been obtained, all of the energy to be generated by the combined-cycle unit has been committed to third-parties under PPAs, and all the major equipment needed for the project has been purchased and is either on the project site or is being shipped to the site. As of December 31, 2010, we have spent US$99.8 million on the project.

In October 2009, Inkia, Kallpa, Quimpac and Scotiabank Peru entered into an agreement under which Inkia and Quimpac are obligated, following the disbursement of all amount available under the syndicated loan agreement related to the financing of the combined-cycle conversion have been disbursed, to pay up to US$10.0 million for certain interest expenses, certain taxes, and other costs incurred by Kallpa in connection with the conversion. The payment obligations of Inkia and Quimpac are pro rata based on the proportion of their shareholdings in Kallpa.

Power Purchase Agreements

As of February 28, 2011, Kallpa had entered into PPAs with 11 distribution companies and 25 other unregulated consumers under which Kallpa has agreed to provide capacity and the associated energy to these customers. Under each of these PPAs, the customer has agreed to purchase a specified amount of capacity and its requirements of energy from Kallpa. Under some of Kallpa's PPAs with distribution companies, a specific portion of the contracted capacity is sold to meet the needs of the distribution company's regulated customers, while the remainder is sold to meet the needs of the distribution company's unregulated customers. Under some of the Kallpa's PPAs, our customers purchase different volumes of capacity during peak and off-peak hours.

Under Kallpa's PPAs with distribution companies, prices for capacity are generally calculated based on a base price in *nuevos soles* specified in the PPA, adjusted for fluctuations in the U.S. dollar/*nuevos soles* exchange rate, a U.S. inflation index and a Peruvian inflation index, plus transmission and transformer charges. Prices for energy are generally calculated based on a base price in *nuevos soles* specified in the PPA for peak and off-peak periods, adjusted for fluctuations in the cost of natural gas.

Under Kallpa's PPAs with unregulated customers, prices for capacity are generally calculated based on a base price in U.S. dollars specified in the PPA, adjusted for fluctuations in a U.S. inflation index, plus transmission and transformer charges. Prices for energy are generally calculated based on a base price in U.S. dollars specified in the PPA for peak and off-peak periods, adjusted for fluctuations in the cost of natural gas.

The table below sets forth a summary of Kallpa's most significant PPAs.

			Contracted Capacity	
Customer	**Commencement**	**Expiration**	**Peak**	**Off-Peak**
			(MW)	
Edelnor S.A.A.(1)	January 2014	December 2021	247	247
Luz del Sur S.A.A.(1)	January 2014	December 2023	202	202
Sociedad Minera Cerro Verde S.A.A.(2)	January 2011	December 2020	140	140
Xstrata Tintaya S.A.(3)	March 2011	March 2021	90	90

(1) Represents capacity under four separate PPAs.
(2) A subsidiary of Freeport McMoRan Copper and Gold, Inc.
(3) Under this PPA, Xstrata Tintaya S.A. has contracted 15 MW from March 2011 through May 2012, 50 MW from June 2012 through October 2012 and 90 MW from November 2012 through March 2021. Xstrata Tintaya S.A. has the option to delay the effectiveness of this PPA until May 1, 2011.

The table below sets forth the average amount of capacity contracted under PPAs entered into by Kallpa as of January 31, 2011 for the periods presented.

	Contracted Capacity	
	Peak	Off-Peak
	(MW)	
2011	659	699
2012	557	597
2013	962	995
2014	956	989
2015	917	945
2016	906	918
2017	906	918
2018	850	860
2019	830	840
2020	812	812

Gas Supply and Transportation

Kallpa purchases natural gas for its generation facilities from the Camisea consortium composed of Pluspetrol Peru Corporation S.A., Pluspetrol Camisea S.A., Hunt Oil Company of Peru L.L.C. Sucursal del Perú, SK Corporation Sucursal Peruana, Sonatrach Peru Corporation S.A.C., Tecpetrol del Perú S.A.C. and Repsol Exploración Perú Sucursal del Perú under a natural gas exclusive supply agreement dated January 2, 2006, as amended. Under this agreement, the Camisea consortium agreed to supply Kallpa's natural gas requirements, subject to a daily maximum amount, and Kallpa agreed to acquire natural gas exclusively from the Camisea consortium. The Camisea consortium is obligated to provide a maximum of 3.8 million cubic meters of natural gas per day to our Kallpa plant and Kallpa is obligated to purchase a minimum of approximately 2.0 million cubic meters of natural gas per day. Kallpa has the option until August 2011 to increase the amount of natural gas that it may purchase under this agreement by a maximum of 450,000 cubic meters per day. In the event that Kallpa exercises this option, Kallpa's obligation to make minimum purchases will be increased by 225,000 cubic meters per day. In the event that Kallpa does not take the minimum amount contracted on any day, Kallpa is permitted to take this unused natural gas in a future period. The price that Kallpa pays to the Camisea consortium for the natural gas supplied is based on a base price in U.S. dollars set on the date of the agreement, indexed monthly based on a basket of market prices for heavy fuel oil, with discounts available based on the volume of natural gas consumed. This agreement expires in June 2022.

Natural gas transportation services are rendered to Kallpa by TGP under a natural gas firm transportation agreement dated December 10, 2007, as amended. Under this agreement, TGP is obligated to transport up to approximately 3.2 million cubic meters of natural gas per day from the Camisea consortium's delivery point located at the Camisea natural gas fields to Kallpa's facilities. This obligation will be reduced by approximately 206,000 cubic meters per day beginning in April 2030. Under this agreement, Kallpa pays a regulated tariff approved by the OSINERGMIN. This agreement expires in December 2033.

Kallpa has also entered into a natural gas interruptible transportation service agreement with TGP dated December 6, 2005, as amended, under which TGP is obligated to transport up to approximately 610,000 cubic meters of natural gas per day from the Camisea consortium's delivery point to Kallpa's facilities, subject to the availability of the necessary capacity in TGP's pipelines. This obligation will be increased by approximately 448,000 cubic meters per day beginning in August 2023. Under this agreement, Kallpa pays a regulated tariff approved by the OSINERGMIN. This agreement will expire in March 2030.

As a result of the implementation of amendments adopted in September 2008 to the regulatory framework applicable to natural gas distribution, consumers of natural gas were designated as a part of a specific geographic area and were required to pay the natural gas distributor that serviced the relevant geographic area a distribution tariff. Kallpa was required to make distribution payments to Gas Natural de Lima y Callao S.A., or Cálidda. We contested the imposition of these payments, as Kallpa's plant is located adjacent to TGP's transmission pipeline and Kallpa is not connected to Cálidda's distribution network. In September 2010, we settled our legal actions against Cálidda and MINEM contesting the imposition of these distribution payments, transferred to Cálidda the natural gas duct that connects Kallpa's plant to TGP's pipeline and entered into a distribution services agreement with Cálidda under which we will pay a distribution tariff to Cálidda beginning in

January 2014. Under the settlement agreement, Cálidda has agreed to pay Kallpa US$12.7 million to purchase Kallpa's natural gas duct and to reimburse Kallpa for the cost of its natural gas treatment facility.

Maintenance and Spare Parts

The maintenance on Kallpa's turbines is done according to a predefined schedule based on the running hours of each engine and manufacturer specifications. The schedule is coordinated with, and approved by, the COES.

In March 2006, Kallpa entered into a services contract and a supply and support contract with Siemens Power Generation, Inc., or Siemens, both of which were amended and restated in December 2007. Each contract provides for an 18-year term of service for each of Kallpa's turbines which began in March 2006 for the Kallpa I turbine, in December 2007 for the Kallpa II turbine and in July 2008 for the Kallpa III turbine.

The services contract provides for detailed maintenance and inspection services for Kallpa's combustion turbines which includes disassembly, inspection, and reassembly of each specific section of the turbines as well as performing diagnostic tests on the turbines and compiling reports at the conclusion of each inspection. Under this contract, Siemens warrants its services will be free from defect for one year from the date of completion. Siemens is also responsible for handling and transporting all spare parts and hardware under the terms of the contract. Kallpa makes quarterly payments to Siemens based on the anticipated number of equivalent starts of each turbine and the equivalent base load hours during which each turbine operates on an annual basis. These payments are adjusted periodically to reflect the actual services required to be performed by Siemens.

The supply and support contract provides for support services to Kallpa, including communicating and coordinating with the plant's purchasing agent, providing final review of inventory prior to scheduled maintenance and providing 24-hour technical support. The supply component of this contract requires Siemens to supply parts and hardware to Kallpa at a 15% discount to listed prices. Under this contract, Siemens warrants that parts supplied under the agreement, with certain limitations, will not require repair or replacement due to defects in workmanship or material or normal wear and tear until the end of the contract's term.

Cerro del Aguila Project

We are developing the Cerro del Aguila Project, a run-of-the-river hydroelectric plant on the Mantaro River in the province of Tayacaja, department of Huancavelica, Peru. When completed, we expect that this plant will have an installed capacity of 402 MW. We have completed the feasibility study for the Cerro del Aguila Project and obtained a permanent concession to operate the plant. On March 23, 2011, we were awarded in a public auction the right to sell 200 MW and the associated energy to Electroperu. Under the bidding procedures, we and Electroperu agreed to enter into a definitive PPA within 60 days after the date of the auction. This PPA will have a 15-year term commencing in January 2016. We intend to supply capacity and energy under this PPA through the Cerro del Aguila Project. We are currently seeking proposals for the engineering, procurement and construction work and expect that the financing for the Cerro del Aguila Project will be in place by mid-2011. We expect that the Cerro del Aguila Project will commence commercial operations in the second half of 2015 and that the total cost will be approximately US$700 million.

Under the Kallpa Shareholders' Agreement, we are required to submit the Cerro del Aguila Project to Kallpa's shareholders for approval and develop this project through Kallpa or a subsidiary of Kallpa, if Kallpa's shareholders authorize the necessary increase of share capital. In the event that Quimpac does not agree to the necessary capital increase, Inkia may develop the project independently of Kallpa. We have held discussions with Quimpac regarding the development of the Cerro del Aguila Project and expect that this project will be owned and operated by a new project finance company to be incorporated by Inkia with an ownership structure similar to the ownership structure of Kallpa, in which Quimpac will own a minority interest.

Edegel

Through our subsidiary Southern Cone, we own 39.0% of the outstanding shares of Generandes, which, in turn, owns 54.2% of the outstanding shares of Edegel. As a result, we have a 21.1% economic interest in Edegel. The remaining capital stock of Generandes is owned by Endesa Chile, a subsidiary of Enel SpA, one of the world's largest electricity companies.

Southern Cone

Southern Cone has no operations. The assets of Southern Cone consist primarily of shares of capital stock of Generandes and its liabilities consist primarily of its 8.90% Notes due 2012. As of December 31, 2010, the total amount outstanding on these notes was US$13.7 million.

The following table sets forth certain financial data for Southern Cone as of and for the three years ended December 31, 2010. Southern Cone prepares its financial statements under Peruvian GAAP, which differs in important respects from IFRS. We have not included financial statements of Southern Cone in this offering memorandum. The financial data used in the preparation of Inkia's consolidated financial statements prepared under IFRS differs in many respects from the financial data reflected in Southern Cone's financial statements prepared under Peruvian GAAP. The financial data with respect to Southern Cone presented in the following table is derived from the books and records of Inkia and is not derived from Southern Cone's financial statements prepared under Peruvian GAAP.

	As of and for the Years Ended December 31,		
	2010	**2009**	**2008**
	(in millions of U.S. dollars, except as indicated)		
Dividends received	US$16.1	US$14.0	US$6.6
Debt service	(7.6)	(7.6)	(7.6)
Income (expenses), net	(0.2)	(0.5)	2.0
Incurrence (payment) of shareholder loans	—	(1.4)	1.5
Pre-tax distributions	8.3	4.5	2.5
Withholding tax	(0.3)	(0.2)	(0.1)
Distributions(1)	8.0	4.3	2.4

(1) Includes dividends, capital reductions and net repayments of loans to shareholders.

Edegel

Edegel is a public company listed on the Lima Stock Exchange and is the largest generator of electricity in Peru as of December 31, 2010, according to the COES. As of December 31, 2010, Edegel had an aggregate effective capacity of 1,668 MW, representing 25.8% of the total effective capacity in Peru according to the COES. During the year ended December 31, 2010, Edegel generated 8,602 GWh of energy, representing 26.5% of the SEIN's energy requirements according to the COES.

The following table sets forth certain financial data for Edegel as of and for the three years ended December 31, 2010. Edegel prepares its financial statements under Peruvian GAAP, which differs in important respects from IFRS. We have not included financial statements of Edegel in this offering memorandum. The financial data used in the preparation of Inkia's consolidated financial statements prepared under IFRS differs in many respects from the financial data reflected in Edegel's financial statements prepared under Peruvian GAAP. The financial data with respect to Edegel presented in this table is derived from Edegel's audited consolidated financial statements prepared under Peruvian GAAP as filed with CONASEV. Edegel prepares its financial statements in *nuevos soles*, the functional currency of Edegel. We have translated the financial data reflected in Edegel's statement of income to U.S. dollars at the average daily exchange rate for *nuevos soles* into U.S. dollars of S/.2.82 to US$1.00 for the year ended December 31, 2010, S/.3.01 to US$1.00 for the year ended December 31, 2009 and S/.2.93 to US$1.00 for the year ended December 31, 2008, in each case, as reported by the Peruvian Central Reserve Bank. We have translated the financial data reflected in Edegel's balance sheet to U.S. dollars at the exchange rate for *nuevos soles* into U.S. dollars of S/.2.81 to US$1.00 as of December 31, 2010, S/.2.89 to US$1.00 as of December 31, 2009 and S/.3.14 to US$1.00 as of December 31, 2008, in each case, as reported by the Peruvian Central Reserve Bank. The operating data with respect to Edegel included in this table has been derived from Edegel's public filings made with CONASEV and other information regarding Edegel that is publicly available, principally through the COES and the OSINERGMIN. Although we have significant rights under a shareholders' agreement that we have entered into with Endesa Chile, the owner of 61.0% of the capital stock of Generandes and the controlling shareholder of Edegel, we do not manage Edegel or participate in the preparation of its financial statements or other public reports, and have not independently verified the information regarding Edegel included in this table. The financial data with respect to Edegel presented in the following table is derived from the books and records of Inkia and is not derived from Edegel's financial statements prepared under Peruvian GAAP.

	As of and for the Years Ended December 31,		
	2010	**2009**	**2008**
	(in millions of U.S. dollars, except as indicated)		
Financial Information:			
Revenue	US$410.0	US$376.9	US$392.6
Net income	86.1	80.5	38.4
EBITDA(1)	210.1	197.8	167.3
EBITDA margin(2)	51.2%	52.5%	42.6%
Cash	29.5	41.7	17.4
Interest bearing borrowings and short-term loans	439.1	462.6	487.3
Capital expenditures	(18.9)	(24.6)	(8.5)
Distributions(3)	75.5	64.8	32.2
Operating Data:			
Effective capacity at year-end (MW)	1,668	1,667	1,467
Availability during the year (%)	93.6%	93.4%	95.9%
Energy generated during the year (GWh)(4)	8,602	8,303	8,236
Energy sold under PPAs during the year (GWh)	7,563.0	5,760.8	5,438.5

(1) EBITDA represents net income before finance income (expenses), depreciation and amortization and income taxes expenses. Other companies may calculate EBITDA differently, and therefore this presentation of Edegel's EBITDA may not be comparable to other similarly titled measures used by other companies. For a reconciliation of Edegel's EBITDA to Edegel's net income, derived from the financial data used in the preparation of Inkia's consolidated financial statements, see the footnotes to the table presented in "Selected Financial and Other Information."
(2) Represents EBITDA divided by revenue.
(3) Includes dividends, capital reductions and repayments of loans to Generandes.
(4) Represents gross generation.

Generation Plants

Edegel owns and operates seven hydroelectric power plants, two of which are located 280 kilometers from Lima and five of which are located approximately 50 kilometers from Lima, and two thermal plants located in Lima.

The following table sets forth certain information for each of Edegel's plants for each of the periods presented.

		As of December 31, 2010	For the Years Ended December 31,					
			2010		2009		2008	
Plant	**Year of Commission**	**Effective Capacity**	**Energy Generated (1)**	**Availability Factor**	**Energy Generated (1)**	**Availability Factor**	**Energy Generated (1)**	**Availability Factor**
		(MW)	**(GWh)**	**(%)**	**(GWh)**	**(%)**	**(GWh)**	**(%)**
Hydroelectric plants:								
Huinco	1964	247	1,210.2	94.9	1,202.2	95.6	1,041.4	95.8
Matucana	1971	129	854.2	95.5	894.8	97.7	781.1	97.9
Callahuanca	1938	80	606.3	98.2	622.3	98.3	595.9	98.5
Moyopampa	1951	66	557.3	98.4	544.5	98.2	547.4	98.4
Huanpani	1960	30	229.7	97.4	237.2	97.1	227.8	97.7
Yanango	2000	43	222.9	98.5	223.5	95.9	202.4	98.6
Chimay	2000	151	800.1	94.3	896.1	98.6	837.5	98.7
Total Hydroelectric Plants		746	4,480.7		4,620.6		4,233.5	

Plant	Year of Commission	As of December 31, 2010 Effective Capacity (MW)	2010 Energy Generated (1) (GWh)	2010 Availability Factor (%)	2009 Energy Generated (1) (GWh)	2009 Availability Factor (%)	2008 Energy Generated (1) (GWh)	2008 Availability Factor (%)
Thermal plants:								
Ventanilla	2006	493	3,214.7	89.0	3,256.3	92.1	3,487.8	96.3
Santa Rosa	1982(2)	430	906.9	95.1	426.1	86.0	514.8	89.6
Total Thermal Plants		922	4,121.6		3,682.4		4,002.6	
Total		1,668	8,602.3		8,303.0		8,236.1	

(1) Gross generation.

(2) This plant was originally commissioned with an effective capacity of 106 MW in 1982. The effective capacity of this plant was increased by 124 MW in 1996 and 200 MW in 2009.

Power Purchase Agreements

As of December 31, 2010, Edegel had entered into PPAs with 11 distribution companies and nine unregulated consumers under which Edegel has agreed to provide capacity and the associated energy to these customers. Under each of these PPAs, the customer has agreed to purchase a specified amount of capacity and its requirements of energy from Edegel. Under some of Edegel's PPAs with distribution companies, a specific portion of the contracted capacity is sold to meet the needs of the distribution company's regulated customers while the remainder is sold to meet the needs of the distribution company's unregulated customers. Under some of the Edegel's PPAs, its customers purchase different volumes of capacity during peak and off-peak hours.

Under Edegel's PPAs with distribution companies, prices for capacity are generally calculated based on a base price in *nuevos soles* specified in the PPA, adjusted for fluctuations in the U.S. dollar/*nuevos soles* exchange rate, a U.S. inflation index and a Peruvian inflation index, plus transmission and transformer charges. Prices for energy are generally calculated based on a base price in *nuevos soles* specified in the PPA for peak and off-peak periods, adjusted for fluctuations in the cost of natural gas.

Under Edegel's PPAs with unregulated customers, prices for capacity are generally calculated based on a base price in U.S. dollars specified in the PPA, adjusted for fluctuations in a U.S. inflation index, plus transmission and transformer charges. Prices for energy are generally calculated based on a base price in U.S. dollars specified in the PPA for peak and off-peak periods, adjusted for fluctuations in the cost of natural gas.

The table below sets forth a summary of Edegel's most significant PPAs.

Customer	Commencement	Expiration	Contracted Capacity Peak (MW)	Contracted Capacity Off-Peak (MW)
Edelnor(1)	June 1999	December 2025	1,289	1,289
Luz del Sur S.A.A.(2)	October 2009	December 2025	533	533
SEAL S.A.(3)	May 2010	December 2025	103	103

(1) Represents capacity under 18 separate PPAs.

(2) Represents capacity under 12 separate PPAs.

(3) Represents capacity under seven separate PPAs.

The table below sets forth the average amount of capacity contracted under PPAs entered into by Edegel as of January 31, 2011 for the periods presented.

	Contracted Capacity	
Year Ended December 31,	Peak	Off-Peak
	(MW)	
2011	1,243	1,397
2012	1,085	1,239
2013	929	1,083
2014	1,202	1,356
2015	1,513	1,307
2016	1,156	1,310
2017	1,162	1,316
2018	1,102	1,149
2019	1,106	1,153
2020	1,096	1,096

Gas Supply and Transportation

Edegel purchases natural gas for its generation facilities from the Camisea consortium under a natural gas exclusive supply agreement dated August 1, 2003, as amended. Under this agreement, the Camisea consortium agreed to supply Edegel's natural gas requirements, subject to a daily maximum amount, and Edegel agreed to acquire natural gas exclusively from the Camisea consortium. The Camisea consortium is obligated to provide a minimum of 2.2 million cubic meters and a maximum of 3.9 million cubic meters of natural gas per day to Edegel. The price that Edegel pays to the Camisea consortium for the natural gas supplied is based on a base price in U.S. dollars, indexed monthly based on a basket of market prices for heavy fuel oil, with discounts available based on the daily volume of natural gas consumed. This agreement expires in January 2019.

Natural gas transportation services are rendered to Edegel by TGP under a natural gas firm transportation agreement dated December 10, 2007, as amended. Under this agreement, TGP is obligated to transport up to approximately 3.2 million cubic meters of natural gas per day from the Camisea consortium's delivery point located at the Camisea natural gas fields to the City Gate delivery point in Lurín. This obligation will be reduced by approximately 617,000 cubic meters per day beginning in August 2019 and will be reduced by an additional 490,000 cubic meters per day beginning in January 2020. Under this agreement, Edegel pays a regulated tariff approved by the OSINERGMIN. This agreement expires in December 2025.

Edegel is a party to a natural gas interruptible transportation service agreement with TGP dated May 2, 2005, as amended, under which TGP is obligated to transport up to approximately 992,000 cubic meters of natural gas per day from the Camisea consortium's delivery point to the City Gate delivery point in Lurín, subject to the availability of the necessary capacity in TGP's pipelines. Under this agreement, Edegel pays a regulated tariff approved by the OSINERGMIN. This agreement will expire in January 2020.

In September 2008, Edegel entered into a natural gas firm distribution contract with Gas Natural de Lima y Callao S.R.L, or GNLC, for the transportation of natural gas from the City Gate delivery point in Lurín to Edegel's facilities in Santa Rosa and Ventanilla. Under these agreements, GNLC is obligated to transport up to an aggregate amount of 3.2 million cubic meters of natural gas per day, subject to the availability of the necessary capacity in GNLC's pipelines. This obligation will be reduced by 1.1 million cubic meters per day beginning in January 2020. Under this agreement, Edegel pays a regulated tariff approved by the OSINERGMIN. This agreement will expire in December 2025.

Edegel has entered into two natural gas interruptible distribution contracts with GNLC for the transportation of natural gas from the City Gate delivery point in Lurín to Edegel's facilities in Santa Rosa and Ventanilla. Under these agreements, GNLC is obligated to transport up to an aggregate amount of 1,000,000 cubic meters of natural gas per day, subject to the availability of the necessary capacity in GNLC's pipelines. Under this agreement, Edegel pays a regulated tariff approved by the OSINERGMIN. This agreement will expire in December 2019.

Maintenance and Spare Parts

The maintenance on Edegel's turbines is done according to a predefined schedule based on the hours in service of each engine and manufacturer specifications.

Edegel is a party to a long-term services agreement with Siemens Energy, Inc. and Siemens S.A.C., which we refer to collectively as Siemens Maintenance. Under this agreement, Siemens Maintenance is required to maintain and obtain replacement parts for the turbine at Edegel's Ventanilla plant until the earlier to occur of (1) the date on which the Ventanilla turbine reaches approximately 108,000 hours in service or (2) 18 years following the commercial operations date of the plant.

In June 2005, Edegel entered into a long-term services agreement with Siemens Maintenance for one of Edegel's turbines located at its Santa Rosa plant. Under this agreement, Siemens Maintenance is required to maintain and obtain replacement parts for the turbine until the earlier to occur of (1) the date on which the Santa Rosa turbine reaches 96,000 hours in service, (2) June 15, 2023, or (3) the completion of certain inspections described in the agreement.

In March 2009, Edegel entered into a long-term services agreement with Siemens Maintenance for Edegel's second turbine at the Santa Rosa Plant. Under this agreement, Siemens Maintenance is required to maintain and obtain replacement parts for this turbine until the earlier to occur of (1) the date on which the new Santa Rosa turbine reaches 100,000 hours in service, (2) March 27, 2027, or (3) the completion of certain inspections described in the agreement.

Generandes Shareholders' Agreement

In November 1995, Endesa Chile entered into a shareholders agreement with Southern Cone, which we refer to as the Generandes Shareholders' Agreement, setting forth certain rights and obligations of the shareholders of Generandes relating to their participation in Generandes and Edegel. Under the Generandes Shareholders' Agreement:

- Southern Cone has the right to appoint three of Generandes eight directors and their respective alternates for so long as Southern Cone continues to hold at least 25% of Generandes' capital stock;

- Southern Cone has the right to appoint two of Edegel's eight directors and their respective alternates for so long as Southern Cone continues to hold at least 25% of Generandes' capital stock;

- Generandes will cause Edegel to distribute dividends proportional to the ownership percentage of each shareholder in an amount equivalent to 100% of Edegel's net income after deductions required by applicable law;

- Generandes will distribute dividends proportional to the ownership percentage of each shareholder in an amount equivalent to 100% of Generandes' net income after deductions required by applicable law;

- Southern Cone has the right to appoint the chief financial officer of Edegel;

- certain significant corporate actions by Generandes and Edegel require the approval of at least six members of the board of directors of Generandes or 60% of the voting shares of Generandes, including: (1) approval of Edegel's annual budget; (2) appointment or removal of Edegel's senior managers; (3) approval of any new generation projects; (4) approval of PPAs with terms in excess of one year for amounts of capacity exceeding 10% of Edegel's capacity; (5) incurring indebtedness for a term of more than one year or in an amount in excess of US$1 million; (6) granting any guarantees; and (7) certain transactions with related parties;

- certain significant corporate actions by Generandes and Edegel require the approval of at least seven members of the board of directors of Generandes or 70% of the voting shares of Generandes, including: (1) amendments to the bylaws of Edegel or Generandes; and (2) the merger, split or reorganization of Edegel or Generandes; and

- Southern Cone and Endesa Chile have granted each other a right of first refusal with respect to transfers of any Generandes shares to third parties.

Generation Operations in the Dominican Republic

CEPP

We own and operate generation facilities in the Dominican Republic through our subsidiary CEPP. CEPP owns and operates 12 generation units powered by heavy fuel oil at a plant located in Puerto Plata, Dominican Republic. As of December 31, 2010, CEPP had an aggregate effective capacity of 67 MW, which represented approximately 2.2% of the total effective capacity in the SENI, based on information available from the OC. During the year ended December 31, 2010, CEPP generated 363 GWh of energy, representing 3.0% of the SENI's energy requirements. CEPP represented 22.4% of our consolidated revenue in 2008, 15.3% in 2009 and 16.1% in 2010.

The following table sets forth certain financial data for CEPP as of and for the three years ended December 31, 2010. CEPP prepares its financial statements under IFRS. We have not included financial statements of CEPP in this offering memorandum. In the preparation of Inkia's consolidated financial statements, Inkia makes a variety of adjustments to the financial data reflected in CEPP's financial statements to conform to Inkia's accounting policies. The financial data with respect to CEPP presented in the following table is derived from the books and records of Inkia and is not derived from CEPP's financial statements prepared under IFRS.

	As of and for the Years Ended December 31,		
	2010	**2009**	**2008**
	(in millions of U.S. dollars, except as indicated)		
Financial Information:			
Revenue	US$67.9	US$50.0	US$65.0
Net income	21.3	9.7	10.2
EBITDA(1)	23.1	9.4	9.8
EBITDA margin(2)	34.0%	18.8%	15.1%
Cash	2.9	6.2	5.7
Interest bearing borrowings and short-term loans	8.7	0.1	—
Capital expenditures	(3.1)	(1.8)	(2.6)
Distributions(3)	29.1	11.0	1.3
Operating Data:			
Effective capacity at year-end (MW)	67	67	67
Availability during the year (%)	87.0%	88.0%	95.0%
Energy generated during the year (GWh)(4)	363	302	270
Energy sold under PPAs during the year (GWh)	302	387	398

(1) EBITDA represents net income before finance income (expenses), depreciation and amortization and income taxes expenses. Other companies may calculate EBITDA differently, and therefore this presentation of CEPP's EBITDA may not be comparable to other similarly titled measures used by other companies. For a reconciliation of CEPP's EBITDA to CEPP's net income, derived from the financial data used in the preparation of Inkia's consolidated financial statements, see the footnotes to the table presented in "Selected Financial and Other Information."
(2) Represents EBITDA divided by revenue.
(3) Includes dividends, capital reductions and repayments of loans to parent company.
(4) Represents gross generation.

Market Overview

CEPP conducts all of its operations in the Dominican Republic. According to the Dominican Republic's National Statistics Office (*Oficina Nacional de Estadística*), the Dominican Republic had a population of approximately 8.5 million as of October 2008. According to the Dominican Central Bank (*Banco Central de la República Dominicana*), Dominican GDP grew by 5.3% in 2008, 3.5% in 2009 and an estimated 6.5% in 2010.

Based on information available from the OC, as of December 31, 2010, fuel-oil plants accounted for 53.3% of Dominican effective capacity, hydroelectric plants accounted for 17.6%. The remainder of Dominican effective capacity is provided by open-cycle and combined-cycle plants fueled by natural gas, and thermal pants fueled by coal. As of December 31, 2010, hydroelectric plants in the Dominican Republic had an aggregate effective capacity of 523 MW and thermal plants had an aggregate effective capacity of 2,457 MW, according to the OC. Dominican generation plants dispatched 11,645 GWh in 2008, 11,529 GWh in 2009 and 12,272 GWh in 2010.

Because the Dominican Republic had faced significant payment problems in the electricity sector, which has depended in recent years on substantial subsidies from the Dominican government, which operates the three primary distribution companies in the country, generation companies have not actively pursued the development of power projects in the Dominican Republic to meet the growing demand in this market. As a result of reforms in the Dominican Republic during the past several years, principally to satisfy commitments to the International Monetary Fund that the Dominican Republic entered into in an effort to reverse the growing fiscal deficits in the country, the payment problems that generators have faced have eased, encouraging power development in the country. While we are studying development opportunities in the Dominican Republic, we are not currently investing in the development of any specific project.

Similarly to generation companies operating in the Peruvian market, Dominican generation companies sell capacity and energy under PPAs or in the spot market. The following table sets forth a summary of capacity and energy sales in the Dominican market for the periods presented.

	Capacity Sales			**Energy Sales**		
	Under PPAs			**Under PPAs**		
Year Ended December 31,	**Distribution**	**Other Unregulated**	**Spot Market**	**Distribution**	**Other Unregulated**	**Spot Market**
		(MW)			**(GWh)**	
2006	1,606	84	154	8,910	766	598
2007	1,610	88	124	9,482	907	307
2008	1,470	106	240	9,301	976	810
2009	1,369	100	179	9,336	961	910
2010	1,366	115	337	10,165	1,026	926

Source: OC.

Competition

The demand for power and electricity in the Dominican Republic is served by a variety of generation companies, including CEPP, affiliates of AES Corp., or AES, which own one combined-cycle plant fueled by natural gas, two open-cycle plants fueled by natural gas and equity interests in two plants fueled with coal, Empresa de Generación Hidroeléctrica Dominicana, a state-owned generation company whose primary generation facilities are hydroelectric plants, or EGE Hid, Empresa Generadora de Electricidad Haina, S.A., or EGE Haina, and Compañía de Electricidad de San Pedro de Macorís, or CESPM. We compete with each of these companies for the right to supply capacity and energy to distribution companies and other unregulated customers. Some of our competitors are substantially larger and have substantially greater resources than us.

The following table sets forth for a summary of the principal generation companies in the Dominican Republic, indicating their effective capacity by type of generation as of December 31, 2010.

	Effective Capacity as of December 31, 2010					
	Hydro	**Open-Cycle Natural Gas**	**Combined-Cycle Natural Gas**	**Coal**	**Fuel Oil**	**Total**
			(MW)			
AES	—	236	319	260	—	815
EGE Haina	—	—	—	54	492	545
EGE Hid	523	—	—	—	—	523
CESPM	—	—	—	—	300	300
Other generation companies(1)	—	—	—	—	797	1,057
Total	523	236	319	314	1,588	2,980

Source: OC.
(1) Includes CEPP's fuel oil generation units.

The following table sets forth the quantity of energy generated by each of the principal generation companies in the Dominican Republic for the periods presented.

	Energy Generation(1) For the Years Ended December 31,		
Company	**2010**	**2009**	**2008**
		(GWh)	
AES	5,279.0	3,861.5	4,129.3
EGE Hid	1,426.0	1,464.3	1,389.7
EGE Haina	1,278.0	1,138.2	1,371.4
CEPP	363.0	302.0	270.0
CESPM	168.0	487.8	409.8
Other generation companies	3,748.0	4,275.3	4,180.8
Total	12,262.0	11,529.1	11,751.0

(1) Gross generation.
Source: OC.

Generation Plants

CEPP has two plants, CEPP I and CEPP II, both located in the city of Puerto Plata. The CEPP I plant is comprised of three diesel generators burning heavy fuel oil on land that CEPP has contracted to purchase from the CDEEE. The CEPP II plant is comprised of a barge containing nine diesel generators burning heavy fuel oil that is moored at a pier adjacent to the CEPP I plant. The CEPP I plant has an effective capacity of 17 MW and the CEPP II plant has an effective capacity of 50 MW.

The following table sets forth certain information for each of CEPP's plants for the periods presented.

		As of December 31, 2010	For the Years Ended December 31,					
			2010		2009		2008	
Plant	Year of Commission	Effective Capacity	Energy Generated (1)	Availability Factor	Energy Generated (1)	Availability Factor	Energy Generated (1)	Availability Factor
		(MW)	(GWh)	(%)	(GWh)	(%)	(GWh)	(%)
CEPP I	1990	17	82.9	88.8	57.9	84.1	56.3	93.8
CEPP II	1994	50	280.4	86.0	244.4	89.2	213.3	95.7
Total		67	363.3		302.3		269.6	

(1) Gross generation.

Power Purchase Agreements

In August 1999, the Corporación Dominicana de Electricidad, or the CDE, entered into a long-term PPA with each of Empresa Distribuidora de Electricidad del Norte, S.A., or EDE-Norte, and Empresa Distribuidora de Electricidad del Sur, S.A., or EDE-Sur. In September 2002, CEPP entered into a PPA assignment and amendment agreement, which we refer to as the PPA Assignment and Amendment Agreement, with CDE, EDE-Norte and EDE-Sur, under which CDE assigned to CEPP some of CDE's obligations under its PPAs with EDE-Norte and EDE-Sur. Under the PPA Assignment and Amendment Agreement, EDE-Norte has agreed to purchase 50 MW from CEPP until July 2013 and 22 MW from July 2013 until September 2014, and EDE-Sur has agreed to purchase 28 MW from CEPP from July 2013 until September 2014.

Under the PPA Assignment and Amendment Agreement, EDE Norte and EDE Sur pay CEPP for contracted capacity and associated energy, where the price for contracted capacity is calculated using (1) a base purchase price which is adjusted over time for increases or decreases in the U.S. Consumer Price Index, or CPI, with a maximum annual change of 2%, and (2) the transmission costs incurred by CEPP. The price for energy sold is calculated using a base energy price to be adjusted over time for (1) increases or decreases in the U.S. CPI and (2) increases or decreases in price of Platt's Fuel Oil #6. The PPA Assignment and Amendment Agreement specifies that amounts payable may be paid in Dominican pesos at the exchange rate published by the Dominican Central Bank at the time of payment or, if the parties so agree, in U.S. dollars. The PPA Assignment and Amendment Agreement expires in October 2014.

Fuel

The CEPP I and CEPP II plants have fuel storage tanks with an aggregate storage capacity of 55,000 barrels. Fuel is delivered to CEPP's plants by vessels using the nearby port facility and by truck. CEPP purchases heavy fuel oil for its operations in the spot market from several fuel suppliers that operate in the region.

Operations and Maintenance

In May 1995, CEPP entered into an administrative services agreement and an operating and maintenance agreement with our subsidiary Inkia CEPP Operations S.A. (formerly Coastal Technology Dominicana, S.A.), or CEPP Operations. Each of these contracts expires in May 2015. Under the administrative services agreement, CEPP Operations provides management services including representing CEPP before tribunals, maintaining books and records of CEPP, and other administrative services. Under the operating and maintenance agreement, CEPP Operations hires, trains, administers and supervises CEPP's workforce as necessary to operate CEPP's plants, provides maintenance services and personnel for scheduled maintenance of these plants, and procures spare parts on behalf of CEPP.

Wartsila Corporation, or Wartsila, Marine Motor Service GmbH, or MMS Marine Motor, and Paul Klaren OEM Parts, or Paul Klaren, Turbo USA and Asea Brown Boveri Ltda., or ABB, are CEPP's principal suppliers of spare parts for its generation facilities. Generally, spare parts are readily available and can be obtained from the original equipment manufacturer as well as from other suppliers.

The maintenance on CEPP's engines is done according to a predefined schedule based on the running hours of each engine and according to manufacturer specifications. Most of the maintenance work is done onsite by employees of CEPP and the remainder is outsourced to Wartsila and Turbo USA facilities in the Dominican Republic as well as to other third parties.

Generation Operations in El Salvador

Nejapa

We own and operate generation facilities in El Salvador through our subsidiary Nejapa. As of December 31, 2010, the Nejapa plant represented 11.6% of the total effective capacity in the SIEG, based on information available from the SIGET. During the year ended December 31, 2010, Nejapa generated 406.6 GWh of energy, representing 7.2% of the SIEG's energy requirements, based on information available from the UT. Nejapa represented 45.9% of our consolidated revenue in 2008, 34.9% in 2009 and 23.6% in 2010.

The following table sets forth certain financial data for Nejapa as of and for the three years ended December 31, 2010. Nejapa prepares its financial statements under Salvadorian GAAP, which differs in important respects from IFRS. We have not included financial statements of Nejapa in this offering memorandum. The financial data used in the preparation of Inkia's consolidated financial statements prepared under IFRS differs in many respects from the financial data reflected in Nejapa's financial statements prepared under Salvadorian GAAP. The financial data with respect to Nejapa presented in the following table is derived from the books and records of Inkia and is not derived from Nejapa's financial statements prepared under Salvadorian GAAP.

	As of and for the Years Ended December 31,		
	2010	**2009**	**2008**
	(in millions of U.S. dollars, except as indicated)		
Financial Information:			
Revenue	US$99.3	US$114.2	US$132.9
Net income	12.1	5.5	1.5
EBITDA(1)	22.5	13.6	8.2
EBITDA margin(2)	22.7%	11.9%	6.2%
Cash	29.0	4.3	5.7
Interest bearing borrowings and short-term loans	—	6.9	16.3
Capital expenditures	(2.0)	(2.8)	(3.0)
Distributions(3)	—	—	10.1
Operating Data:			
Effective capacity at year-end (MW)	140	140	140
Availability during the year (%)	95.1%	94.5%	93.0%
Energy generated during the year (GWh)(4)	407	528	521
Energy sold under PPAs during the year (GWh)	431	599	801

(1) EBITDA represents net income before finance income (expenses), depreciation and amortization and income taxes expenses. Other companies may calculate EBITDA differently, and therefore this presentation of Nejapa's EBITDA may not be comparable to other similarly titled measures used by other companies. For a reconciliation of Nejapa's EBITDA to Nejapa's net income, derived from the financial data used in the preparation of Inkia's consolidated financial statements, see the footnotes to the table presented in "Selected Financial and Other Information."
(2) Represents EBITDA divided by revenue.
(3) Includes dividends, capital reductions and repayments of loans to parent company.
(4) Represents gross generation.

Market Overview

Nejapa conducts all of its operations in El Salvador. According to the National Institute of Statistics of El Salvador's Ministry of Economy (*Dirección General de Estadísticas y Censos, Ministerio de Economía de El Salvador*), El Salvador had a population of approximately 5.8 million in 2007. According to COPADES (*Consultores para el Desarrollo Empresarial*), Salvadorian GDP grew by 2.5% in 2008, contracted by 3.3% in 2009, and grew by an estimated 1.0% in 2010.

Hydroelectric plants accounted for 37.0% of El Salvador's effective capacity as of December 31, 2010 and geothermal plants accounted for 14.6%, based on information available from the SIGET. The remainder of El Salvador's effective capacity is provided by thermal plants fueled by heavy fuel oil, diesel and bio-mass. As of December 31, 2010, hydroelectric plants in El Salvador had an aggregate effective capacity of 447 MW, geothermal plants had an aggregate effective capacity of 176 MW, and thermal plants, including biomass plants, had an aggregate effective capacity of 585 MW. Salvadorian generation plants generated 5,553 GWh in 2008, 5,502 GWh in 2009 and 5,636 GWh in 2010.

Dispatch of El Salvador's hydroelectric plants is subject to seasonal variations as greater amounts of hydroelectric power are dispatched between May and October, the rainy season in El Salvador, and hydroelectric dispatch declines between November and April as operators of hydroelectric plants conserve water in the reservoirs serving their plants. In addition, dispatch of El Salvador's hydroelectric plants is subject to annual variations depending on climactic conditions, such as the El Niño phenomenon.

Other generation companies are pursuing the development of Termopuerto, a thermal plant fueled by heavy fuel oil that is expected to have an installed capacity of 72 MW and is expected to commence operation in April 2011, and El Chaparral, a hydroelectric plant that is expected to have an installed capacity of 67 MW and is expected to commence operation in January 2015. During the past five years, developers have expressed their interest in developing additional power projects in El Salvador, although no other specific projects have been confirmed. El Salvador is in the process of implementing Decree No. 88, which is designed to shift the Salvadorian electrical sector to a marginal cost basis. We believe that the implementation of Decree No. 88 will enhance our ability and that of others to predict the returns on power development projects and will lead to greater development of El Salvador's energy sector. While we are studying development opportunities in the El Salvador, we are not currently investing in the development of any specific project.

Under current regulations governing the energy sector in El Salvador, there is no market for capacity sales and consumers of electricity, including unregulated consumers, purchase only electricity. Similarly to generation companies operating in other markets, Salvadorian generation companies sell energy under PPAs or in the spot market. The following table sets forth a summary of energy sales in the Salvadorian market for the periods presented.

	Energy Sales	
Year Ended December 31,	**Under PPAs**	**Spot Market**
	(GWh)	
2006	2,851	2,258
2007	2,906	2,356
2008	2,142	3,333
2009	1,942	3,558
2010	1,745	3,892

Source: UT.

Competition

The demand for electricity in El Salvador is served by a variety of generation companies, including Nejapa, CEL, a state-owned generation company whose primary generation facilities are hydroelectric plants, Lageo S.A. de C.V., or Lageo, a state-owned generation company whose primary generation facilities are geothermal plants, and Duke Energy International, or DEI, a subsidiary of Duke, and Inversiones Energéticas, S.A. de C.V., or INE. We compete with each of these companies for the right to supply energy to distribution companies and other unregulated customers. Some of these competitors are substantially larger and have substantially greater resources than us.

The following table sets forth a summary of the principal generation companies in El Salvador, indicating their effective capacity by type of generation as of December 31, 2010.

	Effective Capacity as of December 31, 2010				
	Hydro	Fuel Oil	Geo-thermal	Biomass	Total
			(MW)		
CEL	447	—	—	—	447
DEI	—	258	—	—	258
Lageo	—	—	176	—	176
Nejapa	—	140	—	—	140
INE	—	92	—	—	92
Other generation companies	—	45	—	50	95
Total	447	535	176	50	1,208

Source: SIGET

The following table sets forth the quantity of energy generated by each of the principal generation companies in El Salvador for the periods presented.

	Energy Generation(1) For the Years Ended December 31,		
Company	2010	2009	2008
		(GWh)	
CEL	2,079	1,500	2,035
Lageo	1,422	1,421	1,421
INE	600	603	313
DEI	558	745	809
Nejapa	407	528	521
Other generation companies	570	705	454
Total	5,636	5,502	5,553

(1) Gross generation.
Source: UT.

Generation Plant

The Nejapa plant is located approximately 20 km from the city of San Salvador. The plant is comprised of 27 diesel generators burning heavy fuel oil. As of December 31, 2010, the Nejapa plant had an effective capacity of 140 MW, which represented approximately 11.6% of the total effective capacity in the SIEG, according to the SIGET. The Nejapa plant commenced commercial operations in 1995.

The following table sets forth certain information for Nejapa's plant for each of the periods presented.

	As of December 31, 2010	For the Years Ended December 31,					
		2010		2009		2008	
Plant	Effective Capacity	Energy Generated (1)	Availability Factor	Energy Generated (1)	Availability Factor	Energy Generated (1)	Availability Factor
	(MW)	(GWh)	(%)	(GWh)	(%)	(GWh)	(%)
Nejapa	140	406.6	99	527.5	99	521.1	99

(1) Gross generation.

Power Purchase Agreements

In January 2006, Nejapa entered into four PPAs under which Nejapa agreed to supply the energy associated with 110 MW to four distribution companies controlled by AES operating in El Salvador. The price for energy supplied under these PPAs is based on the prices that Nejapa bids for the dispatch of energy, with a discount available based on the volume of energy consumed. Amounts due under each of these PPAs is payable in U.S. dollars. Each of these PPAs expires by its terms in December 2012; however, each of these PPAs will terminate upon the effectiveness of the new PPAs executed in April 2010.

In April 2010, Nejapa entered five PPAs that will become effective when Decree No. 88, which is designed to shift the Salvadorian electrical sector to a marginal cost basis, is implemented. Under these PPAs, Nejapa agreed to supply an aggregate of 77.3 MW and the associated energy to five distribution companies operating in El Salvador. Under these PPAs, the price for capacity is a base price approved by the SIGET, adjusted over time according to the SIGET's guidelines, and the price for energy is calculated using a base price included in each PPA indexed to the price of heavy fuel oil. Amounts due under each of these PPAs is payable in U.S. dollars. Each of these PPAs expires on the second anniversary of their effective dates.

Fuel

The Nejapa plant has fuel storage tanks with a capacity of approximately 47,000 barrels. Fuel oil reaches the storage tanks by truck from Cenergica's fuel storage facilities. Nejapa purchases heavy fuel oil for its operations at market prices from several fuel suppliers that operate in the region.

Operations and Maintenance

In September 1995, Nejapa entered into an administrative services agreement and an operating and maintenance agreement with our subsidiary Cenergica. Each of these contracts expires in September 2015. Under the administrative services agreement, Cenergica provides management services including representing Nejapa before tribunals, maintaining books and records of Nejapa, and other administrative services. Under the operating and maintenance agreement, Cenergica hires, trains, administers and supervises Nejapa's workforce as necessary to operate the plant, provides maintenance service and personnel for scheduled maintenance of Nejapa's plant and procures spare parts for Nejapa's plant.

Wartsila, MMS Marine Motor and Paul Klaren are Nejapa's principal suppliers of spare parts for its generation facility. Generally, spare parts are readily available and can be obtained from the original manufacturer as well as from other suppliers.

The maintenance on Nejapa's engines is done according to a predefined schedule based of the running hours of each engine and according to manufacturer specifications. Most of the maintenance work is done onsite by employees of Cenergica.

Nejapa Shareholders Agreement

On November 28, 1995, Crystal Power and Inkia Salvadorian Power Ltd, or ISP, entered into a shareholders agreement, as amended and restated, which we refer to as Nejapa Shareholders' Agreement. The Nejapa Shareholders' Agreement sets forth certain rights and obligations of the shareholders of Nejapa Holdings, the sole member of Nejapa, relating to their participation in Nejapa Holdings. Under the Nejapa Shareholders' Agreement:

- the board of directors of Nejapa Holdings consists of five directors;
- ISP currently has the right to appoint three directors of the board of directors of Nejapa Holdings; and
- Crystal Power currently has the right to appoint two directors of the board of directors of Nejapa Holdings.

Generation Operations in Bolivia

COBEE

We own and operate generation facilities in Bolivia through our subsidiary COBEE. According to the CNDC, COBEE is the second largest generator of electricity in Bolivia based on effective capacity as of December 31, 2010, and owns and operates 14 run-of-the-river hydroelectric plants and an open-cycle natural gas powered generation plant. As of December 31, 2010, COBEE had an aggregate effective capacity of 229 MW, which represented 18.8% of the total effective capacity in the SIN. During the year ended December 31, 2010, COBEE generated 1,154.6 GWh of energy, representing 19.0% of the SIN's energy requirements. COBEE represented 8.5% of our consolidated revenue in 2008, 13.6% in 2009 and 11.4% in 2010.

The following table sets forth certain financial information for COBEE as of and for the years ended December 31, 2010. COBEE prepares its financial statements under IFRS. We have not included financial statements of COBEE in this offering memorandum. In the preparation of Inkia's consolidated financial statements, Inkia makes a variety of adjustments to the financial data reflected in COBEE's financial statements to conform to Inkia's accounting policies. The financial data with respect to COBEE presented in the following table is derived from the books and records of Inkia and is not derived from COBEE's financial statements prepared under IFRS.

	As of and for the Years Ended December 31,		
	2010	**2009**	**2008**
	(in millions of U.S. dollars, except as indicated)		
Financial Information:			
Revenue	US$48.0	US$44.4	US$24.5
Net income (loss)	8.2	5.0	(4.5)
EBITDA(1)	20.4	17.2	7.3
EBITDA margin(2)	42.5%	38.7%	29.8%
Cash	7.0	1.8	1.1
Interest bearing borrowings and short-term loans	53.5	49.5	56.9
Capital expenditures	(0.6)	(5.3)	(8.0)
Distributions(3)	7.3	1.5	9.3
Operating Data:			
Effective capacity at year-end (MW)	229	228	228
Availability during the year (%)	98.0%	95.0%	93.0%
Energy generated during the year (GWh)(4)	1,154.6	1,100.3	1,039.3
Energy sold under PPAs during the year (GWh)	287	298	927

(1) EBITDA represents net income before finance income (expenses), depreciation and amortization and income taxes expenses. Other companies may calculate EBITDA differently, and therefore this presentation of COBEE's EBITDA may not be comparable to other similarly titled measures used by other companies. For a reconciliation of COBEE's EBITDA to COBEE's net income, derived from the financial data used in the preparation of Inkia's consolidated financial statements, see the footnotes to the table presented in "Selected Financial and Other Information."
(2) Represents EBITDA divided by revenue.
(3) Includes dividends, capital reductions and repayments of loans to parent company.
(4) Represents gross generation.

Market Overview

COBEE conducts all of its operations in Bolivia. According to the Bolivian National Institute of Statistics (*Instituto Nacional de Estadística*), Bolivia had a population of approximately 10.4 million as of 2010. Bolivian GDP grew by 6.2% in 2008, 3.4% in 2009 and an estimated 3.6% in 2010.

Based on information available from the CNDC, as of December 31, 2010, thermal plants fueled with natural gas accounted for 59.2% of Bolivian effective capacity and hydroelectric plants accounted for 39.1%. As of December 31, 2010, hydroelectric plants in Bolivia had an aggregate effective capacity of 476 MW and thermal plants had an aggregate effective capacity of 742 MW, according to the CNDC. Bolivian generation plants generated 5,372 GWh in 2008, 5,633 GWh in 2009 and 6,086 GWh in 2010, according to the CNDC.

Following the nationalization of Guaracachi, Valle Hermoso and Corani in May 2010 by the government of Bolivia, the only generation companies currently developing power projects in Bolivia are government-owned entities.

Dispatch of Bolivia's hydroelectric plants is subject to seasonal variations as greater amounts of hydroelectric power are dispatched between November and April, the rainy season in Bolivia, and hydroelectric dispatch declines between May and October as operators of hydroelectric plants conserve water in the reservoirs serving their plants. In addition, dispatch of Bolivia's hydroelectric plants is subject to annual variations depending on climactic conditions.

Similarly to generation companies operating in other markets, Bolivian generation companies sell capacity and energy under PPAs or in the spot market. The following table sets forth a summary of capacity and energy sales in the Bolivian market for the periods presented.

	Capacity Sales (MW)			Energy Sales (GWh)		
	Under PPAs			Under PPAs		
Year Ended December 31,	Distribution	Other Unregulated	Spot Market	Distribution	Other Unregulated	Spot Market
2006	194	—	602	942.9	—	3,363
2007	196	—	699	1,039.7	—	3,647
2008	191	14	693	918.4	91.9	4,128
2009	—	48	892	—	397.1	5,000
2010	—	50	959	—	382.4	5,432

Source: CNDC.

Competition

The demand for power and electricity in Bolivia is primarily served by Guaracachi, COBEE, Valle Hermoso and Corani. Prior to May 2010, Guaracachi was a subsidiary of Rurelec Plc, Valle Hermoso was a subsidiary of the Bolivian Generating Group, and Corani was a subsidiary of Suez. In May 2010, the Bolivian government nationalized each of these generation companies and began negotiations with the owners of these generation companies with respect to the compensation to be paid for these assets.

The following table sets forth for a summary of the principal generation companies in Bolivia, indicating their effective capacity by type of generation as of December 31, 2010.

	Effective Capacity as of December 31, 2010 (MW)			
	Hydro	Natural Gas	Other	Total
Guaracachi	—	340	—	340
COBEE	210	19	—	229
Valle Hermoso	—	172	—	172
Corani	149	—	—	149
Other generation companies	118	191	21	329
Total	476	721	21	1,218

Source: CNDC.

The following table sets forth the quantity of energy generated by each of the principal generation companies in Bolivia for the periods presented.

Company	Energy Generation(1) For the Years Ended December 31, 2010	2009	2008
		(GWh)	
Guaracachi	1,568	1,652	1,538
Valle Hermoso	1,155	955	847
COBEE	1,155	1,100	1,039
Corani	699	817	862
Other generation companies	1,509	1,109	1,086
Total	6,086	5,633	5,372

(1) Gross generation.
Source: CNDC.

Generation Plants

COBEE owns and operates 10 run-of-the-river hydroelectric pants in the Zongo river valley, four run-of-the-river hydroelectric pants in the Miguillas river valley, and two open-cycle natural gas powered generation turbines at a plant located in El Alto-Kenko, adjacent to La Paz, Bolivia.

The following table sets forth certain information for each of COBEE's plants for each of the periods presented.

Plant	Year of Commission	Elevation	As of December 31, 2010 Effective Capacity	2010 Energy Generated (1)	2010 Availability Factor	2009 Energy Generated (1)	2009 Availability Factor	2008 Energy Generated (1)	2008 Availability Factor
		(in meters)	(MW)	(GWh)	(%)	(GWh)	(%)	(GWh)	(%)
Zongo Valley plants:									
Zongo	1997	4,264	11	11.3	99.1	10.7	99.7	10.1	97.2
Tiquimani	1997	3,889	9	8.9	99.1	12.2	98.3	11.8	97.0
Botijlaca	1938(2)	3,492	7	36.1	99.4	36.6	94.9	35.5	99.6
Cutichucho	1942(3)	2,697	24	116.6	98.0	124.4	97.8	110.6	93.9
Santa Rosa	2006	2,572	18	78.5	96.0	58.4	90.5	66.0	97.1
Sainani	1956	2,210	11	66.9	98.6	64.3	94.9	65.6	98.4
Chururaqui	1966(4)	1,830	25	126.1	95.9	128.8	99.4	124.9	96.6
Harca	1969	1,480	27	156.1	98.6	149.5	97.0	151.3	95.2
Cahua	1974	1,195	28	160.5	97.7	161.7	99.6	144.7	93.1
Huaji	1999	945	31	189.6	96.5	175.0	94.6	182.7	95.7
Miguillas Valley plants:									
Miguillas	1931	4,140	3	8.3	98.4	8.4	98.7	8.7	99.0
Angostura	1936(5)	3,827	6	19.9	98.9	19.4	97.0	15.3	82.3
Choquetanga	1939(6)	3,283	6	38.2	97.3	37.4	97.6	36.4	99.5
Carabuco	1958	2,874	6	43.2	96.1	42.3	97.5	42.2	98.1
El Alto-Kenko(7)	1995	4,050	19	94.4	97.5	71.3	75.0	33.5	58.7
Total			229	1,154.6		1,100.3		1,039.3	

(1) Gross generation.
(2) This plant was originally commissioned with an installed capacity of 3 MW in 1938. The installed capacity of this plant was increased by 2 MW in 1941 and 4 MW in 1998.
(3) This plant was originally commissioned with an installed capacity of 3 MW in 1942. The installed capacity of this plant was increased by 3 MW in 1943, 3 MW in 1945, 2 MW in 1958 and 15 MW in 1998.
(4) This plant was originally commissioned with an installed capacity of 15 MW in 1966. The installed capacity of this plant was increased by 15 MW in 1967 and 4 MW in 2008.

(5) This plant was originally commissioned with an installed capacity of 3 MW in 1936. The installed capacity of this plant was increased by 2 MW in 1958.
(6) This plant was originally commissioned with an installed capacity of 3 MW in 1939. The installed capacity of this plant was increased by 6 MW in 1944.
(7) Consists of two open-cycle turbines with an aggregate designed capacity of 37 MW that have an effective capacity of 19 MW as a result of their installed location at 4,050 meters above sea level.

Power Purchase Agreement

COBEE entered into a long-term PPA with Minera San Cristobal that has been effective since December 2008. Under this PPA, COBEE provides 43 MW of capacity and the associated energy to Minera San Cristobal. This PPA provides a fixed price for the agreed-upon capacity allocated and a formula price based on the applicable spot market rate for capacity allocated in excess of the agreed-upon amount. This PPA provides a formula price for the energy associated with the agreed-upon capacity allocated based on COBEE'S variable costs and a formula price based on the applicable spot market rate for energy allocated in excess of the agreed-upon amount. This PPA expires in October 2017.

Fuel and Spare Parts

COBEE purchases natural gas for its thermal plant from Yacimientos Petrolíferos Fiscales Bolivianos, or YPFB, a state-owned oil company, under a supply agreement dated November 28, 2008, as amended. Under this agreement, YPFB agreed to supply COBEE's natural gas requirements, subject to daily maximum amounts. Under this agreement, COBEE is required to pay for a minimum amount of natural gas per month. The price paid for natural gas is the same for all generation companies in Bolivia, which includes transportation, is adjusted from time to time by regulatory authorities in Bolivia. This agreement expires in December 2011.

Operations and Maintenance

Generally, each of COBEE's hydroelectric plants undergoes annual maintenance according to a pre-defined schedule. The maintenance is done by COBEE's own employees with support from third party contractors, primarily for maintenance related to civil works. In addition, COBEE contracts with third parties to perform road maintenance work in the Zongo and Miguillas valleys.

COBEE purchases its principal spare parts from international suppliers, primarily Alstom Brasil Ltda., through its Bolivian representative Fomento Mercantil Boliviano S.R.L., Indar Electric S.L., Andritz Hydro S.A.S. (Switzerland) through its Bolivian representative Intercom Ltda., General Electric International Inc., ABB and Siemens – Soluciones Tecnológicas S.A.

Other Investments

Pedregal

Pedregal owns and operates three generation units powered by heavy fuel oil at a plant located in Pacora, Panama, 15 miles east of Panama City. As of December 31, 2010, Pedregal had an aggregate effective capacity of 54 MW, which represented approximately 3.5% of the total effective capacity in the Panamanian interconnected system, based on information available from Secretaría Nacional de Energía, or the SNE. During the year ended December 31, 2010, Pedregal generated 363 GWh of energy, representing 5.1% of the Panamanian interconnected system's energy requirements, based on information available from the SNE.

Pedregal has fuel tanks at its plant with an aggregate storage capacity of 50,000 barrels and fuel is delivered to its plant by truck. Pedregal has entered into a long-term fuel supply agreement with Glencore International AG that expires in December 2018.

Pedregal has entered into a PPA with Empresa de Distribución Eléctrica Metro-Oeste, S.A., or Edemet, that expires in 2011, under which Edemet has agreed to purchase 32 MW of Pedregal's capacity, and a PPA with Elektra Noreste S.A., or ENSA, that expires in 2011, under which ENSA has agreed to purchase 15 MW of Pedregal's capacity. Under the PPA with Edemet, Edemet pays Pedregal monthly capacity charges and energy charges that permit the pass through of a majority of its variable costs. Under the PPA with ENSA, ENSA pays Pedregal monthly capacity charges and energy charges that are not adjusted to compensate Pedregal for its variable costs.

Pedregal has entered into a management services agreement with our wholly-owned subsidiary Inkia Panama Management S.R.L. that expires in October 2016. Under this agreement, Inkia Panama Management S.R.L. has been designated as the administrator responsible for day-to-day management of Pedregal. In addition, Pedregal entered into a maintenance agreement in October 2006 with MAN Diesel SE, or MAN, which expires in October 2011. Under this agreement, MAN is responsible for hiring and training up to three specialists to perform scheduled maintenance on Pedregal's engines, while Pedregal is required to provide qualified maintenance personnel to support such specialists. MAN is also obligated to procure spare parts for Pedregal's engines.

We own 21.2% of the membership interests of Pedregal. The other members of Pedregal are Conduit Capital Partners LLC, or Conduit, which owns 55.0% of the membership interests, Burmeister & Wain Scandinavian Contractor A/S, which owns 11.9% of the membership interests, and The Industrialization Fund for Developing Countries, which owns 11.9% of the membership interests. The members of Pedregal entered into a members agreement, dated as of October 1, 2001, that defined the rights and obligations of the members. Under this agreement:

- we have the right to appoint one of the four members of Pedregal's members' committee;

- the appointment and removal of the general manager of Pedregal requires the consent of Conduit;

- certain significant corporate actions require unanimous approval of the members, including: (1) amendments to Pedregal's dividend policy; (2) entering into EPC contracts, fuel supply agreements and operating and maintenance agreements; (3) incurring long-term debt; and (4) acquiring or disposing of assets with a value in excess of US$5 million;

- certain significant corporate actions require the approval of at least 80% of the membership interests of Pedregal, including, among others: (1) entering into PPAs; and (2) entering into any contract the value of which exceeds US$5 million and which does not otherwise require the unanimous approval of the members;

- each of the members of Pedregal has granted to the other a right of first offer prior to the transfer of any interest in Pedregal to a third party; and

- each of the other members has granted to The Industrialization Fund for Developing Countries a tag-along right permitting The Industrialization Fund for Developing Countries to participate in any sale of Pedregal shares to a third party.

Jamaica Private Power

Jamaica Private Power owns and operates two diesel generation units and a combined-cycle steam turbine at a plant located in Kingston, Jamaica. As of December 31, 2010, Jamaica Power had an effective capacity of 58 MW, which represented approximately 6.0% of the total effective capacity of the Jamaican interconnected system. During the year ended December 31, 2010, Jamaica Power generated 433 GWh of energy, representing 10.5% of the Jamaican interconnected system's energy requirements.

Jamaica Private Power has fuel tanks at its plant with an aggregate storage capacity of 50,000 barrels and fuel is delivered to its plant by truck or ocean-going vessel. Jamaica Private Power has entered into a long-term fuel supply agreement with Petrojam Limited that expires in January 2018.

Jamaica Private Power has entered into a long-term PPA with Jamaica Public Services Company, or JPSC, under which JPSC has agreed to purchase all of Jamaica Private Power's capacity and electricity production. This PPA expires in January 2018. Under this PPA, JPSC pays a monthly capacity charge and an energy charge that permits pass through of all variable costs.

We own 15.6% of capital stock of Jamaica Private Power and the remainder is owned by AEI. We do not have a shareholders agreement with respect to our interest in Jamaica Private Power.

Cenergica

Cenergica owns and operates a fuel terminal in Acajutla, El Salvador. Cenergica's fuel terminal is one of only two fuel terminals in operation in El Salvador. Cenergica's fuel tanks have an aggregate storage capacity of 240,000 barrels and fuel is delivered to its fuel terminal by ocean-going vessels through a 3-km submarine pipeline system. Cenergica performs operation and maintenance services for Nejapa and supplies fuel to Nejapa's generation plant.

Cenergica purchases heavy fuel oil for Nejapa's operations at market prices from a variety of suppliers on the spot market. Cenergica has entered into a fuel transport agreement with Corporin, S.A. de C.V., or Corporin, dated October 30, 2009, under which Corporin is obligated to transport fuel purchased by Nejapa from Cenergica's fuel terminal to Nejapa's plant. This agreement provides for Corporin to transport a fixed number of shipments of fuel and we expect that Corporin will complete its obligations under this contract in November 2011.

Cenergica has entered into two storage agreements under which Cenergica will provide a tank for the storage of an aggregate of approximately 200,000 barrels of liquid fuel. These agreements expire in December 2011, and are automatically renewable for additional one-month terms.

Cenergica has entered into reciprocal fuel terminal services agreements with Duke Energy International El Salvador, S. en C. de C.V., or DEIES, a subsidiary of Duke, dated October 11, 2007, under which Cenergica and DEIES have each agreed to receive and store fuel oil and diesel oil for the other party and Cenergica has agreed to deliver stored fuel for DEIES. These agreements have indefinite terms and may be terminated at any time upon 30-days' notice.

Property, Plant and Equipment

The following table provides certain information about the power plants that we own or lease as of December 31, 2010:

Company/Plant	**Location**	**Effective Capacity** (MW)	**Fuel Type**
Kallpa:			
Kallpa I	Chilca district, Peru	174	Natural gas
Kallpa II	Chilca district, Peru	194	Natural gas
Kallpa III	Chilca district, Peru	198	Natural gas
Kallpa Total(1)		566	
CEPP	Puerto Plata, Dominican Republic	67	Heavy Fuel Oil
Nejapa	Nejapa, El Salvador	140	Heavy Fuel Oil
COBEE:			
Zongo Valley plants:			
Zongo	Zongo Valley, Bolivia	11	Hydroelectric
Tiquimani	Zongo Valley, Bolivia	9	Hydroelectric
Botijlaca	Zongo Valley, Bolivia	7	Hydroelectric
Cutichucho	Zongo Valley, Bolivia	24	Hydroelectric
Santa Rosa	Zongo Valley, Bolivia	18	Hydroelectric
Sainani	Zongo Valley, Bolivia	11	Hydroelectric
Chururaqui	Zongo Valley, Bolivia	25	Hydroelectric
Harca	Zongo Valley, Bolivia	27	Hydroelectric
Cahua	Zongo Valley, Bolivia	28	Hydroelectric
Huaji	Zongo Valley, Bolivia	31	Hydroelectric
		189	

Company/Plant	Location	Effective Capacity (MW)	Fuel Type
***Miguillas Valley plants*:**			
Miguillas	Miguillas Valley, Bolivia	3	Hydroelectric
Angostura	Miguillas Valley, Bolivia	6	Hydroelectric
Choquetanga	Miguillas Valley, Bolivia	6	Hydroelectric
Carabuco	Miguillas Valley, Bolivia	6	Hydroelectric
		21	
El Alto-Kenko(2)	La Paz, Bolivia	19	Natural gas
COBEE Total		229	

(1) All of the assets of Kallpa are mortgaged or pledged to support the financing agreements to which Kallpa is a party.
(2) Consists of two open-cycle turbines with an aggregate designed capacity of 37 MW that have an effective capacity of 19 MW as a result of their installed location at 4,050 meters above sea level.

In addition, Cenergica owns three fuel storage tanks with an aggregate capacity of 240,000 barrels located on a 6.5 hectare plot of real property that we lease in Acajutla, El Salvador.

COBEE's subsidiary CESA owns an 11-story office building in La Paz which it is in the process of leasing.

We believe that we have satisfactory title to our plants and facilities in accordance with standards generally accepted in the electric power industry, other than title to certain land on which CEPP's fuel tanks are located. The CDEEE has agreed to sell us the land on which these tanks are located when the Dominican government transfers title to this the land to the CDEEE. However, the Dominican government has not completed the process of registering the ownership of this land for transfer to the CDEEE and we cannot estimate when this process will be finalized. We believe that the lack of title to the land on which CEPP's fuel tanks are located does not and will not have a material adverse effect on the use or value of our portfolio.

We lease our principal executive offices in Lima, Peru and various other office space in the markets that we serve. We own all our production facilities, other than Kallpa I, Kallpa II and Kallpa III, but we generally lease our administrative offices. We lease the Kallpa I, Kallpa II and Kallpa III facilities under capital leases as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—Long-Term Indebtedness."

We believe that all of our production facilities are in good operating condition. As of December 31, 2010, the consolidated net book value of our property, plant and equipment was US$631.5 million.

Employees

As of December 31, 2010, we had a total of 546 employees. All of our employees are employed on a full-time basis, divided into the following functions: plant operation and maintenance, administrative support, corporate management, budget and finance, and project management.

The table below sets forth our breakdown of employees by main category of activity and geographic location as of the dates indicated:

	As of December 31,		
	2010	**2009**	**2008**
Number of employees by category of activity:			
Plant operation and maintenance	371	372	379
Administrative support	118	119	115
Corporate management, budget and finance	44	41	39
Other, including project management	13	11	7
Total	546	543	540
Number of employees by geographic location:			
Peru	86	76	66
Dominican Republic	81	78	78
El Salvador	130	136	142
Bolivia	188	193	196
Panama	61	60	58
Total	546	543	540

We do not employ a material number of temporary employees.

None of our employees are represented by labor unions, other than some of the employees of COBEE. As of December 31, 2010, approximately 71.8% of COBEE's employees were represented by the Sindicato Unico de Trabajadores de Luz y Fuerza COBEE. We negotiate a collective bargaining agreement with this union on an annual basis. We maintain good relations with our employees and with the Bolivian union representing the employees of COBEE. Since the time of the formation of Inkia, none of our operating subsidiaries has experienced a strike that had a material effect on our operations.

Insurance

We carry insurance for our plants against material damage and consequent business interruption through comprehensive "all-risks" insurance policies. These all-risks insurance policies provide for total replacement values of US$250 million for property damage and are in force until July 2011. This insurance coverage is underwritten in the London insurance market by large European and U.S. insurance companies.

The material damage insurance for our operations provides insurance coverage for losses due to accidents resulting from fire, explosion and machinery breakdown, among others. This coverage has a maximum indemnification limit of US$200 million per event (combined material damage and business interruption coverage). These policies have deductibles of up to US$750,000, depending on the plant.

The business interruption coverage under each of these policies provides insurance for losses resulting from interruptions due to any material damage covered by the policy. The losses are covered until the plant production is fully re-established, with maximum indemnity periods ranging from 12 to 36 months.

As a part of our insurance policies, we also have a third-party liability policy for our operations, which covers losses for damages caused to third parties from our operations, including sudden environmental pollution, up to US$10 million per loss or occurrence.

We carry insurance for Kallpa's combined-cycle conversion project to protect us against certain risks associated with this project. We carry (1) a construction all-risk policy with a limit of US$271 million, (2) a consequent delay in start-up policy with a limit of US$101 million with an 18-month indemnity period, (3) a marine cargo physical damage policy with a limit of US$50 million or the equivalent in other currencies for any one vessel, and (4) a marine delay in start-up policy with a limit of US$101 million with an 18-month indemnity period.

We do not anticipate having any difficulties in renewing any of our insurance policies and believe that our insurance coverage is reasonable in amount and consistent with industry standards applicable to energy generation companies operating in our markets.

Legal Proceedings

We are involved in certain legal proceedings from time to time that are incidental to the normal conduct of our business, none of which, if decided adversely to us, is expected to have a material adverse effect on our results of operations, financial position and cash flows, other than as described below. For some of these lawsuits, we have not established any provision on our statement of financial position based on our judgments as to the outcomes of these lawsuits.

Crystal Power Litigation

Crystal Power, the holder of the minority interest in Nejapa Holdings, has filed a lawsuit alleging, among other things, that we breached certain rights of Crystal Power in its capacity as the holder of a minority interest in Nejapa Holdings. The most significant of Crystal Power's alleged claims arises from a settlement that Nejapa entered into with CEL in March 2002. Prior to that time, Nejapa provided electricity to CEL under a PPA that had been entered into in May 1994. In 1999, CEL initiated arbitration seeking to terminate the PPA, arguing that due to unforeseeable circumstances the PPA had become excessively onerous and that its continued performance imposed an undue hardship upon CEL. This arbitration resulted in an award to Nejapa in March 2002 consisting of a cash payment of US$90 million by CEL and the execution of a transmission costs agreement under which CEL agreed to pay transmission costs and certain related costs of Nejapa Holdings for five years.

Under the Nejapa Shareholders Agreement, at the time of this award, Crystal Power owned 13.5% of the shares of Nejapa Holdings, but was entitled to receive additional shares of Nejapa Holdings equivalent to 15.7% of the shares of Nejapa Holdings on the 13th anniversary of the on-line service date of Nejapa's plant.

Crystal Power brought suit in the County Court of Brazoria County, Texas in October 2002, against El Paso Corporation, or El Paso, which at the time of the arbitral award was the other shareholder of Nejapa Holdings, claiming, among other things, that the settlement had been entered into in order to deny Crystal Power its increased proportionate interest in Nejapa Holdings' claim against CEL. We refer to this litigation as the Crystal Power litigation.

During 2006, El Paso sold its interest in Nejapa Holdings to Globeleq and agreed to indemnify Nejapa Holdings and ISP (the sole shareholder of Nejapa Holdings) for losses incurred based upon or arising out of claims that were asserted in the Crystal Power litigation or on claims which Crystal Power or its affiliates could have asserted in the Crystal Power litigation based on the facts alleged therein or giving rise thereto.

In January 2010, El Paso entered into a settlement agreement with Crystal Power under which Crystal Power agreed, among other things, to withdraw all of its claims against El Paso in the Crystal Power litigation. This settlement also provided that Crystal Power would release all claims against Nejapa Holdings and ISP for which El Paso owed an indemnity obligation under the stock purchase agreement related to the sale of its interests in Nejapa Holdings. After its settlement with El Paso, Crystal Power realleged in the Crystal Power litigation substantially the same claims against Nejapa Holdings and ISP it had previously settled with El Paso in the County Court of Brazoria County, Texas.

In addition to these claims, in February 2008, a related suit was severed from the Crystal Power litigation in which Crystal Power asserted, among other things, claims against Nejapa, Nejapa Holdings and Inkia Salvadorian Power in the County Court of Brazoria County, Texas, alleging that it was entitled to 29.2% of the amount of all dividends or distributions paid by Nejapa Holdings after the 13th anniversary of the on-line service date of the Nejapa plant. The actual date of the on-line service date of the Nejapa plant is at issue in this litigation.

In February 2010, both cases were removed to the United States District Court for the Southern District of Texas, or the Texas District Court. In November 2010, the Texas District Court denied Crystal Power's motions to remand these cases to the County Court of Brazoria County, Texas. A motion of Nejapa Holdings and ISP to consolidate Crystal Power's claims into one proceeding is pending. In March 2011, a magistrate judge recommended to the Texas District Court that Crystal Power should be required to submit to arbitration proceedings to resolve all of its claims against Nejapa Holdings and ISP, other than the February 2008 claims. The magistrate judge recommended that the February 2008 proceedings be suspended until the arbitration proceedings are concluded.

Energy Tariff Adjustment in Bolivia

Prior to December 2008, the tariff paid to COBEE under its PPAs was calculated on a cost-plus basis under which COBEE was entitled to receive a tariff equal to its operating and depreciation costs plus a margin of 9%. The AE in Bolivia was entitled to review COBEE's calculation of its operating and depreciation costs and retroactively adjust the tariffs actually received by COBEE.

In April 2010, the AE concluded its review of COBEE's operating and depreciation costs for the period from 2006 through 2008 and issued a resolution claiming an adjustment from COBEE in the aggregate amount of US$7.4 million. COBEE filed a motion for reconsideration. In October 2010, the AE issued a resolution revising the amount of the adjustment claimed from COBEE to US$6.8 million and charged this amount to COBEE's individual account in the Bolivian Stabilization Fund for the Electrical Market, or the Stabilization Fund, as described below. In November 2010, COBEE filed a second motion for reconsideration with the AE to contest the October 2010 resolution. In February 2011, the AE dismissed COBEE's second motion for reconsideration. COBEE is in the process of filing an appeal of the AE's decision with the Vice Ministry of Energy.

The AE maintains a Stabilization Fund account for each generation company in Bolivia and is responsible for determining whether these accounts are generating receivables or payable on a monthly basis. The AE determines the amounts owed to or by each generation company by multiplying a generator's percentage of the installed capacity of the SIN by the difference between the electrical regulated tariff that is charged by the distribution companies to end users and the costs incurred by such distribution companies during the relevant month. The regulated tariff is determined by the AE on a quarterly basis. As of September 30, 2010, COBEE's account with the Stabilization Fund had accrued receivables of US$3.3 million. In October 2010, the AE charged COBEE's account the US$6.8 million it claimed COBEE owed under the October 2010 resolution. As of January 31, 2011, COBEE owes the Stabilization Fund US$1.6 million.

REGULATORY OVERVIEW

Regulation of the Peruvian Electricity Sector

General

The primary laws governing the Peruvian electricity sector are the Law to Secure the Efficient Development of Electricity Generation-Law No. 28832 (*Ley Para Asegurar el Desarrollo Eficiente de la Generación Eléctrica*), or Law No. 28832, the Law of Electricity Concessions Decree-Law No. 25844 (*Ley de Concesiones Eléctricas*), and the Framework Law of the Regulatory Agencies of Private Investment in Public Services – Law No. 27332 (*Ley Marco de los Organismos Reguladores de la Inversión Privida en los Servicios Públicos*), which we collectively refer to as the Peruvian General Electricity Law. The Peruvian General Electricity Law and its implementing regulations establishes the legal framework for the electricity sector and governs: (1) the generation, transmission, distribution and commercialization of electricity; (2) the functioning of the energy market; and (3) generation prices, capacity payments and other electricity sector charges.

All entities that generate, transport or distribute electricity to third parties in Peru, including self-generators and co-generators that sell their excess capacity and energy through the SEIN, are regulated by the Peruvian General Electricity Law.

Although significant private investments have been made in the Peruvian electricity sector and independent bodies have been created to regulate and coordinate the oversight of the electricity sector, the Peruvian government retains ultimate oversight and regulatory functions. In addition, the Peruvian government owns and controls various generation and distribution companies in Peru.

Regulatory Entities

There are five entities that are responsible for the regulation, operation and oversight of the Peruvian electricity sector: the MINEM; the OSINERGMIN; the COES; the OEFA and the INDECOPI.

MINEM

The MINEM was created in 1969 pursuant to Law Decree No. 17271. The MINEM is responsible for: (1) establishing the national energy policy; (2) proposing and adopting rules and regulations governing the energy sector; (3) reviewing and approving expansion plans for the SEIN; (4) promoting scientific research and investments in the energy sector that are consistent with these plans; (5) awarding authorizations and concessions, as applicable, to entities that wish to engage in generation, transmission or distribution activities in Peru and (6) approve transmission expansion plans.

OSINERGMIN

Pursuant to the Peruvian General Electricity Law, the OSINERGMIN is an independent entity that has the power and responsibility to, among other things: (1) supervise participants' compliance with legal obligations and regulations, as well as with the technical rules relating to generation, transmission, distribution and commercialization of electricity; (2) create, enforce and systematically analyze the structure and pricing levels of electricity in Peru and establish tariffs and fees charged to regulated customers; (3) authorize the modification of these tariffs pursuant to indexation formulas; (4) supervise the energy sector to prevent monopolistic practices; (5) apply fines and penalties in case of violations of laws and regulations; (6) require from the energy sector participants all technical, financial and statistical information necessary to carry out its duties; (7) issue regulatory norms within the scope of the Peruvian General Electricity Law; (8) handle claims by, between or against consumers and/or the energy sector participants; (9) supervise the public bidding process for certain PPAs; (10) promote competition, transparency and equity in the energy market; and (11) supervise the operations of the COES.

OEFA

On March 4, 2011, the OEFA assumed responsibility for ensuring that generation companies in Peru comply with all applicable environmental regulations. The OSINERGMIN had been the agency responsible for environmental compliance prior to this date.

COES

The COES is responsible for: (1) planning and coordinating the operation of generation plants and transmission lines to assure a safe and reliable supply of electricity at the lowest possible cost; (2) allocating the firm capacity of the power generation units of the system; (3) submitting proposals to the OSINERGMIN for the issuance of regulatory norms, including technical standards and procedures that serve as guidelines for the fulfillment of the COES's duty to operate the SEIN; (4) managing a clearing mechanism for sales and purchases of energy and capacity between participants in the energy sector by calculating and valuing transfers of energy on the SEIN; and (5) proposing transmission expansion plans to the MINEM.

INDECOPI

The INDECOPI is the Peruvian antitrust authority that is responsible for maintaining the competitiveness of the Peruvian energy sector. The Peruvian government seeks to keep the barriers to entry to the Peruvian energy market low by limiting the ability of energy companies to vertically integrate. As a result, most Peruvian energy companies operate as a generation company, a transmission company or a distribution company. However, Endesa, which controls Edegel, also controls Edelnor S.A.A., a distribution company based in the north of Lima, and Empresa Eléctrica de Piura S.A., a generation company based in the Peruvian Northwest.

Generation Companies

Since 1992, the Peruvian power market has operated as a marginal cost system. The COES determines which generation units are to be dispatched with the goal of minimizing the cost of energy supplied to the system, independent of contractual arrangements. Generation units are dispatched in real time in order of merit, beginning with the generation unit with the lowest variable cost until the demand for electricity by the system is satisfied. The variable cost of the last generation unit dispatched during any measurement period determines the price of electricity paid to all generators producing electricity during the relevant measurement period, or the spot price. The COES makes adjustments based on fluctuating demand requirements as necessary to optimize the dispatch. The COES publishes a merit order list that it uses to coordinate the dispatch of the generation units. While the merit order is effective, the COES may deviate from the published dispatch order to account for congestion in the transmission system and other technical factors. Dispatched variable cost for most generation units is based on the price of fuel, the units' efficiency (heat rate), and the nodal factor. Generation units that are fueled by natural gas are permitted to declare their costs for natural gas in connection with the calculation of the dispatched variable cost of these plants. The dispatched variable cost of natural gas generation units is capped based on the fuel prices paid by the generation companies that operate such units. The types of generation units that the COES dispatches primarily include:

- hydroelectric plants;
- open-cycle plants fueled by natural gas;
- combined-cycle plants fueled by natural gas;
- coal plants; and
- fuel oil plants.

At the end of each month, the COES calculates the volume of energy dispatched by each generator to the SEIN, the volume of energy withdrawn by each unregulated customer and distribution company of each such generator, and the applicable purchase prices of energy (in *nuevos soles*) for the energy transactions that occurred in that month. The amount owed to each generator is based on the spot market price of energy at the time that generator dispatched energy to the SEIN and the amount of energy consumed by the relevant generator's customers, in each case, calculated at fifteen minute intervals. After receiving the COES's reconciliation of the amounts of electricity dispatched and delivered during a particular month, generators with a positive balance invoice their respective distributors, generators and other market participants for the net receivable accrued by that generator for net spot market sales during the prior month. The COES does not invoice or collect any amounts resulting from the operation of the system.

Purchasers of energy in the spot market include generators that are not scheduled to dispatch sufficient energy to cover their commitments under their PPAs. Sellers of energy in the spot market include generators that are scheduled to dispatch energy in excess of the amounts necessary to cover their commitments under their PPAs and generators with no commitments under PPAs. While distribution companies and unregulated customers are not prohibited from entering into spot market transactions, the Peruvian regulatory authorities have not implemented any procedures to grant distribution companies and unregulated customers access to the spot market.

In 2008, problems relating to the transportation of natural gas through TGP's pipeline, which is Peru's primary natural gas pipeline, resulted in the unavailability for dispatch of significant amounts of Peru's thermal generation capacity, leading to a significant increase in spot market prices for energy. In response to these price increases, the Peruvian government passed Urgency Decree 049-2008 and Urgency Decree 079-2010, which provided new rules for the calculation of spot market prices. Under these decrees, the COES must determine the spot market prices for energy without taking into account any costs attributable to problems relating to the supply of natural gas or congestion in the transmission grid. Generators with variable generation costs that exceed the adjusted spot market price are compensated for these extra costs through additional transmission tolls passed through to end users and collected by distribution companies.

Generators also receive capacity payments from the SEIN based on their firm capacity. Capacity transactions are regulated by the Peruvian General Electricity Law. These rules establish a methodology for allocating firm capacity to each generation unit. The COES allocates a portion of this capacity to each generation unit based on factors specified in the regulatory framework, including the aggregate effective capacity of the generation units connected to the SEIN, the estimated demand for energy, the availability rate of each generation unit and the variable cost of each unit and the reserve margin. The portion of the total capacity allocated to a generation unit is referred to as that generation unit's firm capacity. The availability rate for each generation unit takes into account the availability of the unit during peak hours over the previous two years.

The financial settlement of capacity transactions under PPAs is independent of the actual allocation of capacity to any particular generation unit. There is no obligation to allocate the capacity necessary to fulfill PPA commitments. Generators accrue receivables from the counterparties to their PPAs based on the contract price in their PPAs and the available capacity specified in their PPAs. The COES allocates capacity in a manner designed to match the supply and demand for peak capacity during any particular year. Generators that have not been allocated sufficient firm capacity by the COES to cover their commitments under their PPAs purchase firm capacity from generators that have been allocated firm capacity in excess of the amounts necessary to cover their commitments under their PPAs.

The COES calculates firm capacity for power generation units on a monthly basis based on information provided by the generators. Net payments are made based upon these calculations.

Energy sales under PPAs are not regulated unless they involve sales of energy to distribution companies for resale to regulated customers. These PPAs are subject to price caps and generators must submit public bids for these PPAs. See "—Distribution Companies." As with capacity transactions under PPAs, the financial settlement of energy transactions under PPAs is independent of the actual dispatch of energy by any particular generation unit. Generators accrue receivables from the counterparties to their PPAs based on the contract price in their PPAs and the amount of energy delivered from the SEIN. The COES's dispatch of generation units in the SEIN is designed to satisfy the demands of the energy sector in the most efficient manner possible and the COES is not under any obligation to dispatch a particular generation unit to fulfill a generator's PPA commitments. Generators use the COES's monthly reconciliation of the amount of energy dispatched and delivered to invoice their customers for amounts due under PPAs.

The Peruvian government requires (1) generators with an installed capacity in excess of 500 kW that use renewable energy sources to obtain a concession, and (2) generators with an installed capacity in excess of 500 kW that use thermal energy sources to obtain an authorization. A concession for electricity generation activity is an agreement between the generator and the MINEM, while an authorization is merely a unilateral permit granted by the MINEM. Authorizations are granted by the MINEM for an unlimited period of time, although their termination is subject to the same considerations and requirements as the termination of a concession under the procedures set forth in the Law of Electrical Concessions (Law No. 25844) and related regulations. All the units of our Kallpa plant have the required authorization granted by the MINEM.

Transmission Companies

The transmission grid of the SEIN is operated by the COES. Expansion plans for the transmission grid are proposed by the COES to the MINEM for final approval. Pursuant to Law No. 28832, which is applicable to expansion projects commissioned after July 2006, transmission companies that wish to construct transmission lines pursuant to an expansion plan may participate in a public bidding process. If a transmission company is awarded an expansion project through this bidding process, the company will receive transmission tolls and connection tariffs set by the OSINERGMIN, that cover an annual fixed fee of 12% of the replacement value of the relevant transmission project and the operation and maintenance costs of the project, in each case, from distribution companies and generation companies. This compensation system is designed to pass through the costs of constructing the relevant transmission project to all end users and is referred to as the guaranteed system. The transmission lines that are part of the guaranteed system are accessible to all generators and allow electricity to be delivered to all of their customers. Transmission lines that are not built as a result of an award under the public bidding process are part of the complementary system. The tariffs that may be charged by transmission companies for their operations in the complementary system are set by the OSINERGMIN, based on a proposal by the owners of transmission facilities pursuant to methodologies approved by the OSINERGMIN, and are only charged to users of the relevant transmission lines.

Distribution Companies

Under the Peruvian General Electricity Law, distribution companies are required to supply energy to regulated customers. Distribution companies may also supply energy to unregulated customers through PPAs. Currently, the only private companies with distribution concessions in Peru are Luz del Sur, Edelnor, Edecañete, Electro Dunas and Coelvisac. These five companies account for approximately 60% of the energy sold by distribution companies in Peru, based on information available from the OSINERGMIN. The remainder is sold through state-owned entities.

Prior to July 2006, the pricing mechanism in contracts between generators and distribution companies for the resale of energy to regulated customers included energy tariffs comprised of charges for capacity, generation and transmission, or bus bar prices, and a charge referred to as the Value Added of Distribution *(Valor Agregado de Distribución)*, or the VAD charge. The VAD charge is the margin above the cost of purchasing electricity from generators which distributors charge to their end users. The VAD charge is designed to provide a distributor with a return in excess of its capital investments, fixed operating and maintenance costs and a fixed percentage of its energy distribution losses. Currently, the amount of energy purchased by distribution companies from generators at bus bar prices under older PPAs is less than 20%, based on information available from the OSINERGMIN. The VAD charge and the bus bar prices under these older PPAs are set annually by the OSINERGMIN. Kallpa has one PPA with bus bar prices under which it is obligated to supply 300MW of energy to Luz del Sur from November 2012 to December 2013.

Since July 2006, pursuant to Law No. 28832, contracts to sell energy to distribution companies for resale to regulated customers may be made at fixed prices based on public bids of generation companies or at the bus bar prices set by the OSINERGMIN. After the bidding process is concluded, a distribution company will be entitled to purchase energy from the winning bidder at the bid price for the life of the relevant PPA. The prices obtained through the public bid process are subject to a maximum energy price set by the OSINERGMIN prior to bidding. If all the bids are higher than the price set by the OSINERGMIN, the public bids are disregarded and no PPA will be awarded. The process may be repeated until the prices that are offered are below the cap set by the OSINERGMIN. Under Law No. 28832, the prices charged to regulated customers under these PPAs are capped at a price based on a weighted average of the bid price of the winning generator and the applicable bus bar prices. As these prices are typically in excess of bus bar prices, these PPAs allow distribution companies to more effectively pass through their operating costs to their end users.

Regulation of the Dominican Electricity Sector

General

The General Electricity Law of the Dominican Republic (*Ley General de Electricidad*), or the Dominican Electricity Law, which was enacted in July 2001, established a legal framework for the electricity sector governing: (1) the generation, transmission, distribution and commercialization of electricity; (2) the functioning of the energy market; and (3) energy and capacity prices, payments for ancillary services and other electricity sector transactions.

All entities that generate, transport or distribute electricity to third parties in the Dominican Republic, including self-generators and co-generators that sell their excess capacity and energy through the SENI, are regulated by the Dominican General Electricity Law.

Among other things, the Dominican General Electricity Law permits participation in generation based on the principle of free entry. In addition, the Dominican General Electricity Law gives large energy consumers (currently, those with energy requirements in excess of 1.0 MW) the option to buy energy directly from the generators.

The Corporación Dominicana de Empresas Eléctricas Estatales, or the CDEEE, was created pursuant to the Dominican General Electricity Law. The CDEEE leads and coordinates the operations of the state-owned utilities in the Dominican energy sector, implements the Dominican government's electricity programs and administers the various PPAs with independent power producers, or IPPs.

Although significant private investments have been made in the Dominican energy sector and independent bodies have been created to regulate and coordinate the oversight of the energy sector, the Dominican government retains ultimate oversight and regulatory functions. In addition, the Dominican government owns and controls EDE-Sur, EDE-Norte and EDE-Este, the transmission grid and the hydroelectric facilities in the Dominican Republic. The Dominican government's oversight responsibilities for the energy sector are carried out by the Dominican CNE and by the SIE.

Regulatory Entities

Pursuant to the Dominican General Electricity Law, the entities that primarily regulate and affect companies participating in the Dominican energy sector are the Dominican CNE, the SIE and the OC. The Dominican CNE is responsible for proposing and adopting rules and regulations governing the energy sector. The SIE has the power and responsibility to, among other things, create, enforce and systematically analyze the structure and pricing levels of electricity in the Dominican Republic and establish tariffs and fees charged to regulated customers. The SIE is also responsible for supervising participants' compliance with legal obligations and regulations, as well as with the technical rules relating to generation, transmission, distribution and commercialization of electricity. The OC is responsible for planning and coordinating the operation of the generation plants and transmission lines to assure a safe and reliable supply of electricity at the lowest possible cost. The OC also calculates and values transfers of energy on the SENI and allocates the firm capacity of the power generation units.

Generation Companies

The Dominican energy market is a marginal cost system. The OC determines which generation units are to be dispatched on an hourly basis. Variable cost information is submitted weekly by the generators to the OC, which the OC uses to formulate a merit order list that it uses to coordinate the dispatch of the generation units. Dispatched variable cost is based on the price of fuel, the units' efficiency (heat rate), and the nodal factor. On a monthly basis, the OC reconciles the amounts of electricity dispatched and delivered on the SENI and provides this reconciliation to each generator.

The spot market in the Dominican Republic commenced operations in June 2000. Transactions in the spot market are denominated in Dominican pesos. Payments for electricity sold on the spot market are due approximately 21 days from the last day of the month in which the dispatch occurred. Invoices for spot market transactions not paid when due bear interest at the domestic lending interest rate (*tasa activa*) set by the Dominican Central Bank and are subject to penalties established under Dominican electricity regulations.

Capacity transactions are regulated by the *Reglamento de Aplicación a la Ley General de Electricidad* (Rules for the Application of the Dominican General Electricity Law). These rules establish a methodology for allocating firm capacity to each generation unit. The OC estimates the total capacity necessary to operate the system based on yearly peak demand. The OC allocates a portion of this capacity to each generation unit based on factors specified in the regulatory framework, including the number of generation units connected to the SENI, the capacity of each of these generation units, the level of reliability required by the SENI and the availability rate of each generation unit. The portion of the total capacity allocated to a generation unit is referred to as that generation unit's firm capacity.

The availability rate for each generation unit takes into account the ability to generate energy and is reduced by force majeure, lack of fuel supply, maintenance schedules, forced outages or other similar events. For generation units that have been in operation for less than 10 years, the availability rate of each generation unit is calculated using a weighted average formula that credits 60% of the generation unit's historical availability and 40% of the international reference availability for a generation unit with a similar technology, as published by the North American Electric Reliability Council. For generation units that have been in operation for 10 years or more, the availability rate is based solely on historical data.

Energy sales are, for the most part, unregulated by the Dominican authorities. However, distribution companies are prohibited from purchasing more than 80% of their energy requirements from generators under PPAs.

Generation and distribution companies that wish to supply customers with more than 2 MW of energy at peak demand are required to obtain a concession from the Dominican government. Companies that are not required to obtain concessions may operate in the Dominican energy sector as long as they comply with the technical and operational standards set forth in the Dominican General Electricity Law. CEPP's concession to operate as a generation company expires in May 2011. CEPP has applied to obtain the renewal of its concession.

Transmission

The SENI is completely integrated, allowing electricity to flow between generators, distribution companies and unregulated users in the manner determined by the OC. The transmission grid of the SENI is owned and operated by Empresa de Transmisión del Estado Dominicano, S.A., or ETED, which is wholly owned by the Dominican government. Operating on behalf of ETED, the generation companies collect transmission tolls from the distribution companies and unregulated customers which the generation companies remit to ETED. The transmission tolls are fixed annually by the SIE and are charged on a monthly basis based on the quantity of energy consumed during the relevant month.

Distribution Companies

There are three distribution companies in the Dominican Republic that operate within the SENI: EDE-Este, EDE-Norte and EDE-Sur. These distribution companies were each incorporated in the Dominican Republic in 1999 as part of the reorganization and privatization process and were granted 40-year electricity distribution concessions over the East, North and South regions of the Dominican Republic, respectively.

On October 1998, the Ministry of State for Industry and Commerce enacted Resolution SEIC No. 237-1998, which established a regime for the distribution tariff applicable to the three distribution companies. The tariff is designed to reimburse distribution companies for the cost of the energy purchased and the transmission of that energy to their facilities and provide them with a distribution value added fee to reimburse their operating costs and allow them to generate a profit.

The Dominican authorities have also enacted some regulations relating to PPAs entered into by distribution companies. The distribution companies are permitted to enter into PPAs to provide for not more than 80% of their estimated energy requirements. In order for the distribution companies to be allowed to include the cost of energy purchased under their PPAs in their tariffs, the execution and delivery of such PPAs must be the result of a bidding process supervised by the SIE.

Regulation of the Salvadorian Electricity Sector

General

The General Electricity Law of El Salvador (*Ley General de Electricidad*), or the Salvadorian General Electricity Law, which was enacted in October 1996, establishes the legal framework for the energy sector and governs: (1) the generation, transmission, distribution and trading of electricity; (2) the functioning of the energy market; and (3) generation prices and other energy sector charges.

All entities that generate, transport or distribute electricity to third parties in El Salvador, including self-generators and co-generators that sell their excess capacity and energy through the SIEG, are regulated by the Salvadorian General Electricity Law. The Salvadorian General Electricity Law does not prohibit the vertical integration of generation, transmission and distribution companies operating in El Salvador.

Regulatory Entities

There are three entities that are responsible for the regulation, operation and oversight of the Salvadorian electricity sector. The Salvadorian CNE was created in 2007 and is responsible for proposing and adopting policies and rules governing the electricity sector. The SIGET is an independent regulatory authority that regulates the electricity and telecommunications sectors in El Salvador. The SIGET is responsible for ensuring the compliance by industry participants with all applicable laws and regulations relating to the electricity and telecommunications industries in El Salvador, and has issued and may issue further regulations implementing the Salvadorian General Electricity Law. The SIGET is also responsible for, among other things, the approval of maximum electricity distribution tariffs to be charged by the distribution companies to their regulated customers and the approval of certain concessions. The UT is a private company that issues shares to energy sector participants and, thus, is wholly-owned by these participants. The UT is responsible for planning and coordinating the operation of the SIEG's generation and transmission systems and acting as a clearinghouse for transactions in the wholesale energy market.

Wholesale Energy Market

El Salvador's wholesale energy market is comprised of two components: a contract market based on contracts between generators, distributors and energy traders; and a spot market on which the price of energy is determined by the daily bids from spot market participants specifying the prices at which they are willing to buy or sell energy. Of El Salvador's total energy requirements, approximately 50% are traded on the contract market and approximately 50% are traded on the spot market. Electricity transactions in the contract market, and the terms of these contracts, are negotiated and agreed upon on a bilateral basis between buyers and sellers of electricity. Spot market transactions for energy are settled on a monthly basis between generators, distribution companies and large electricity consumers through a clearing mechanism managed by the UT. The cost of capacity, the provision of a spinning reserve and other services are factored into the energy prices charged by the generators under their PPAs and the prices set forth in their daily bids for spot market purchases and sales.

Dispatch, Settlement and System Operation

Currently, the Salvadorian electricity market operates as a bid system (as opposed to a marginal cost system). Under this system, each generator submits its offer price for each hour of electricity generation for spot market transactions to the UT on a daily basis. The UT dispatches the generation units based on the lowest bids submitted for the relevant hour of generation, subject to transmission and other technical constraints. The balance of the expected demand is met by dispatching generators according to the bids that they have submitted. Generators' bids contain bid prices for each hour of generation. Each generation unit that is dispatched in a given hour is paid its bid price for that hour, while all spot market purchasers of energy in that hour pay the average weighted system bid price for that hour.

The UT is also responsible for coordinating the settlement of energy transactions on the SIEG. At the end of each month, the UT calculates the value of all of the transactions on the wholesale electricity market and prepares reports detailing the amounts owed to the relevant market participants. Amounts due from market participants in the wholesale energy market to other market participants are transferred through the UT as a clearinghouse for settlements.

Shift to Marginal Cost System

In 2003, the Salvadorian government approved the Law for the Operation of the Transmission System and the Wholesale Market based on Generation Costs, or Decree No. 88, to shift the Salvadorian energy market from the bid system to a marginal cost system. The implementation of this law has been delayed until the Salvadorian government finalizes the methodologies for calculating the variable costs of generation units on the SIEG. We expect that Decree No. 88 will be implemented by the end of the second quarter of 2011. Once Decree No. 88 is implemented, generation units will be dispatched in real time in order of merit. The UT will make adjustments based on fluctuating demand requirements as necessary to optimize the dispatch.

Under the marginal cost system, the UT will continue to operate as a clearinghouse for payments for sales and purchases of energy on the spot market and under PPAs. While the new system will affect the manner in which the UT will calculate the value of energy transactions, we expect the UT to adopt methodologies similar to those used by regulators of other marginal costs systems to value energy transactions.

Under Decree No. 88, generators will receive capacity payments based on their firm capacity. These capacity transactions will be regulated by the Operations Regulation (*Reglamento de Operaciones del Sistema*) of the UT. These rules will establish a methodology for allocating firm capacity to each generation unit. The UT will estimate the total capacity necessary to operate the system based on yearly peak demand. The UT will allocate a portion of this capacity to each generation unit based on factors specified in the regulatory framework, including the number of generation units connected to the SIEG, the capacity of each of these generation units, the level of reliability required by the SIEG and the availability rate of each generation unit. The portion of the total capacity allocated to a generation unit is referred to as that generation unit's firm capacity. The availability rate for each generation unit will take into account the ability to generate and will be reduced by force majeure, lack of fuel supply, maintenance schedules, forced outages or other similar events. The availability rate for a generation unit will be based on historical data from the last five years of such unit's operation.

Energy sales under PPAs will not be regulated under the new system unless they involve sales of energy to distribution companies for resale to regulated customers.

Transmission Companies

The UT is responsible for operating the transmission grid of the SIEG. Empresa Transmisora de El Salvador S.A., or ETESAL, is the state-owned entity responsible for the maintenance and expansion of the SIEG. There are no other transmission companies operating in the Salvadorian energy sector.

Distribution Companies

There are five major distribution companies in El Salvador which operate on the SIEG: Compañía de Alumbrado Público de San Salvador S.A. de C.V., Distribuidora Eléctrica del Sur S.A. de C.V., AES CLESA y Compañia, Sociedad en Comandita de C.V., Empresa Eléctrica de Oriente, S.A. de C.V. and Distribuidora Eléctrica de Usulutan, S.A. de C.V. Distribution companies in El Salvador are not granted concessions or exclusive rights to operate in particular geographic areas.

The maximum tariff to be charged by distribution companies to regulated customers is subject to the approval of the SIGET. The electricity tariff consists of an energy charge based on the average sale prices of energy on the spot market in the preceding three months and the energy and capacity prices contained in long-term PPAs approved by the SIGET, a charge for the use of the distribution network and a service charge. The SIGET adjusts the energy charge every three months to reflect the changes in the spot market price for electricity. The SIGET caps the distribution and service charges based on the average capital costs and the average operation and maintenance costs, including, among other things, a technical loss index, of the distribution companies. The distribution and service charges are set by the SIGET every five years and are subject to periodic adjustments. There is an annual adjustment for inflation and an automatic quarterly adjustment related to the U.S. CPI. The current tariff regime was set in December 2007 and expires in December 2012. In 2008, the SIGET lowered the maximum tariffs that distribution companies could charge to their regulated customers, which negatively affected the results of operations of the distribution companies in El Salvador.

Decree No. 88 states that, by July 1, 2011, at least 70% of the electricity dispatched on the SIEG must be sold under PPAs between generators and distribution companies. Currently, approximately 50% of the energy dispatched on the SIEG is purchased under PPAs, based on information available from the UT. In order to comply with Decree No. 88, a bidding process will take place prior to the effective date of Decree No. 88 which will allow distribution and generation companies to enter into PPAs for the purchase and sale of energy in amounts large enough to meet the requirements stipulated by Decree No. 88. Other bidding processes should take place prior to 2015, the date on which Decree No. 88 requires that at least 80% of the electricity dispatched on the SIEG be sold under PPAs between generators and distribution companies.

Regulatory Environment in Bolivia

General

In 1994, Bolivia initiated an infrastructure reform program that included the privatization of the country’s electricity sector. Pursuant to Electricity Law 1994/1604 (*Ley de Electricidad*), or the Bolivian Electricity Law, the electricity sector was divided among generation companies, transmission companies and distribution companies. As the Bolivian Electricity Law prohibits the vertical integration of companies that are connected to the SIN, integrated companies, such as COBEE, were required to unbundle their activities and focus on generation, transmission or distribution.

There are three entities that are responsible for the regulation, operation and oversight of the Bolivian electricity sector. The MPE is responsible for proposing energy policies and adopting rules governing the energy sector. The AE is responsible for ensuring that companies comply with the Bolivian General Electricity Law and its regulations, as well as other laws that are applicable to the energy industry. The AE is also responsible for the setting the tariffs that distribution companies may charge to regulated customers, and grants concessions, licenses and special authorizations to entities that wish to engage in generation, transmission and distribution activities in Bolivia. The CNDC is responsible for coordinating the operation of the Bolivian electricity grid, or the SIN, including determining the order in which generators dispatch energy to the SIN and organizing the clearing of payments between participants in the SIN for sales and purchases of energy and capacity on the spot market. The CNDC is managed by a five-member committee, which represents the interests of the generation companies, transmission companies, distribution companies, unregulated customers and the Bolivian government. The government’s representative is nominated by the MPE and serves as the committee’s president.

According to the Bolivian Electricity Law, customers with capacity demands in excess of 1 MW may elect to be treated as unregulated customers. These customers can purchase their energy needs on the spot market or under PPAs with generation companies.

Generation Companies

The Bolivian power market operates as a marginal cost system. Every six months, the CNDC publishes a study, which includes a merit order list, which it uses to coordinate the dispatch of the generation units. The merit order is effective for six months. Dispatched variable cost is based on the price of fuel, non-fuel variable costs, the units' efficiency (heat rate), and the nodal factor.

The spot market in Bolivia commenced operations in 1996, after the transition period provided for under the Bolivian Electricity Law. As of December 31, 2010, approximately 70% of COBEE's energy sales are on the spot market.

Generators also receive capacity payments from the SIN based on their firm capacity. Capacity transactions are regulated by the Bolivian Electricity Law, which establishes a methodology for allocating firm capacity to each generation unit. The CNDC estimates the total capacity necessary to operate the system based on yearly peak demand. The CNDC allocates a portion of this capacity to each generation unit based on factors specified in the regulatory framework, including the number of generation units connected to the SIN, the capacity of each of these generation units, the level of reliability required by the SIN and the availability rate of each generation unit. The availability rate for each thermal generation unit takes into account forced outages and fuel unavailability.

The CNDC calculates firm capacity for power generation units on a semi-annual basis based on estimates of the actual yearly projected peak demand and preliminary data for each generation unit. Once the definitive information is obtained at the end of any year, the CNDC makes the final calculation of firm capacity for that year and determines the differences from the preliminary calculations. This recalculation takes place during the first month of the following year. Net payments are made based upon the final calculations.

Energy sales under PPAs are not regulated unless they involve sales of energy to distribution companies for resale to regulated customers. These regulated PPAs are subject to price caps determined by the AE.

Generation Concession

In February 2009, the Bolivian government enacted a new constitution which required holders of concessions to render public services, such as companies with concessions to generate electricity in Bolivia, to modify their concessions to comply with the provisions of the new constitution by December 6, 2010. However, the Bolivian government did not enact statutory or regulatory guidelines to enable concession holders to modify their concessions. Consequently, on December 6, 2010, the Bolivian government passed Supreme Decree 726, which stated that concessions that had been granted prior to the enactment of the new constitution were to be replaced with special temporary licenses to operate. These temporary licenses will automatically become permanent concessions upon the passage of a new regulatory framework for the industry in which the concession holder operates (e.g., a new electricity law in the case of the electricity sector).

COBEE's original concession to operate as a generation company expires on September 30, 2030 and has been amended by two supreme resolutions dated December 30, 1994 and March 17, 1995, respectively, to modify the concession to comply with the provisions of the Bolivian Electricity Law. The concession states that COBEE will retain ownership of its assets following the expiration or termination of the concession. The concession also allowed COBEE, at its option, to charge its customers at regulated rates designed to provide COBEE with a 9% annual return over its net fixed assets or to charge its customers the rates permitted by the Bolivian Electricity Law under the marginal cost system. COBEE had elected to charge its customers at the 9% regulated rates until December 2008. In 2009, COBEE shifted to the marginal cost pricing system. As described above, COBEE's original concession was converted into a temporary license to operate by Supreme Decree 726. This temporary license does not have an expiration date and we expect that, upon the enactment of a new Bolivian electricity law, COBEE will receive a permanent license with rights and privileges substantially similar to those granted under its original concession.

Transmission Companies

The CNDC is responsible for operating the transmission grid of the SIN and overseeing the activities of the three transmission companies in the Bolivian electricity sector: Transportadora de Electricidad S.A., Empresa Nacional de Electricidad (ENDE - Trinidad) and Interconexión Eléctrica ISA Bolivia. Under the Bolivian Electricity Law, transmission companies receive a wheeling toll that is designed to cover their investment and operations and maintenance costs. Generators pay for 25% of the wheeling toll, while the remaining 75% is paid by unregulated customers and distribution companies.

Distribution Companies

There are seven distribution companies in Bolivia which operate on the SIN: Cooperativa Rural de Electrificación Ltda. (Santa Cruz), Electricidad de La Paz S.A., Empresa de Luz y Fuerza Eléctrica Cochabamba S.A., Empresa de Luz y Fuerza Eléctrica de Oruro S.A., Compañía Eléctrica Sucre S.A., Servicios Eléctricos Potosí S.A. and ENDE - Trinidad. Each of these distribution companies has been granted a monopoly within the boundaries of their respective concessions.

Under the Bolivian Electricity Law, distribution companies may contract for their energy needs under PPAs or may purchase their energy requirements on the spot market. As of the date of this offering memorandum, none of the distribution companies purchase their energy needs under PPAs. If a distribution company enters into a PPA for the resale of energy to regulated customers, such PPA would be subject to price caps determined by the AE. These price caps would be revised semi-annually by the AE.

MANAGEMENT

We are managed by a board of directors and by our executive officers.

Board of Directors

Our bye-laws adopted on June 12, 2007, or the Bye-Laws, provide that Inkia will be managed by its board of directors subject to the Companies Act 1981 (as amended from time to time) and any and all statutes or regulations applicable to Inkia, or the Bermuda Companies Act, and specific provisions of the Bye-Laws. Generally, the board of directors can exercise the powers of Inkia except to the extent the Bermuda Companies Act or the Bye-Laws reserve such power to the shareholders.

The Bye-Laws provide that the board of directors shall have not less than two members and may have as many members as determined by ordinary resolution of the shareholders. Our board of directors is currently composed of three members.

The members of our board of directors are elected annually at our annual general meeting of shareholders or can be elected at any time between annual general meetings by the calling of a special general meeting for that purpose. Members of our board of directors are required to resign annually at the annual general meeting and may stand for re-election at the same annual general meeting. A director may resign by notice in writing. Every member of our board of directors is subject to removal at any special meeting called for the purpose of removing a member of the board of directors in accordance with the Bye-Laws. He may also be removed from office if requested in writing to resign by three quarters of the other directors, if he becomes of unsound mind or bankrupt, if he is prohibited by Bermuda law from being a director, or if he ceases to be a director by operation of Bermuda law.

A member of the board of directors may hold any office or act for Inkia in any capacity (except as auditor). A member of the board of directors may vote and be counted in quorum in a transaction with Inkia (and shall not be accountable to Inkia for any benefit received) in which he is interested provided that he declares his interest in accordance with the Bye-Laws and the Bermuda Companies Act.

The following table sets forth certain information with respect to the current members of our board of directors.

Name	Member Since	Age
Alexander Ato Jude Erskine	October 2009	47
James Michael Keyes	October 2009	47
Giora Almogy	October 2007	40

We summarize below certain biographical information regarding our current directors.

Alexander Ato Jude Erskine. Mr. Erskine is a partner of Appleby, where he has practiced law for 23 years, and the group team leader of the Funds and Investment Services team at Appleby's BVI office. Mr. Erskine served as Managing Partner of Appleby's BVI office as part of an eighteen month secondment to that office from March 2007 to October 2008. He practices in the areas of corporate and commercial law, specializing in advising on structuring and operating investment vehicles including mutual funds, hedge funds, unit trusts, partnerships, and close ended funds. He advises on securities offerings, listings, investment banking, asset management issues, brokerage, custody and financial services generally. Mr. Erskine also specializes in providing advice on the regulation of investment services in and from Bermuda. In 2009, Mr. Erskine was ranked by PLC as a Recognized Lawyer for Investment Funds and IFLR1000 named him as a leading lawyer in the Financial and Corporate category. Mr. Erskine was educated in Ghana and England and studied law at the University College of Wales, Aberystwyth graduating in 1986 with LL.B Hons. He passed his professional exams in 1987 an was called to the Bar of England and Wales in 1996, the Bermuda Bar in 2006 and the British Virgin Islands Bar in 2007.

James Michael Keyes. Mr. Keyes has been a managing director of Renaissance Capital since October 2008 following his establishment of the Bermuda office for Renaissance Capital. Previously, he was a partner of Appleby for 11 years, where he was the team leader of the Funds & Investment Services Team. Prior to joining Appleby in 1993, Mr. Keyes was employed in the corporate department of Freshfields, and worked in the London, New York and Hong Kong offices. Mr. Keyes attended Oxford University as a Rhodes Scholar and graduated with a degree in Politics, Philosophy and Economics (M.A. with Honors). He was admitted as a solicitor in England & Wales in 1991 and to the Bermuda Bar in 1993. He became a Notary Public in 1998.

Giora Almogy. Mr. Almogy heads the power generation activities of Israel Corporation. Mr. Almogy has 15 years of experience in economics and business development in the energy industry. He has served as vice president of business development for IC Power, a wholly owned subsidiary of Israel Corporation, since 2009, and previously served as the chief executive officer of OPC Rotem Ltd., a power generation company operating in Israel, since 2006. Mr. Almogy served as the head of the economics department at Delek Energy from 1997 to 2001, and has held various executive positions in the Ofer Group and Israel Corporation. Mr. Almogy has a bachelor's degree in economics and a master's degree in business administration, both from Tel Aviv University.

Executive Officers

Our executive officers are our legal representatives and are responsible for our internal organization and day-to-day operations and the implementation of the general policies and guidelines established from time to time by our board of directors.

The following table sets forth certain information with respect to our executive officers and the chief executive officers of our principal subsidiaries.

Name	Position Held	Date of Appointment	Age
Javier García Burgos	Chief Executive Officer of Inkia and Kallpa	July 2007	41
Yitzhak Mandelman	Chief Financial Officer	January 2008	42
Roberto Cornejo	Chief Operating Officer	October 2007	47
Juan Carlos Camogliano	Vice President of Project and Business Development	May 2008	47
Frank Sugranes	Vice President of Operations	August 2009	45
Daniel Urbina	General Counsel	October 2008	41
María Eugenia Rodríguez	Human Resources Manager	May 2010	40
Marcos C. Cochon	Chief Executive Officer of CEPP	February 2002	44
Alberto Triulzi	Chief Executive Officer of Nejapa and Cenergica	May 2008	54
Sergio Pereira	Chief Executive Officer of COBEE	March 2010	49

Summarized below is certain biographical information regarding our executive officers and the chief executive officers of our principal subsidiaries.

Javier García Burgos. Mr. García Burgos has served as our chief executive officer since July 2007, as chief executive officer of Kallpa since June 2005 and as chief executive officer of Southern Cone since April 2002. Previously, he served as regional director for Globeleq in South America from May 2002 to June 2007, as manager of planning and control of Edegel from May 2001 to September 2001, as deputy planning and control manager of Edegel from November 2000 to May 2001, as deputy development manager of Edegel from July 1998 to October 2000 and in other positions with Edegel beginning in May 1996. Mr. García Burgos has 15 years of experience in the energy industry in Latin America. He holds a bachelor's degree in aerospace engineering from San Diego State University and a master's of business administration from *Escuela de Administración de Negocios para Graduados* (ESAN) in Peru.

Yitzhak Mandelman. Mr. Mandelman has served as our chief financial officer since January 2008. Previously, he worked as a manager in the accounting and finance departments of Israel Corporation from September 1997 to December 2007. He has a bachelor's degree in Accounting and Economics from Tel Aviv University and is certified as a Collegiate Public Accountant.

Roberto Cornejo. Mr. Cornejo has served as our chief operating officer since October 2007. Previously, Mr. Cornejo worked as a commercial manager for Edegel from August 2000 to October 2007 and as deputy commercial manager for Edegel from April 1997 to July 2000. Mr. Cornejo has 15 years of experience in the energy industry in Latin America. He holds a bachelor's degree in industrial engineering from the *Pontificia Universidad Católica del Perú* and a master's in business administration from the *Universidad del Pacífico* in Peru.

Juan Carlos Camogliano. Mr. Camogliano has served as our vice president of project and business development since May 2008. Previously, he worked at Suez Energy Peru, a member of the Suez Group, as planning, project and business development manager from July 2006 to November 2007, as planning and project manager from June 2004 to November

2005, and as commercial manager and chief financial officer from August 2001 to May 2004. He worked in the trading department of Morgan Stanley from March 2000 to July 2001 and in the commercial and development department of Edegel from September 1997 to March 2000. Mr. Camogliano has 13 years of experience in the energy industry. He holds a bachelor's degree in mechanical engineering from the Peruvian Navy School and a master's of business administration from *Escuela de Administración de Negocios para Graduados* (ESAN) in Peru.

Frank Sugranes. Mr. Sugranes has served as our vice president of operations since August 2009. Previously, he was senior director of operations for AEI, responsible for operations worldwide and reporting to the vice president of operations, from July 2004 to July 2009. Additionally, Mr. Sugranes was assigned to different positions during his tenure at AEI such as general manager of Pantanal Energia Power Plant in Cuiaba, Brazil from October 2002 to June 2004 and general manager of Jamaica Private Power Co. in Kingston, Jamaica from March 2008 to July 2009. Mr. Sugranes has 22 years of experience in the energy industry. He holds a bachelor's degree in civil engineering and a master's of construction management from Texas A&M University.

Daniel Urbina. Mr. Urbina has served as our general counsel since October 2008. Previously, he served as vice president and legal advisor for the Americas region at Standard Chartered Bank from June 2005 to October 2008 and was head of legal and compliance for Standard Chartered Bank Peru from April 2000 to June 2005. Mr. Urbina also served as legal director of the ministry of the Presidency of Perú from June 1999 to March 2000. He holds a law degree from the *Universidad de Lima* in Peru and a master's in laws degree from Columbia University. He is admitted to practice in the state of New York and in Lima, Peru.

María Eugenia Rodríguez. Ms. Rodríguez has served as our human resources manager since May 2010. Previously, she was talent management manager at Atento from May 2008 to April 2010, deputy manager of human resources development at Grupo Ripley from June 2005 to April 2008, head of human resources management at Banco de Trabajo from June 2003 to May 2005, and deputy manager for quality and head of human resources development at Banco Santander from October 1997 to December 2002. Ms. Rodríguez holds a bachelor's degree in industrial engineering from the *Universidad de Lima* in Peru and a master's of business administration degree from *Universidad de Piura* in Peru.

Marcos C. Cochon. Mr. Cochon has served as chief executive officer of CEPP since February 2002. Previously, he served as electricity superintendent in the Dominican Republic from July 1999 to August 2000, participated in the Public Company Amendment Commission in the Dominican Republic from January 1997 until July 1999 and worked in the Technical Team of the National Energy Commission and the CDE in the Dominican Republic from 1993 to 1997. He served as a consultant to the World Bank in 1995, the Inter-American Development Bank in 1994, United Nations Development Programme from 1992 to 1993 and from 1988 to 1990, and the Dominican Republic Central Bank from 1988 to 1990. In 1992, Mr. Cochon participated in the commission that prepared the first drafts of the General Electricity Act in the Dominican Republic. He holds a bachelor's degree in economics from the *Instituto Tecnológico de Santo Domingo* and a master's in economics and finance from The Ohio State University.

Alberto Triulzi. Mr. Triulzi has served as chief executive officer of Nejapa and Cenergica since May 2008, as a member of the board of directors of Generandes since June 2006 and as an alternate member of the board of directors of Edegel since June 2006. Previously, he served as EGE Haina's chief finance and administration officer from October 2001 to May 2008, chief financial officer of Edegel from November 1995 to September 2001, vice president and controller of Edesur S.A. from September 1992 to October 1995, project development manager for Entergy Corporation from July 1988 to August 1992, and executive consultant for Stone and Webster Management Consultants from 1983 to 1988. Mr. Triulzi also served as a member of the board of directors of Edesur S.A. from 1995 to 1997, Transener S.A. from 1993 to 1996 and Central Térmica Costanera (Buenos Aires) from 1993 to 1995, and as a chairman of Argelec S.A. in 1994. Mr. Triulzi holds a bachelor's degree in economics and a master's of business administration in finance, both from Loyola University.

Sergio Pereira. Mr. Pereira has served as COBEE's chief executive officer since March 2010. Previously, he served as chief executive officer of Mina Bolivar, a joint venture between Sinchi Wayra (a subsidiary of Glencore in Bolivia) and COMIBOL (the Bolivian government's mining corporation), from January 2008 to November 2009. Mr. Pereira also has management experience in banking, industry, and agribusiness, and in the public sector institutions. He served as senior program officer and as a consultant for the IFC, a member of the World Bank Group, in La Paz, from May 2004 to December 2007, and in the Washington, D.C. headquarters, from September 1999 to June 2000, as viceminister of financial services and commercial societies for the Ministry of Finances of Bolivia from October 2002 to April 2004, as chief financial officer of Banco Mercantil from May 2001 to October 2002, as founder, chairman and chief executive officer of Banco de Desarrollo Productivo (formerly NAFIBO) from April 1996 to March 1998, as development division manager for the Central Bank of Bolivia from September 1993 to March 1996, and as a loan officer with Banco Santa Cruz from April 1990 to September

1991. Mr. Pereira holds a bachelor's degree in agricultural engineering from *Tecnológico de Monterrey* in Mexico, a master's in public administration from the Kennedy School of Government at Harvard University, and a M.Sc. in agricultural economics from New Mexico State University.

Compensation

The Bye-Laws provide that the remuneration of the board of directors shall from time to time be determined by Inkia's shareholders in a general meeting. Each director may be compensated his reasonable travelling, hotel and incidental expenses properly incurred in attending and returning from meetings of the board of directors, committees constituted pursuant to the Bye-Laws or general meetings, and shall be paid all expenses properly and reasonably incurred by him in the conduct of Inkia's business or in the discharge of his duties as a director.

Ms. Almogy serves as a member of our board of directors without compensation. Messrs. Erskine and Keyes received fees for serving as members of our board of directors in the aggregate amount of US$20,000 in 2010.

Our executive officers do not receive compensation directly from Inkia; each is also an executive officer of Kallpa and receives compensation directly from Kallpa. The aggregate annual compensation received by our executive officers during 2010 was US$2.4 million. In addition to salaries and bonuses, our executive officers generally receive an automobile allowance, life insurance and medical insurance. In addition, our executive officers that are expatriates serving in Perú receive housing allowances, allowances for the education of children, and annual paid home leave.

Share Ownership

Our board of directors and executive officers do not own any of our outstanding shares.

Stock Option Plan

In February 2010, we adopted a stock option plan that provides for the award of options to certain of our directors and employees. Stock option grants may be made to eligible directors and employees in consideration of services to Inkia, Israel Corporation or any affiliate of Inkia. Subject to certain adjustments that may be made from time to time, the stock option plan provides for the grant of equity awards of up to 4,500 of Inkia's ordinary shares, representing 1.5% of Inkia's outstanding capital stock. All stock option awards under the stock option plan vest by the expiration of the first year following the date of grant. Upon exercise of the options, Inkia is obligated to purchase the ordinary shares issued upon such exercise from the holders of these shares. Inkia will pay the holders of these shares a purchase price calculated based on Inkia's EBITDA during the preceding four fiscal quarters and number of then-outstanding ordinary shares of Inkia. The stock option plan may be amended from time to time by Inkia's board of directors and will expire in 2014. As of December 31, 2010, Inkia has made grants of options to purchase 4,020 of its ordinary shares under the stock option plan.

SOLE SHAREHOLDER AND RELATED PARTY TRANSACTIONS

Sole Shareholder

Our sole shareholder is IC Power Limited, a wholly-owned subsidiary of Israel Corporation. Israel Corporation is an Israeli limited liability company and is headquartered in Tel Aviv, Israel. Israel Corporation is primarily a holding company, with investments in companies operating in various industries throughout the world, including energy, fertilizers and specialty chemicals, shipping and transportation. Israel Corporation had assets of approximately US$12.1 billion and US$13.5 billion as of December 31, 2009 and September 30, 2010, respectively. During the year ended December 31, 2009 and the nine-month period ended September 30, 2010, Israel Corporation generated revenues of US$12.5 billion and US$7.3 billion, respectively, and net income of US$497 million and US$696 million, respectively. As of December 31, 2009, Israel Corporation had approximately 18,000 employees on a consolidated basis.

The principal executive offices of Israel Corporation are located at Millennium Tower, 23 Aranha Street, Tel Aviv, 61204, Israel. Its main telephone number is + 972 3 684 4500.

Related Party Transactions

Other than the shareholder loan described in Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—Long-Term Indebtedness," we have not engaged in any material transactions with our sole shareholder or its affiliates since January 1, 2008, other than as set forth below.

Under Inkia's bye-laws, each of its directors and their alternates may vote on any matter in which they may have a conflict of interest, so long as they declare their conflict of interest to Inkia's board of directors and, after declaring such interest, are not disqualified by the chairman of the relevant board meeting. Currently, no conflict of interest exists between the duties owed to us by our directors and the interests of such directors.

Transactions with Edegel

Kallpa and Edegel participate in capacity and energy sales through the spot market in Peru. Some of our spot market purchases are attributable to sales of Edegel. We purchased capacity and energy from Edegel in the amount of US$0.1 million in 2008, US$5.9 million in 2009 and US$3.9 million in 2010. Edegel purchased capacity and energy from Kallpa in the amount of US$2.9 million in 2008 and US$0.9 million in 2009. Edegel did not purchase capacity or energy from Kallpa in 2010.

In September 2010, Edegel and Kallpa entered into an agreement for the assignment of natural gas transportation services. Under this agreement, either party can offer to assign any excess capacity allocated to it under its respective firm natural gas supply contract with TGP to the other party on a daily basis. At the end of each month, each party calculates the total amount of natural gas services assigned by it during each day in the relevant month and issues an invoice for that amount. The price paid for natural gas transportation services under this agreement on any day is equal to the prices charged by TGP for the volume of natural gas transportation services to be assigned on the relevant day. In 2010, Edegel paid US$3,445 to Kallpa.

DESCRIPTION OF THE NOTES

The Company will issue the Notes under an indenture, to be dated the Issue Date (the "Indenture"), between the Company and Citibank, N.A., as trustee (the "Trustee"). We summarize below certain provisions of the Indenture, but do not restate the Indenture in its entirety. We urge you to read the Indenture because it, and not this description, defines your rights as Holders of the Notes. You can find the definitions of capitalized terms used in this section under "Certain Definitions." Copies of the Indenture and specimen notes may be obtained, upon written request, from Inkia, Citibank N.A , as trustee, or any paying agent. When we refer to:

- the Company in this section, we mean Inkia Energy Ltd., and not its Subsidiaries; and
- Notes in this section, we mean the Notes originally issued on the Issue Date and Additional Notes, if any.

The registered holder of a Note (a "Holder") will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture. As described in the section "Book-Entry; Delivery and Form," the Notes will initially be issued in global form and, except as described in such section, The Depository Trust Company ("DTC"), or its nominee will be the only registered Holder of the Notes.

General

The Notes will:

- be general unsecured obligations of the Company,
- rank equal in right of payment with all other existing and future Senior Indebtedness of the Company,
- rank senior in right of payment to all existing and future Subordinated Indebtedness of the Company, if any,
- be effectively subordinated to all existing and future secured Indebtedness of the Company and any Subsidiary of the Company to the extent of the value of the assets securing such Indebtedness, and
- be structurally subordinated to all existing and future Indebtedness and other liabilities (including trade payables) of the Company's Subsidiaries.

As of December 31, 2010, on a *pro forma* basis after giving effect to this offering and the use of proceeds thereof:

- the Company and its Subsidiaries would have had consolidated total Indebtedness of U.S.$620.5 million,
- the Company would have had consolidated total Senior Indebtedness of U.S.$300.0 million of which none would have been secured, and
- the Company's Subsidiaries would have had consolidated total Indebtedness of U.S.$320.5 million.

Additional Notes

Subject to the limitations set forth under "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness," the Company may incur additional Indebtedness. At the Company's option, this additional Indebtedness may consist of additional Notes ("Additional Notes") issued in one or more transactions, which have substantially identical terms (other than issue price and issue date) as Notes issued on the Issue Date; *provided*, that Additional Notes will not bear the same CUSIP number as the Notes, unless such Additional Notes are issued in a "qualified reopening" for U.S. federal income tax purposes or such Additional Notes and the Notes are issued with no more than a de minimis amount of OID for U.S. federal income tax purposes. Holders of Additional Notes would have the right to vote together with Holders of Notes issued on the Issue Date as one class under the Indenture.

Principal, Maturity and Interest

The Company will initially issue U.S.$300.0 million in aggregate principal amount of Notes, but may issue an unlimited principal amount of Notes under the Indenture.

The Company will issue Notes in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes will mature on April 4, 2021 unless earlier redeemed in accordance with the terms of the Notes. See "—Optional Redemption." The Notes will not be entitled to the benefit of any mandatory sinking fund.

Interest on the Notes will accrue at the rate of 8.375% per annum and will be payable semi-annually in arrears on each April 4 and October 4, commencing on October 4, 2011. Payments will be made to the persons who are registered Holders at the close of business on each March 20 and September 19, respectively, immediately preceding the applicable interest payment date.

Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the issue date for such Notes. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The redemption of Notes with unpaid and accrued interest to the date of redemption will not affect the right of Holders of record on a record date to receive interest due on an interest payment date.

Initially, the Trustee will act as Paying Agent and Registrar for the Notes. The Company may change the Paying Agent and Registrar without notice to Holders. The Company will pay principal, premium, if any, and interest payments on Notes in global form registered in the name of or held on behalf of DTC or its nominee, as the case may be, as the registered Holder of such global note. Interest on certificated Notes, if any, will be payable to Holders by wire transfer in immediately available funds to that Holder's account. All other payments on certificated Notes will be made at the office or agency of the Paying Agent and Registrar unless the Company elects to make payments by check mailed to the registered Holders at their registered addresses.

Additional Amounts

All payments made by or on behalf of the Company or a successor thereto (each, a "Payor") under, or with respect to, the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) (collectively, "Taxes") imposed, levied, collected or assessed by or on behalf of (1) Bermuda or any political subdivision or governmental authority thereof or therein having power to tax, (2) any jurisdiction from or through which payment on the Notes is made on behalf of the Payor, or any political subdivision or governmental authority thereof or therein having the power to tax or (3) any other jurisdiction in which a Payor is organized, resident or deemed to be doing business, or any political or governmental authority thereof or therein having the power to tax (each of clause (1), (2) and (3), a "Relevant Taxing Jurisdiction"), unless the withholding or deduction of such Taxes is then required by law or the interpretation or administration thereof.

If any deduction or withholding for, or on account of, any Taxes of any Relevant Taxing Jurisdiction will at any time be required from any payments made with respect to the Notes, including payments of principal, premium, if any, redemption price or interest, the Payor will pay (together with such payments) such additional amounts (the "Additional Amounts") as may be necessary in order that the net amounts paid by the Payor or its agent in respect of such payments to each Holder, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been paid to each Holder in respect of such payments in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable with respect to:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, limited liability company, partnership or corporation) and the Relevant Taxing Jurisdiction (other than the receipt of such payment or the acquisition or ownership of such Note or enforcement of rights thereunder);

(2) any estate, inheritance, gift, sales, excise, transfer or personal property tax;

(3) any Taxes which are imposed, payable or due because the Notes are held in definitive registered form ("Definitive Registered Notes") and are presented (where presentation is required) for payment more than 30 days after the date such payment was due and payable or was provided for, whichever is later, except for Additional Amounts with respect to Taxes that would have been imposed had the Holder presented the Note for payment on the last day of such 30-day period;

(4) any Taxes that are imposed or withheld by reason of the failure of the Holder or beneficial owner of a Note to comply, at our written request, with certification, identification, information, documentation or other reporting requirements

concerning the nationality, residence, identity or connection of the Holder or such beneficial owner with the Relevant Taxing Jurisdiction or to make, at our written request, any other claim or filing for exemption to which it is entitled if (a) such compliance, making a claim or filing for exemption is required or imposed by a statute, treaty or regulation or administrative practice of the taxing jurisdiction as a precondition to exemption from all or part of such Taxes, and (b) the Payor has given the Holder or the beneficial owner at least 30 days' notice that the Holder or beneficial owner will be required to provide such certification, identification, documentation or other reporting requirement;

(5) any withholding or deduction imposed on a payment to an individual and required to be made pursuant to EC Council Directive 2003/48/EC on the taxation of savings income which was adopted by the ECOFIN Council (the Council of EU Finance and Economic Ministers) on June 3, 2003, or any law implementing or complying with, or introduced to conform to, such directive, or pursuant to related measures entered into on a reciprocal basis between member states of the European Union and certain non-European Union countries and dependent or associated territories;

(6) any Taxes which could have been avoided by the presentation (where presentation is required) of the relevant Note to another available Paying Agent of the Payor in a EU Country; or

(7) any combination of the above.

Also, such Additional Amounts will not be payable with respect to any payment of principal of (or premium, if any, on) or interest on such Note to any Holder who is a fiduciary or partnership or any person other than the sole beneficial owner of such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of such payment would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Note directly.

The Payor will (1) make any required withholding or deduction and (2) remit the full amount deducted or withheld to the applicable taxing authority in the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will provide to the Trustee certified copies of tax receipts or, if such tax receipts are not reasonably available, such other documentation evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes. The Payor will attach to such documentation a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding Taxes paid per dollar principal amount of the Notes.

If the Payor will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes, the Payor will deliver to the Trustee, at least three business days prior to the relevant payment date, an Officers' Certificate stating the fact that such Additional Amounts will be payable, the amounts so payable and will set forth such other information necessary to enable the Trustee to pay such Additional Amounts to Holders of Notes on the payment date. Each such Officers' Certificate shall be relied upon by the Trustee without further enquiry until receipt of a further Officers' Certificate addressing such matters.

The Payor will pay any stamp, issue, registration, documentary, value added, excise, property or other similar taxes and other duties (including interest and penalties) which are levied by Bermuda, any political subdivision or governmental authority thereof or therein, in respect of the creation, issue, offering, execution or performance of the Notes, the Indenture or any documentation with respect thereto, the receipt of any payments with respect to the Notes or the enforcement of the Notes (including following the occurrence and during the continuance of any Default) and the Company will agree to indemnify each of the Trustee, the Paying Agents and the Holders of the Notes for any such amounts paid by the Trustee, the Paying Agents or such Holders.

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and will apply mutatis mutandis to any jurisdiction in which any successor Person to a Payor is organized or any political subdivision or taxing authority or agency thereof or therein.

Whenever in the Indenture or in this description there is mentioned, in any context, (1) the payment of principal, premium, if any, or interest, (2) redemption prices or purchase prices in connection with the redemption or purchase of Notes or (3) any other amount payable under or with respect to any Note, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, deducted or withholding Taxes are, were or would be payable in respect thereof.

Optional Redemption

Optional Redemption. Prior to April 4, 2016, the Company will have the right, at its option, to redeem any of the Notes, in whole or in part, at any time and from time to time at a redemption price equal to the greater of (1) 101% of the principal amount of such Notes and (2) the present value to be calculated by an Independent Investment Banker at such redemption date of (i) the redemption price of such Notes at April 4, 2016 (such redemption price being set forth in the table below) plus (ii) all required interest payments thereon through April 4, 2016 on such Notes (excluding accrued but unpaid interest to the redemption date), in each case, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points, plus in each case any accrued and unpaid interest on the principal amount of such Notes to, but excluding, the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Notes.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Company.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Reference Treasury Dealers" mean Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated or their affiliates which are primary United States government securities dealers and not less than two other leading primary United States government securities dealers in New York City reasonably designated by the Company; *provided*, *however*, that if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a "Primary Treasury Dealer"), the Company will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Company, of the bid and asked price for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

At any time, or from time to time, after April 4, 2016, the Company may redeem the Notes, at its option, in whole or in part, at the following redemption prices, expressed as percentages of the principal amount on the redemption date, plus any accrued and unpaid interest to, but excluding, the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period commencing on April 4 of any year set forth below:

Year	Percentage
2016	104.188%
2017	102.792%
2018	101.396%
2019 and thereafter	100.000%

Optional Redemption upon Equity Event. In addition, at any time, or from time to time, on or prior to April 4, 2014, the Company may, at its option, use the net cash proceeds of one or more Equity Events to redeem in the aggregate up to 35% of the aggregate principal amount of the Notes originally issued (calculated after giving effect to the original issuance of Additional Notes, if any) at a redemption price equal to 108.375% of the principal amount thereof, plus accrued and unpaid interest to, but excluding, the date of redemption (subject to the right of the Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that at least 65% of the original aggregate principal amount of the Notes (calculated after giving effect to the issuance of Additional Notes, if any) must remain outstanding immediately after giving effect to each such redemption (excluding any Notes held by the Company or any of its Subsidiaries). Notice of any such redemption must be given within 120 days after the date of the closing of the relevant Equity Event.

"*Equity Event*" means a public or private offering of Qualified Stock of the Company that yields gross proceeds in excess of U.S.$25.0 million.

Optional Redemption for Changes in Withholding Taxes. If, as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) or treaties of (i) Bermuda, (ii) any other jurisdiction in which the Company is organized, (iii) any other Relevant Taxing Jurisdiction or (iv) any political subdivision or taxing authority thereof or therein affecting taxation, or any amendment to or change in an official interpretation or application of such laws, rules or regulations, which amendment to or change of such laws, treaties, rules or regulations becomes effective on or after the date on which the Notes are issued (or in the case of (ii) after the date when the Company becomes organized in such jurisdiction), a Payor would be obligated, after taking all reasonable measures to avoid this requirement, to pay Additional Amounts (it being understood that changing the jurisdiction of incorporation of the Company shall not be a reasonable measure), then, at the Payor's option, all, but not less than all, of the Notes may be redeemed at any time on giving not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest and any Additional Amounts due thereon up to, but excluding, the date of redemption; *provided*, *however*, that (1) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which the Payor would be obligated to pay these Additional Amounts if a payment on the Notes were then due, and (2) at the time such notice of redemption is given such obligation to pay such Additional Amounts remains in effect.

Prior to the publication of any notice of redemption pursuant to this provision, the Payor will deliver to the Trustee:

- a certificate signed by one of our duly authorized representatives stating that the Payor is entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to our right to redeem have occurred, and

- an Opinion of Counsel of the Relevant Taxing Jurisdiction of recognized standing to the effect that no later than the next succeeding date on which interest is to be paid, the Payor has or will become obligated to pay such Additional Amounts as a result of such change or amendment.

This notice, once delivered by the Payor to the Trustee, will be irrevocable.

Optional Redemption Procedures. In the event that less than all of the Notes are to be redeemed at any time, selection of Notes for redemption will be made (i) in compliance with the requirements of the principal national securities exchange, if any, on which Notes are listed and any applicable depository procedures, (ii) by lot or such other similar method in accordance with the applicable procedures of DTC (if the Notes are global notes), or (iii) if there are no such requirements of such exchange or the Notes are not then listed on a national securities exchange or DTC, on a *pro rata* basis or by such other method the Trustee deems fair and reasonable. No Notes of a principal amount of U.S.$200,000 or less may be redeemed in part and Notes of a principal amount in excess of U.S.$200,000 may be redeemed in part in multiples of U.S.$1,000 only.

Notice of any optional redemption will be mailed by first-class mail, postage prepaid, at least 30, but not more than 60 days, before the redemption date to each Holder of Notes to be redeemed at its registered address. If Notes are to be redeemed in part only, the notice of redemption will state the portion of the principal amount thereof to be redeemed. A new Note in a principal amount equal to the unredeemed portion thereof (if any) will be issued in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a Global Note will be made, as appropriate).

The Company will pay the redemption price for any Note together with accrued and unpaid interest thereon to, but excluding, the date of redemption. On and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption as long as the Company has deposited with the Paying Agent funds in satisfaction of the applicable redemption price pursuant to the Indenture.

Change of Control

Upon the occurrence of a Change of Control that results in a Ratings Event, each Holder will have the right to require that the Company purchase all or a portion (in integral multiples of U.S.$1,000; *provided*, that the remaining principal amount of such Holder's Note will not be less than U.S.$200,000) of the Holder's Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon to, but excluding, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) (the "Change of Control Payment").

Within 30 days following the date upon which a Change of Control that results in a Ratings Event occurred, the Company must send, by first-class mail, a notice to each Holder, with a copy to the Trustee, offering to purchase the Notes as described above (a "Change of Control Offer"). The Change of Control Offer shall state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date the notice is mailed, except as may be required by law (the "Change of Control Payment Date").

If only a portion of a Note is purchased pursuant to a Change of Control Offer, a new Note in a principal amount equal to the portion thereof not purchased will be issued in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a Global Note will be made, as appropriate); *provided*, that the remaining principal amount of such Holder's Note will not be less than U.S.$200,000 and will be in integral multiples of U.S.$1,000 in excess thereof.

The Company is only required to make a Change of Control Offer in the event that a Change of Control results in a Ratings Decline. Consequently, if a Change of Control were to occur which does not result in a Ratings Decline, the Company would not be required to offer to repurchase the Notes. In addition, the Company will not be required to make a Change of Control Offer if (1) a third party makes the Change of Control Offer in a manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer, or (2) notice of redemption for all outstanding Notes has been given pursuant to the Indenture as described above under the caption "—Optional Redemption," unless and until there is a default in payment of the applicable redemption price.

Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control and/or a Ratings Event, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

Other existing and future Indebtedness of the Company may contain prohibitions on the occurrence of events that would constitute a Change of Control or require that such Indebtedness be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Company to repurchase the Notes upon a Change of Control could cause a default under such Indebtedness even if the Change of Control itself does not.

If a Change of Control occurs, the Company may not have available funds sufficient to make the Change of Control Payment for all the Notes that might be delivered by Holders seeking to accept a Change of Control Offer. In the event the Company is required to purchase outstanding Notes pursuant to a Change of Control Offer, the Company expects that it would seek third-party financing to the extent it does not have available funds to meet its purchase obligations. However, the Company may not be able to obtain necessary financing.

Holders will not be entitled to require the Company to purchase their Notes in the event of a takeover, recapitalization, leveraged buyout or similar transaction which is not a Change of Control.

One of the events that constitutes a Change of Control under the Indenture is the disposition of "all or substantially all" of the Company's assets under certain circumstances. This term varies based upon the facts and circumstances of the subject transaction. As a consequence, in certain circumstances there may be uncertainty in ascertaining whether a particular transaction involved a disposition of "all or substantially all" of the Property or assets of a Person. In the event that Holders elect to require the Company to purchase the Notes and the Company contests such election, we cannot assure you as to how a court interpreting New York law would interpret the phrase under certain circumstances.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws and regulations in connection with the purchase of Notes in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the "Change of Control" provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by doing so. If it would be unlawful in any jurisdiction to make a Change of Control Offer, the Company will not be obligated to make such offer in such jurisdiction and will not be deemed to have breached its obligations under the Indenture by doing so.

The obligation of the Company to make a Change of Control Offer may be waived or modified at any time prior to the occurrence of such Change of Control with the written consent of Holders of a majority in principal amount of the Notes.

Certain Covenants

Limitation on Incurrence of Additional Indebtedness.

(1) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness, except that the Company and any Restricted Subsidiary may Incur Indebtedness if immediately after giving pro forma effect to the Incurrence thereof and the application of the proceeds therefrom:

- with respect to Indebtedness Incurred by the Company or any Intermediate Holding Company, the Company's Unconsolidated Interest Coverage Ratio is equal to or greater than 2.0 to 1.0, and

- with respect to Indebtedness Incurred by a Restricted Subsidiary (other than an Intermediate Holding Company),

  (a) the Company's Unconsolidated Interest Coverage Ratio is equal to or greater than 2.0 to 1.0, and

  (b) the Company's Consolidated Net Leverage Ratio is equal to or less than (i) 4.5 to 1.0, if such Indebtedness is incurred on or prior to December 31, 2013, and (ii) 4.0 to 1.0, if such Indebtedness is incurred thereafter.

The foregoing restrictions on the Incurrence of Indebtedness shall not be applicable with respect to Project Finance Subsidiaries.

(2) Notwithstanding clause (1) above, the Company and its Restricted Subsidiaries, as applicable, may Incur the following Indebtedness ("Permitted Indebtedness"):

(a) Indebtedness in respect of the Notes and guarantees thereof, excluding Additional Notes and guarantees thereof;

(b) Indebtedness of the Company and its Restricted Subsidiaries outstanding on the Issue Date;

(c) Guarantees by any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary (other than a Project Finance Subsidiary) permitted under the Indenture; provided, that if any such Guarantee is of Subordinated Indebtedness, then the Guarantee of the Company of such Subordinated Indebtedness shall be subordinated to the Notes;

(d) Hedging Obligations entered into by the Company and its Restricted Subsidiaries not for speculative purposes;

(e) intercompany Indebtedness between the Company and any Restricted Subsidiary (other than a Project Finance Subsidiary) or between any Restricted Subsidiaries (other than a Project Finance Subsidiary); provided that:

(1) such Indebtedness must be (i) unsecured and (ii) if the Company is the Obligor and the obligee is a Restricted Subsidiary, expressly subordinated to the prior payment in full of all obligations under the Notes and the Indenture, and

(2) in the event that at any time any such Indebtedness ceases to be held by the Company or a Restricted Subsidiary, such Indebtedness shall be deemed to be Incurred by the Company or the applicable Restricted Subsidiary, as the case may be, and not permitted by this clause (e) at the time such event occurs;

(f) Indebtedness of the Company or any of its Restricted Subsidiaries arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided, that such Indebtedness is extinguished within five business days of Incurrence;

(g) Indebtedness of the Company or any of its Restricted Subsidiaries in respect of performance bonds, bankers' acceptances, workers' compensation claims, bid, surety or appeal bonds, payment obligations in connection with, insurance premiums or similar obligations, security deposits and bank overdrafts (and letters of credit in connection with, in lieu of or in respect of each of the foregoing);

(h) Refinancing Indebtedness in respect of:

(1) Indebtedness Incurred pursuant to clause (1) above; or

(2) Indebtedness Incurred pursuant to clause (a), (b), (h) and (m) hereof;

(i) Indebtedness represented by existing or undrawn amounts as of the Issue Date, under any Existing Committed Financing permitted to be Incurred under such Existing Committed Financing;

(j) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or Guarantees or letters of credit, surety bonds or performance bonds securing any obligations of the Company or any Restricted Subsidiary pursuant to such agreements, in any case Incurred in connection with the disposition of any business, assets or Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition), so long as the amount does not exceed the gross proceeds (including non-cash proceeds) actually received by the Company or any Restricted Subsidiary thereof in connection with such disposition;

(k) Indebtedness constituting reimbursement obligations in respect of trade or performance letters of credit entered into in the ordinary course of business;

(l) Indebtedness Incurred by the Company or any Restricted Subsidiary in the ordinary course of business to finance working capital; provided, that the aggregate amount of all such Indebtedness in respect of the Restricted Subsidiaries shall not exceed (x) U.S.$50.0 million, if such Indebtedness is incurred prior to the Kallpa Completion Date, and (y) the greater of (i) U.S.$75.0 million and 5.0% of the Company's Consolidated Total Assets, if such Indebtedness is incurred thereafter;

(m) Indebtedness consisting of debt securities of, or financing Incurred by, Compañia de Electricidad de Puerto Plata S.A. and/or Nejapa Power Company LLC in an aggregate principal amount not to exceed U.S.$60.0 million;

(n) Indebtedness in the form of equity contribution commitments to a Project Finance Subsidiary;

(o) performance or other similar Guarantees by the Company or any Restricted Subsidiary (including any contingent liabilities all calculated in accordance with IFRS) supporting the obligations of a Project Finance Subsidiary under construction management agreements, construction agreements, fuel supply agreements, operation and maintenance agreements, fuel handling agreements and other similar agreements relating to the business of such Project Finance Subsidiary (and letters of credit in connection with, in lieu of or in respect of each of the foregoing);

(p) Indebtedness to the extent that the net proceeds thereof are promptly deposited to defease or to satisfy and discharge the Notes in accordance with the Indenture; and

(q) in addition to Indebtedness referred to in clauses (a) through (p) above, Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount not to exceed (x) U.S.$50.0 million, if such Indebtedness is incurred prior to the Kallpa Completion Date, and (y) the greater of (i) U.S.$75.0 million and (ii) 5.0% of the Company's Consolidated Total Assets, if such Indebtedness is incurred thereafter.

(3) The Company will not Incur any Indebtedness that is contractually subordinate in right of payment to any other Indebtedness, unless such Indebtedness is expressly subordinate in right of payment to the Notes to the same extent and on the same terms as such Indebtedness is subordinate to such other Indebtedness; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

(4) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness Incurred pursuant to and in compliance with this covenant:

(a) the outstanding principal amount of any item of Indebtedness will be counted only once (without duplication for guarantees or otherwise);

(b) in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (a) through (q) above, the Company may, in its sole discretion, divide and classify (or at any time reclassify) such item of Indebtedness in any manner that complies with this covenant;

(c) The amount of Indebtedness Incurred by a Person on the Incurrence date thereof shall equal the amount recognized as a liability on the balance sheet of such Person in accordance with IFRS and the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of liability in respect thereof determined in accordance with IFRS. Accrual of interest, the accretion or amortization of original issue discount, the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Disqualified Capital Stock in the form of additional Disqualified Capital Stock with the same terms will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant; and

(d) with respect to any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; provided, that if such Indebtedness is incurred to Refinance other Indebtedness denominated in a foreign currency, and such Refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such Refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being Refinanced. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness incurred to Refinance other Indebtedness, if incurred in a different currency from the Indebtedness being Refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such Refinancing.

Limitation on Restricted Payments.

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, take any of the following actions (each, a "Restricted Payment"):

(a) declare or pay any dividend or make any distribution or return of capital on or in respect of shares of Capital Stock of the Company or any Restricted Subsidiary to holders of such Capital Stock, other than:

- dividends or distributions payable in Qualified Capital Stock of the Company,
- dividends, distributions or returns of capital payable to the Company and/or a Restricted Subsidiary (other than a Project Finance Subsidiary, except to the extent that the dividend, distribution or return of capital is made by a Project Finance Subsidiary to another Project Finance Subsidiary), or
- dividends, distributions or returns of capital made on a *pro rata* basis to the Company and its Restricted Subsidiaries (other than a Project Finance Subsidiary, except to the extent that the dividend, distribution or return on of capital is made by a Project Finance Subsidiary to another Project Finance Subsidiary), on the one hand, and the other holders of Capital Stock of such Restricted Subsidiary, on the other hand (or on a less than *pro rata* basis to any minority holder);

(b) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company except for Capital Stock held by the Company or a Restricted Subsidiary (other than a Project Finance Subsidiary, except to the extent that the purchase, redemption, acquisition or retirement is made by a Project Finance Subsidiary from another Project Finance Subsidiary);

(c) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, scheduled repayment or scheduled sinking fund payment, as the case may be, any Subordinated Indebtedness except (i) a payment of interest, (ii) a repayment, redemption, repurchase, defeasance or acquisition or retirement in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of such repurchase, defeasance or acquisition or retirement and (iii) Subordinated Indebtedness permitted to be Incurred under clause (e) of the definition of "Permitted Indebtedness";

(d) make any Restricted Investment; or

(e) pay any interest, principal or other amount on any intercompany loan provided by Israel Corp. or any of its Affiliates (other than the Company or any Restricted Subsidiary);

if immediately after giving effect thereto:

(1) a Default or an Event of Default shall have occurred and be continuing;

(2) the Company is not able to Incur at least U.S.$1.00 of additional Indebtedness pursuant to clause (1)(a) of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness;"

(3) if such Restricted Payment is a Restricted Payment described in clauses (a), (b) or (e) of the definition thereof, the Kallpa Completion Date shall not have occurred; or

(4) the aggregate amount (the amount expended for these purposes, if other than in cash, being the Fair Market Value of the relevant property) of the proposed Restricted Payment and all other Restricted Payments made subsequent to the Issue Date up to the date thereof shall exceed the sum of:

(A) 100% of cumulative Consolidated Net Income of the Company (or, if Consolidated Net Income shall be a deficit, minus 100% of such deficit) accrued on a cumulative basis during the period, treated as one accounting period, beginning on January 1, 2011 to the end of the most recent fiscal quarter for which financial statements of the Company have been provided to the Trustee pursuant to the Indenture; plus

(B) 100% of the aggregate net cash proceeds and the Fair Market Value of property other than cash received by the Company from any Person from any:

- (i) contribution to the equity capital of the Company not representing an interest in Disqualified Capital Stock and, (ii) issuance and sale of Qualified Capital Stock of the Company subsequent to January 1, 2011, or
- issuance and sale subsequent to January 1, 2011 (and, in the case of Indebtedness of a Restricted Subsidiary, at such time as it was a Restricted Subsidiary) of any Indebtedness included in clauses (1), (2), (3), (4) and (9) of the definition thereof of the Company or any Restricted Subsidiary (other than a Project Finance Subsidiary) that has been converted into or exchanged for Qualified Capital Stock of the Company;

excluding, in each case, any net cash proceeds:

(x) received from a Restricted Subsidiary of the Company; or

(y) applied in accordance with clause (2) or (3) of the second paragraph of this covenant below; plus

(C) to the extent that any Restricted Investment is sold for cash or otherwise liquidated or repaid for cash or Designated as a Restricted Subsidiary, the cash proceeds with respect to such Restricted Investment (less the cost of disposition, if any) in the case of any sale, liquidation or repayment and the Fair Market Value of the Company's Restricted Investments as of the date of Designation in the case of any Designation; provided, that if such Restricted Investment was made prior to the Issue Date, such amount shall not be included in determining if the Company can make a Restricted Payment provided for in clauses (a), (b) and (c) of the first paragraph of this covenant; plus

(D) to the extent that:

- any Unrestricted Subsidiary of the Company Designated as such on or after the Issue Date is redesignated as a Restricted Subsidiary and not as a Project Finance Subsidiary, the Fair Market Value of the Company's Investment in such Subsidiary as of the date of such redesignation; and
- any Project Finance Subsidiary of the Company Designated as such on or after the Issue Date has such Designation revoked and such Project Finance Subsidiary remains a Restricted Subsidiary after the Issue Date, the Fair Market Value of the Company's Investment in such Subsidiary as of the date of such revocation; plus

(E) to the extent that the Company or a Restricted Subsidiary terminates all or any part of any commitment to make an Investment that was previously accounted for as a Restricted Payment under clause (7) of the next succeeding paragraph, the amount of the terminated commitment; plus

(F) to the extent not included above under this clause, 100% of any dividends, distributions or cash received by the Company or any of its Restricted Subsidiaries from an Unrestricted Subsidiary, Project Finance Subsidiary or any Person in which the Company or a Restricted Subsidiary owns a minority interest.

Notwithstanding the preceding paragraph, this covenant does not prohibit:

(1) the payment of any dividend or other distribution or redemption within 60 days after the date of declaration of such dividend or call for redemption if such payment would have been permitted on the date of declaration or call for redemption pursuant to the preceding paragraph;

(2) any Restricted Payment either (i) in exchange for Qualified Capital Stock of the Company or (ii) through the application of the net cash proceeds received by the Company from (x) a substantially concurrent sale of Qualified Capital Stock of the Company or (y) a contribution to the Capital Stock of the Company not representing an interest in Disqualified Capital Stock, in each case, not received from a Restricted Subsidiary of the Company; *provided* that the value of any such Qualified Capital Stock issued in exchange for such acquired Capital Stock and any such net cash proceeds will be excluded from clause (3)(B) of the first paragraph of this covenant (and were not included therein at any time);

(3) the voluntary prepayment, purchase, defeasance, redemption or other acquisition or retirement for value of any Subordinated Indebtedness solely in exchange for, or through the application of net cash proceeds of a substantially concurrent sale, other than to a Restricted Subsidiary of the Company, of:

(x) Qualified Capital Stock of the Company or

(y) Refinancing Indebtedness for such Subordinated Indebtedness;

provided, that the value of any Qualified Capital Stock issued in exchange for Subordinated Indebtedness and any net cash proceeds referred to above shall be excluded from clause (3)(B) of the first paragraph of this covenant (and were not included therein at any time);

(4) repurchases of Capital Stock deemed to occur upon exercise of stock options, warrants or other similar rights if such Capital Stock represents a portion of the exercise price of such options, warrants or other similar rights or nominal cash payments in lieu of issuances of fractional shares;

(5) (i) the payment of dividends, distributions or other amounts to fund the repurchase, redemption or other acquisition or retirement for value of any of the Company's Capital Stock under the Existing Management Incentive Plan and (ii) the payment of other dividends, distributions or other amounts to fund the repurchase, redemption or other acquisition or retirement for value of any of the Company's Capital Stock or any Capital Stock of any of its Restricted Subsidiaries held by any then-existing or former director, officer, employee, independent contractor or consultant of the Company, its direct or indirect parent or any of its Restricted Subsidiaries or their respective assigns, estates or heirs; *provided, however*, that with respect to clause (ii) only, the price paid for all repurchased, redeemed, acquired or retired Capital Stock, other than as a result of death or disability, does not exceed U.S.$15.0 million in the aggregate in any fiscal year; *provided, further*, that the amounts in any fiscal year may be increased by an amount not to exceed: (A) the cash proceeds received by the Company from the sale of Capital Stock of the Company to any present or former employees, directors, officers or consultants (or their respective permitted transferees) of the Company or any of its Restricted Subsidiaries following the Issue Date; plus (B) the cash proceeds of "key man" life insurance policies received by the Company or any of its Restricted Subsidiaries since the Issue Date;

(6) the payment at any time of all or any part of a Restricted Investment, if at the time of the entering into the commitment to make the Restricted Investment, the making of such Restricted Investment would have been permitted under any provision of the Indenture; *provided*, that at the time of entering into such commitment to make the Restricted Investment (i) the entire amount of such commitment was permitted to be made as a Restricted Payment under the Indenture as if the entire amount was made on the date of such commitment and (ii) the entire amount of such commitment is included in the calculation required under clause (3) of the first paragraph above;

(7) repurchases of Subordinated Indebtedness at a purchase price not greater than (a) 101% of the principal amount or accreted value, as applicable, of such Subordinated Indebtedness and accrued and unpaid interest thereon in the event of a Change of Control or (b) 100% of the principal amount or accreted value, as applicable, of such Subordinated

Indebtedness and accrued and unpaid interest thereon in the event of an Asset Sale, in connection with any change of control offer or asset sale offer required by the terms of such Subordinated Indebtedness, but only if: (i) in the case of a Change of Control, the Company has first complied with and fully satisfied its obligations under the covenant described above under the caption "—Change of Control"; or (ii) in the case of an Asset Sale, the Company has first complied with and fully satisfied its obligations under the covenant described above under the caption "—Limitation on Asset Sales"; and

(8) Restricted Payments in an amount which, when taken together with all Restricted Payments made pursuant to this clause (8), does not exceed U.S.$20.0 million (or the equivalent in other currencies).

In determining the aggregate amount of Restricted Payments made subsequent to the Issue Date, only amounts expended pursuant to clauses (1) (without duplication for the declaration of the relevant dividend), (5) and (6) (without duplication of the original commitment) above shall be included in the calculation required by clause (3) of the first paragraph above and amounts expended pursuant to clauses (2), (3), (4), (7) and (8) above shall not be included in such calculation.

The amount of any Restricted Payments not in cash will be the Fair Market Value on the date of such Restricted Payment of the property, assets or securities proposed to be paid, transferred or issued by the Company or the relevant Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment.

Limitation on Asset Sales.

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(a) the Company or a Restricted Subsidiary, as the case may be, receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets sold or otherwise disposed of, and

(b) at least 75% of the consideration received for the assets sold by the Company or the Restricted Subsidiary, as the case may be, in the Asset Sale shall be in the form of (1) cash or Cash Equivalents, (2) assets (other than current assets as determined in accordance with IFRS or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business, (3) Capital Stock in a Person engaged primarily in a Permitted Business that will become a Restricted Subsidiary as a result of such Asset Sale, (4) Indebtedness assumed pursuant to a customary novation agreement or (5) a combination of any of the foregoing.

The Company and one or more Restricted Subsidiaries, as the case may be, may apply within 365 days of any Asset Sale an amount equal to the product of the Net Cash Proceeds from any such Asset Sale to:

(a) repay any Senior Indebtedness of the Company or a Restricted Subsidiary (other than a Project Finance Subsidiary unless the Asset Sale was made by a Project Finance Subsidiary) for borrowed money (including any such Indebtedness represented by bonds, notes, debentures or other similar instruments) or constituting a Capitalized Lease Obligation, or

(b) purchase or enter into a binding contract to purchase (or within such 365-day period, the Board of Directors shall have made a good faith determination to purchase; provided, that the Company or one or more Restricted Subsidiaries shall have purchased or entered into a binding contract to purchase within 365 days of such good faith determination to purchase):

(1) assets (other than current assets as determined in accordance with IFRS or Capital Stock) to be used by the Company or any Restricted Subsidiary (other than a Project Finance Subsidiary unless the Asset Sale was made by a Project Finance Subsidiary) in a Permitted Business, or

(2) Capital Stock of a Person engaged in a Permitted Business that will become, upon purchase, a Restricted Subsidiary (other than a Project Finance Subsidiary unless the Asset Sale was made by a Project Finance Subsidiary);

from a Person other than the Company and its Restricted Subsidiaries; or

(c) to make Capital Expenditures.

Notwithstanding the foregoing, if an Asset Sale is the result of an involuntary expropriation, nationalization, taking or similar action by or on behalf of any Governmental Authority, such Asset Sale need not comply with clauses (a) and (b) of the first paragraph of this covenant. In addition, the proceeds of any such Asset Sale shall not be deemed to have been received (and the 365-day period in which to apply any Net Cash Proceeds shall not begin to run) until the proceeds to be paid by or on behalf of the Governmental Authority have been paid in cash to the Company or the Restricted Subsidiary making such Asset Sale and if any litigation, arbitration or other action is brought contesting the validity of or any other matter relating to any such expropriation, nationalization, taking or other similar action, including the amount of the compensation to be paid in respect thereof, until such litigation, arbitration or other action is finally settled or a final judgment or award has been entered and any such judgment or award has been collected in full.

For the purpose of this covenant, any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee will be deemed to be cash to the extent, and in the amount, that they are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 90 days of the receipt thereof (subject to ordinary settlement periods).

To the extent there are any remaining Net Cash Proceeds that have not been applied as described in clause (a) and (b) of the second preceding paragraph 365 days after the Asset Sale, the Company will make an offer to purchase Notes (an "Asset Sale Offer"), at a purchase price equal to 100% of the principal amount of the Notes to be purchased, plus accrued and unpaid interest to, but excluding, the date of purchase (the "Asset Sale Offer Amount"). The Company will purchase pursuant to an Asset Sale Offer from all tendering Holders on a *pro rata* basis, and, at the Company's option, on a *pro rata* basis with the Holders of any other Senior Indebtedness with similar provisions requiring the Company to offer to purchase the other Senior Indebtedness with the proceeds of Asset Sales, that principal amount (or accreted value in the case of Indebtedness issued with original issue discount) of Notes and the other Senior Indebtedness to be purchased equal to such remaining Net Cash Proceeds. The Company may satisfy its obligations under this covenant with respect to the remaining Net Cash Proceeds of an Asset Sale by making an Asset Sale Offer prior to the expiration of the relevant 365-day period.

Notwithstanding the foregoing, the Company may defer an Asset Sale Offer until there is an aggregate amount of remaining Net Cash Proceeds from one or more Asset Sales equal to or in excess of U.S.$25.0 million (or the equivalent in other currencies). At that time, the entire amount of remaining Net Cash Proceeds, and not just the amount in excess of U.S.$25.0 million (or the equivalent in other currencies), will be applied as required pursuant to this covenant.

Each notice of an Asset Sale Offer will be provided to the Holders within 30 days following such 365th day, with a copy to the Trustee, offering to purchase the Notes as described above. Each notice of an Asset Sale Offer will state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date the notice is mailed, other than as may be required by law (the "Asset Sale Offer Payment Date"). Upon receiving notice of an Asset Sale Offer, Holders may elect to tender their Notes in whole or in part in integral multiples of U.S.$1,000 in exchange for cash; provided that the principal amount of such tendering Holder's Note shall not be less than U.S.$200,000.

To the extent Holders of Notes and holders of other Senior Indebtedness, if any, which are the subject of an Asset Sale Offer properly tender and do not withdraw Notes or the other Senior Indebtedness in an aggregate amount exceeding the amount of remaining Net Cash Proceeds, the Company will purchase the Notes and the other Senior Indebtedness on a *pro rata* basis (based on amounts tendered) as set forth above. If only a portion of a Note is purchased pursuant to an Asset Sale Offer, a new Note in a principal amount equal to the portion thereof not purchased will be issued in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a Global Note will be made, as appropriate).

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws in connection with the purchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the "Asset Sale" provisions of the Indenture, the Company will comply with these laws and regulations and will not be deemed to have breached its obligations under the "Asset Sale" provisions of the Indenture by doing so. If it would be unlawful in any jurisdiction to make an Asset Sale Offer, the Company will not be obligated to make such offer in such jurisdiction and will not be deemed to have breached its obligations under the Indenture by doing so.

Upon completion of an Asset Sale Offer, the amount of remaining Net Cash Proceeds will be reset at zero. Accordingly, to the extent that the aggregate amount of Notes and other Indebtedness tendered pursuant to an Asset Sale Offer is less than the aggregate amount of remaining Net Cash Proceeds, the Company may use any remaining Net Cash Proceeds in any manner not otherwise prohibited by the Indenture.

Limitation on Designation of Unrestricted Subsidiaries and Project Finance Subsidiaries.

The Company may designate after the Issue Date any Subsidiary of the Company or any Subsidiary thereof as an "Unrestricted Subsidiary" or a "Project Finance Subsidiary" under the Indenture (a "Designation") only if:

(1) no Event of Default shall have occurred and be continuing at the time of, and no Default or Event of Default shall have occurred and be continuing after giving effect to, such Designation and any transactions between the Company or any of its Restricted Subsidiaries and such Unrestricted Subsidiary or Project Finance Subsidiary, as applicable, are in compliance with "—Certain Covenants—Limitation on Transactions with Affiliates" and

(2) the Company would be permitted to make an Investment at the time of Designation (assuming the effectiveness of such Designation and treating such Designation as an Investment at the time of Designation) as a Restricted Payment pursuant to the first paragraph or clause (8) of the second paragraph of "—Limitation on Restricted Payments" or, in the case of a Designation of a Project Finance Subsidiary only, clause (12) of the definition of "Permitted Investment" in an amount (the "Designation Amount") equal to the amount of the Company's Investment in such Subsidiary on such date (as determined in accordance with the second paragraph of the definition of "Investment").

Neither the Company nor any Restricted Subsidiary will at any time provide credit support for, subject any of its property or assets (other than the Capital Stock of any Unrestricted Subsidiary or Project Finance Subsidiary) to the satisfaction of, or Guarantee, any Indebtedness of any Unrestricted Subsidiary or Project Finance Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness) or be directly or indirectly liable for any Indebtedness of any Unrestricted Subsidiary or Project Finance Subsidiary unless such credit support or Indebtedness was permitted to be Incurred as Indebtedness under the covenant "—Limitations on Incurrence of Additional Indebtedness."

The Company may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary or Project Finance Subsidiary (a "Revocation") only if:

(1) no Event of Default shall have occurred and be continuing at the time of, and no Default or Event of Default shall have occurred and be continuing, after giving effect to such Revocation; and

(2) all Indebtedness of such Unrestricted Subsidiary or Project Finance Subsidiary, as applicable, outstanding immediately following such Revocation would, if Incurred at such time, be permitted to be Incurred pursuant to the Indenture.

The Designation of a Subsidiary of the Company as an Unrestricted Subsidiary or Project Finance Subsidiary, as applicable, shall be deemed to include the Designation of all of the Subsidiaries of such Subsidiary. All Designations and Revocations must be evidenced by resolutions of the Board of Directors of the Company, delivered to the Trustee certifying compliance with the preceding provisions.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries.

(a) Except as provided in paragraph (b) below, the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Company or any other Restricted Subsidiary or pay any Indebtedness owed to the Company or any other Restricted Subsidiary;

(2) make loans or advances to the Company or any other Restricted Subsidiary (it being understood that the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances); or

(3) transfer any of its property or assets to the Company or any other Restricted Subsidiary.

(b) Paragraph (a) above will not apply to encumbrances or restrictions existing under or by reason of:

(1) applicable law, rule, regulation or order (including, without limitation, (i) by any national stock exchange on which any Restricted Subsidiary has its Capital Stock listed and (ii) pursuant to any fiduciary obligations imposed by law);

(2) the Indenture or the Notes;

(3) the terms of any Indebtedness or other agreement existing on the Issue Date and any extensions, renewals, replacements, amendments or refinancings thereof; provided, that such extension, renewal, replacement, amendment or refinancing is not, taken as a whole, materially more restrictive with respect to such encumbrances or restrictions than those in existence on the Issue Date;

(4) customary non-assignment provisions in contracts, agreements, leases, permits and licenses;

(5) restrictions with respect to a Restricted Subsidiary of the Company imposed pursuant to a binding agreement which has been entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary; provided, that such restrictions apply solely to the Capital Stock or assets of such Restricted Subsidiary being sold;

(6) customary restrictions imposed on the transfer of copyrighted or patented materials;

(7) Purchase Money Indebtedness and Capital Lease Obligations for assets acquired in the ordinary course of business and pursuant to the covenant described under "—Limitation on Incurrence of Additional Indebtedness" that impose encumbrances and restrictions only on the assets so acquired or subject to lease;

(8) customary provisions in a joint venture or other similar agreement with respect to a Restricted Subsidiary that was entered into in the ordinary course of business;

(9) any agreement governing Acquired Indebtedness, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired;

(10) restrictions on the transfer of assets subject to any Holding Company Permitted Lien or Restricted Subsidiary Permitted Lien;

(11) restrictions on cash or other deposits or net worth imposed by customers under contracts or other arrangements entered into or agreed to in the ordinary course of business;

(12) the terms of any Indebtedness of any Project Finance Subsidiary;

(13) with respect to any agreement governing Indebtedness of any Restricted Subsidiary that is permitted to be Incurred by the covenant described under the heading "—Limitation on Incurrence of Additional Indebtedness" and any extensions, renewals, replacements, amendments or refinancings thereof; provided that (i) the encumbrance or restriction is not materially disadvantageous to the holders of the notes than is customary in comparable financings and (ii) the Company determines that on the date of the Incurrence of such Indebtedness, that such encumbrance or restriction would not be expected to materially impair the Company's ability to make principal or interest payments on the Notes; provided, further, that such extension, renewal, replacement, amendment or refinancing is not, taken as a whole, materially more restrictive with respect to such encumbrances or restrictions than those in existence in such agreement being extended, renewed, amended or refinanced; and

(14) Refinancing Indebtedness; provided, that the restrictions contained in the agreements governing such Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being Refinanced.

Limitation on Liens.

The Company covenants and agrees that:

(a) it will not, and will not permit any Intermediate Holding Company to, Incur any Liens to secure any Indebtedness (except for Holding Company Permitted Liens) against or upon any of their properties or assets whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom; and

(b) it will not permit any Restricted Subsidiary (other than any Project Finance Subsidiary) to Incur any Liens to secure any Indebtedness (except for Restricted Subsidiary Permitted Liens) against or upon any of their properties or assets (other than any Capital Stock of a Project Finance Subsidiary) whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom, *unless* contemporaneously therewith effective provision is made to secure the Notes and all other amounts due under the Indenture in each case, equally and ratably with such Indebtedness or other obligation (or, in the event that such Indebtedness is subordinated in right of payment to the Notes, as the case may be, prior to such Indebtedness or other obligation) with a Lien on the same properties and assets securing such Indebtedness or other obligation for so long as such Indebtedness or other obligation is secured by such Lien.

Limitation on Merger, Consolidation and Sale of Assets.

The Company will not, in a single transaction or series of related transactions, consolidate or merge with or into any Person (whether or not the Company is the surviving or continuing Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the Company's properties and assets (determined on a consolidated basis for the Company and its Restricted Subsidiaries), to any Person unless:

(a) either:

(1) the Company shall be the surviving or continuing corporation, or

(2) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company and of the Company's Restricted Subsidiaries substantially as an entirety (the "Surviving Entity"):

(A) shall be a corporation organized and validly existing under the laws of (i) Bermuda, (ii) the United States of America, any State thereof or the District of Columbia, (iii) Peru or (iv) any country which is a member country of the Organization for Economic Co-Operation and Development, and

(B) shall expressly assume, by supplemental indenture (in form and substance reasonably satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of, and premium, if any, and interest on all of the Notes and the performance and observance of every covenant of the Notes and the Indenture on the part of the Company to be performed or observed;

(b) immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including giving effect on a pro forma basis to any Indebtedness, including any Acquired Indebtedness, Incurred or anticipated to be Incurred in connection with or in respect of such transaction), the Company or such Surviving Entity, as the case may be, (i) will be able to Incur at least U.S.$1.00 of additional Indebtedness pursuant to clauses (1)(a) and (1)(b) of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" or (ii) would have (y) an Unconsolidated Interest Coverage Ratio that is equal to or greater than the Company's Unconsolidated Interest Coverage Ratio immediately prior to such transaction, and (z) a Consolidated Net Leverage Ratio that is equal to or less than the Company's Consolidated Net Leverage Ratio immediately prior to such transaction;

(c) immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including, without limitation, giving effect on a pro forma basis to any Indebtedness, including any Acquired Indebtedness, Incurred or anticipated to be Incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred or be continuing; and

(d) the Company or the Surviving Entity has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transaction, the supplemental indenture, comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to the transaction have been satisfied.

The provisions of this covenant above will not apply to any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of properties and assets, of any Restricted Subsidiary (other than a Project Finance Subsidiary) to the Company, or any merger of the Company into a wholly owned Subsidiary (other than a Project Finance Subsidiary) of the Company created for the purpose of holding the Capital Stock of the Company so long as the Indebtedness of the Company and its Restricted Subsidiaries taken as a whole is not increased thereby.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries in accordance with this covenant, in which the Company is not the continuing Person, the Surviving Entity formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture and the Notes with the same effect as if such Surviving Entity had been named as such. Upon such substitution, unless the successor is one or more of the Company's Restricted Subsidiaries, the Company will be released from its obligations under the Indenture. For the avoidance of doubt, compliance with this covenant will not affect the obligations of the Company (including a Surviving Entity, if applicable) under "—Change of Control," if applicable.

Limitation on Transactions with Affiliates.

(1) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) involving aggregate consideration in excess of U.S.$1.0 million (or equivalent in other currencies) with, or for the benefit of, any of its Affiliates (each, an "Affiliate Transaction"), unless:

(a) the terms of such Affiliate Transaction are no less favorable in all material respects to the Company or the applicable Restricted Subsidiary than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of the Company;

(b) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of U.S.$5.0 million (or the equivalent in other currencies), the terms of such Affiliate Transaction will be approved by a majority of the members of the Board of Directors of the Company (including a majority of the disinterested members thereof, but only to the extent there are disinterested members with respect to such Affiliate Transaction), the approval to be evidenced by a Board Resolution stating that the Board of Directors has determined that such transaction complies with the preceding provisions; and

(c) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of U.S.$25.0 million (or the equivalent in other currencies), the Company will, prior to the consummation thereof, obtain a favorable opinion as to the fairness of such Affiliate Transaction to the Company and the relevant Restricted Subsidiary (if any) from a financial point of view from an Independent Financial Advisor and file the same with the Trustee.

(2) Paragraph (1) above will not apply to:

(a) Affiliate Transactions with or among the Company and any Restricted Subsidiary or between or among Restricted Subsidiaries (other than a Project Finance Subsidiary) and Affiliate Transactions between or among a Project Finance Subsidiary and any other Project Finance Subsidiary;

(b) reasonable fees and compensation paid to, and any indemnity provided on behalf of (and entering into related agreements with), officers, directors, employees, consultants or agents of the Company or any Restricted Subsidiary;

(c) any issuance or sale of Capital Stock of the Company;

(d) Affiliate Transactions undertaken pursuant to (i) any contractual obligations or rights in existence on the Issue Date, (ii) any contractual obligation of any Restricted Subsidiary or any Person that is merged into the Company or any Restricted Subsidiary on the date such Person becomes a Restricted Subsidiary or is merged into the Company or any Restricted Subsidiary and (iii) any amendment or replacement agreement to the obligations and rights described in clauses (i) and (ii), so long as such amendment or replacement agreement is not more disadvantageous to the Holders in any material respect, taken as a whole, than the original agreement;

(e) (i) transactions with customers, clients, distributors, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and on market terms, or (ii) transactions with joint ventures or other similar arrangements entered into in the ordinary course of business, on market terms and consistent with past practice or industry norms;

(f) the provision of administrative services to any joint venture, Unrestricted Subsidiary or Project Finance Subsidiary on substantially the same terms provided to or by Restricted Subsidiaries or other transactions to such entities on terms consistent with generally accepted transfer pricing guidelines;

(g) any Restricted Payments made in compliance with "—Limitation on Restricted Payments" and Permitted Investments permitted under the Indenture; and

(h) loans and advances to officers, directors and employees of the Company or any Restricted Subsidiary for travel, moving and other relocation expenses, in each case made in the ordinary course of business and not exceeding U.S.$2.0 million outstanding at any one time.

Conduct of Business.

The Company and its Restricted Subsidiaries will not engage in any business other than a Permitted Business.

Reports to Holders.

So long as any Notes remain outstanding:

(1) The Company will provide the Trustee with annual consolidated financial statements audited by an internationally recognized firm of independent public accountants within 180 days after the end of the Company's fiscal year, and, commencing with the first full quarter after the Issue Date, unaudited quarterly financial statements (including a balance sheet, income statement and cash flow statement for the fiscal quarter and year-to-date period then ended and the corresponding fiscal quarter and year-to-date period from the prior year, except that the comparison of the balance sheet will be as of the end of the previous fiscal year) within 90 days of the end of each of the first three fiscal quarters of each fiscal year. Such annual and quarterly financial statements will be prepared in accordance with IFRS and be accompanied by a "management discussion and analysis" of the results of operations and liquidity and capital resources of the Company and its Subsidiaries on a consolidated basis for the periods presented in a level of detail comparable to the management discussion and analysis of the results of operations and liquidity and capital resources of the Company and its Subsidiaries contained in the offering memorandum. All of the foregoing documents will be in English;

(2) The Company will provide the Trustee copies (including English translations of documents prepared in another language) of all public filings made with any securities exchange or securities regulatory agency or authority within thirty (30) business days of such filing; and

(3) the Company will make available, upon request, to any Holder and any prospective purchaser of Notes the information required pursuant to Rule 144A(d)(4) under the Securities Act.

Delivery of reports, information and documents to the Trustee is for informational purposes only and its respective receipt of such reports shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's or any other Person's compliance with any of its covenants under the Indenture or the Notes (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Covenant Suspension

If on any date following the Issue Date (a) the Notes have an Investment Grade Rating from any two Rating Agencies, and (b) no Default or Event of Default has occurred and is continuing (the occurrence of the events described in the foregoing clauses (a) and (b) being collectively referred to as a "Covenant Suspension Event"), the Company and its Restricted Subsidiaries will not be subject to the following covenants (collectively, the "Suspended Covenants"):

(1) "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness";

(2) "—Certain Covenants—Limitation on Restricted Payments";

(3) "—Certain Covenants—Limitation on Asset Sales";

(4) "—Certain Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(5) clause (b) of the first paragraph of "—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets"; and

(6) "Certain Covenants—Limitation on Transactions with Affiliates" other than any transaction with any affiliated shareholder of the Company or Affiliate thereof other than the Company or any Subsidiary thereof.

In the event that the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the "Reversion Date"), the Notes cease to have an Investment Grade Rating from any two Rating Agencies, then the Company and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants. The period of time between the occurrence of a Covenant Suspension Event and the Reversion Date is referred to as the "Suspension Period." Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of a failure to comply with any of the Suspended Covenants during the Suspension Period (or upon termination of the Suspension Period or after that time based solely on events that occurred during the Suspension Period).

On the Reversion Date, all Indebtedness incurred during the Suspension Period will be classified to have been incurred pursuant to paragraph (1) of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" or one of the clauses set forth in paragraphs (a) through (q) of paragraph (2) of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" (to the extent such Indebtedness would be permitted to be incurred thereunder as of the Reversion Date and after giving effect to the Indebtedness incurred prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Indebtedness would not be permitted to be incurred pursuant to "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness," such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (c) of paragraph (2) of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness."

We cannot assure you that the Notes will achieve or maintain Investment Grade Ratings.

Events of Default

The following are "Events of Default":

(1) default in the payment when due of the principal of or premium, if any, on any Notes, including the failure to make a required payment to purchase Notes tendered pursuant to an optional redemption, Change of Control Offer or an Asset Sale Offer;

(2) default for 30 days or more in the payment when due of interest or Additional Amounts on any Notes;

(3) the failure to perform or comply with any of the provisions described under "—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets;"

(4) the failure by the Company or any Restricted Subsidiary to comply with any other covenant or agreement contained in the Indenture or in the Notes for 45 days or more after written notice to the Company from the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Notes;

(5) default by the Company or any Restricted Subsidiary which shall not have been cured or waived under any Indebtedness (other than any Bolivian Indebtedness) which:

(a) is caused by a failure to pay principal of or premium, if any, or interest on such Indebtedness after the expiration of any applicable grace period provided in such Indebtedness on the date of such default; or

(b) results in the acceleration of such Indebtedness prior to its Stated Maturity;

and the principal or accreted amount of Indebtedness covered by (a) or (b) at the relevant time exceeds U.S.$25.0 million individually or in the aggregate (or the equivalent in other currencies) or more;

(6) failure by the Company or any of its Restricted Subsidiaries to pay one or more final, non-appealable judgments against any of them, aggregating U.S.$25.0 million (or the equivalent in other currencies) or more (excluding therefrom any amount reasonably expected to be covered by insurance), which judgment(s) are not paid, discharged or stayed for a period of 60 days or more; and

(7) certain events of bankruptcy described in the Indenture affecting the Company or any of its Restricted Subsidiaries that are Significant Subsidiaries or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

If an Event of Default (other than an Event of Default specified in clause 7 above with respect to the Company) shall occur and be continuing and has not been cured or waived, the Trustee or the Holders of at least 25% in principal amount of outstanding Notes may declare the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the Notes to be immediately due and payable by notice in writing to the Company and the Trustee specifying the Event of Default and that it is a "notice of acceleration." If an Event of Default specified in clause 7 above occurs with respect to the Company, then the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after a declaration of acceleration with respect to the Notes as described in the preceding paragraph, the Holders of a majority in principal amount of the Notes may rescind and cancel such declaration and its consequences by written notice to the Company, if:

(1) the rescission would not conflict with any judgment or decree; and

(2) all existing Events of Default have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration.

No rescission will affect any subsequent Default or impair any rights relating thereto.

The Holders of a majority in principal amount of the Notes may waive any existing Default or Event of Default under the Indenture, and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any Notes.

Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the Holders, unless such Holders have offered to the Trustee indemnity satisfactory to it. Subject to all provisions of the Indenture and applicable law, the Holders of a majority in aggregate principal amount of the then outstanding Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

No Holder of any Notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless:

(1) such Holder gives to the Trustee written notice of a continuing Event of Default;

(2) Holders of at least 25% in principal amount of the then outstanding Notes make a written request to pursue the remedy;

(3) such Holders of the Notes provide to the Trustee indemnity satisfactory to it against any cost, liability or expense;

(4) the Trustee does not comply within 60 days after receipt of such notice and offer of indemnity; and

(5) during such 60-day period the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction which, in the opinion of the Trustee, is inconsistent with the request.

provided, that a Holder of a Note may institute suit for enforcement of payment of the principal of and premium, if any, or interest on such Note on or after the respective due dates expressed in such Note.

The Company is required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee as promptly as practicable (and in any event within 5 business days) written notice of any event that would constitute a Defaults or Events of Default, their status and what action the Company is taking or proposes to take in respect thereof. In the absence of any such notice of Default or Event of Default from the Company and any description of Default or Event of Default in such Officers' Certificate, the Trustee shall not be deemed to have notice or be charged with knowledge of any Default or Event of Default. In addition, the Company is required to deliver to the Trustee, within 135 days after the end of each fiscal year, an Officers' Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous fiscal year. The Indenture provides that if a Default or Event of Default occurs, is continuing and is actually known to the Trustee, the Trustee must mail to each Holder notice of the Default or Event of Default within 90 days after the occurrence thereof. Except in the case of a Default or Event of Default in the payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of its trust officers in good faith determines that withholding notice is in the interests of the Holders.

Legal Defeasance and Covenant Defeasance

The Company may, at its option and at any time, elect to have its obligations discharged with respect to the outstanding Notes ("Legal Defeasance"). Such Legal Defeasance means that the Company will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes on the 91st day after the deposit specified in clause (1) of the second following paragraph, except for:

(1) the rights of Holders to receive payments in respect of the principal of, premium, if any, and interest (including Additional Amounts) on the Notes when such payments are due;

(2) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payments;

(3) the rights, powers, trust, duties and immunities of the Trustee, the paying agent, the registrar, the transfer agent and the Irish listing agent and the Company's obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have its obligations released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with such obligations will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, reorganization and insolvency events) described under "Events of Default" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders cash in U.S. dollars, certain direct non-callable obligations of, or guaranteed by, the United States, or a combination thereof, in such amounts as will be sufficient without reinvestment, in the opinion of a nationally recognized firm of independent public accountants or investment bank, to pay the principal of, premium, if any, and interest (including Additional Amounts) on the Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;

(2) in the case of Legal Defeasance, the Company must deliver to the Trustee an Opinion of Counsel from counsel in the United States reasonably acceptable to the Trustee and independent of the Company confirming that:

(a) the Company has received from, or there has been published by, the U.S. Internal Revenue Service a ruling; or

(b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel shall state that, the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company must deliver to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee to the effect that the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and be continuing on the date of the deposit pursuant to clause (1) of this paragraph (except any Default or Event of Default resulting from the failure to comply with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" as a result of the borrowing of the funds required to effect such deposit);

(5) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a Default under the Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(6) the Company shall not have made the deposit with the intent of preferring the Holders over any other creditors of the Company or any Subsidiary of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others; and

(7) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel from counsel in the United States, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Satisfaction and Discharge

The Indenture (other than those provisions which by their express terms survive) will be discharged and will cease to be of further effect as to all outstanding Notes when:

(1) either:

(a) all the Notes that have been authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has thereto for been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation; or

(b) (i) all Notes not theretofore delivered to the Trustee for cancellation have become due and payable or will become due and payable at the stated date for payment thereof within one year or will be called for redemption within one year or (ii) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise, and, in each case, the Company has irrevocably deposited or caused to be deposited with the Trustee funds or certain direct, non-callable obligations of, or guaranteed by, the United States sufficient without reinvestment to pay and discharge the entire Indebtedness on the Notes not thereto for delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment;

(2) the Company or any of its Restricted Subsidiaries have paid or caused to be paid all other sums payable under the Indenture by it; and

(3) the Company has delivered to the Trustee an Officers' Certificate and Opinion of Counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

Modification of the Indenture

From time to time, the Company and the Trustee, without the consent of the Holders, may amend the Indenture or the Notes for certain specified purposes, including:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated notes in addition to or in place of certificated notes;

(3) to comply with the covenant described under the caption "Certain Covenants—Limitation on Merge, Consolidation and Sale of Assets";

(4) to make any change that would provide any additional rights or benefits to Holders or that does not adversely affect in any respect the legal rights under the Indenture of any Holder;

(5) to evidence and provide for the acceptance of an appointment by a successor trustee;

(6) to conform the text of the Indenture and the Notes to any provision of this "Description of the Notes"; or

(7) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the date of the Indenture.

In connection with executing such amendment, the Trustee will be entitled to rely on such evidence as it deems appropriate, including solely on an Opinion of Counsel and Officers' Certificate. Other modifications and amendments of the Indenture or the Notes may be made with the consent of the Holders of a majority in principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes) issued under the Indenture, and any existing default or compliance with any provision of the Indenture or the Notes outstanding thereunder may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes); *provided* that, without the consent of each Holder affected thereby, no amendment or waiver may (with respect to any Notes held by a non-consenting Holder):

(1) reduce the amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the rate of or change or have the effect of changing the time for payment of interest, including defaulted interest, on any Notes;

(3) reduce the principal of or change or have the effect of changing the fixed maturity of any Notes, or change the date on which any Notes may be subject to redemption, or reduce the redemption price therefor;

(4) waive a Default or Event of Default in the payment of principal of, premium, if any, or interest on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes with respect to a nonpayment default and a waiver of the payment default that resulted from such acceleration);

(5) make any Notes payable in a currency or place of payment other than that stated in the Notes;

(6) make any change in provisions of the Indenture entitling each Holder to receive payment of principal of, premium, if any, and interest on such Note on or after the due date thereof or to bring suit to enforce such payment;

(7) make any change in the provisions of the Indenture described under "Additional Amounts" that adversely affects the rights of any Holder; and

(8) make any change to the provisions of the Indenture or the Notes that adversely affect the ranking of the Notes; provided that a change to the covenant "Limitation on Liens" shall not affect the ranking of the Notes.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment, supplement or waiver. It is sufficient if such consent approves the substance of the proposed amendment, supplement or waiver. After an amendment, supplement or waiver under the Indenture becomes effective, the Company will be required to give notice to the Holders as provided under "—Notices" briefly describing such amendment, supplement or waiver. The failure to give such notice to all Holders, or any defect therein, will not impair or affect the validity of such amendment, supplement or waiver.

Notices

Notices to Holders of Notes will be mailed to them at their registered addresses.

In addition, from and after the date the Notes are listed on Irish Stock Exchange for trading on the Global Exchange Market and, so long as it is required by the rules of such exchange, all notices to Holders of Notes will be published in English in a leading newspaper having general circulation in London (which is expected to be the Financial Times) and, if so long as the Notes are listed on the Global Exchange Market of the Irish Stock Exchange and the guidelines of such stock exchange shall so require, published through the Irish Stock Exchange's Companies Announcement Office.

Notices will be deemed to have been given on the date of mailing or of publication as aforesaid or, if published on different dates, on the date of the first such publication.

Governing Law; Jurisdiction

The Indenture and the Notes will be governed by, and construed in accordance with, the law of the State of New York but without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby. The Company consents to the non-exclusive jurisdiction of the Federal and State courts located in the City of New York, Borough of Manhattan and have appointed an agent for service of process with respect to any actions brought in these courts arising out of or based on the Indenture or the Notes.

The Trustee

Except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustee will exercise such rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

No Personal Liability

No past, present or future incorporator, director, officer, employee, shareholder or controlling person of the Company, as such, will have any liability for any obligations of the Company under the Notes or the Indenture or for any claims based on, in respect of or by reason of such obligations. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the U.S. federal securities laws or under Bermuda corporate law, and it is the view of the SEC that such a waiver may be contrary to public policy.

Currency Indemnity

The Company will pay all sums payable under the Indenture or the Notes solely in U.S. Dollars. Any amount that you receive or recover in a currency other than U.S. Dollars in respect of any sum expressed to be due to you from the Company will only constitute a discharge to us to the extent of the U.S. Dollar amount which you are able to purchase with the amount received or recovered in that other currency on the date of the receipt or recovery or, if it is not practicable to make the purchase on that date, on the first date on which you are able to do so. If the U.S. Dollar amount is less than the U.S. Dollar amount expressed to be due to you under any Note, the Company will indemnify you against any loss you sustain as a result. In any event, the Company will indemnify you against the cost of making any purchase of U.S. Dollars. For the purposes of this paragraph, it will be sufficient for you to certify in a satisfactory manner that you would have suffered a loss had an actual purchase of U.S. Dollars been made with the amount received in that other currency on the date of receipt or recovery or, if it was not practicable to make the purchase on that date, on the first date on which you were able to do so. In addition, you will also be required to certify in a satisfactory manner the need for a change of the purchase date.

The indemnities described above:

- constitute a separate and independent obligation from the other obligations of the Company;
- will give rise to a separate and independent cause of action;
- will apply irrespective of any indulgence granted by any Holder; and
- will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for the definitions of all such terms.

"*Acquired Indebtedness*" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or at the time it merges or consolidates with the Company or any of its Restricted Subsidiaries or is assumed in connection with the acquisition of assets from such Person. Such Indebtedness will be deemed to have been Incurred at the time such Person becomes a Restricted Subsidiary or at the time it merges or consolidates with the Company or a Restricted Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such Person.

"*Additional Amounts*" has the meaning set forth under "—Additional Amounts" above.

"*Additional Notes*" has the meaning set forth under "—Additional Notes" above.

"*Affiliate*" means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"*Asset Acquisition*" means:

(a) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person will become a Restricted Subsidiary, or will be merged with or into the Company or any Restricted Subsidiary; or

(b) the acquisition by the Company or any Restricted Subsidiary of the assets of any Person (other than a Subsidiary of the Company) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business; or

(c) any Revocation with respect to an Unrestricted Subsidiary or Project Finance Subsidiary.

"*Asset Sale*" means any direct or indirect sale, disposition, issuance, conveyance, transfer, lease (other than operating leases entered into in the ordinary course of business), assignment or other transfer (other than a Lien or Sale and Leaseback Transaction incurred in accordance with the Indenture) (each, a "disposition"), by the Company or any Restricted Subsidiary of:

(a) any Capital Stock of any Restricted Subsidiary; or

(b) any property or assets (other than cash, Cash Equivalents or Capital Stock) of the Company or any Restricted Subsidiary not in the ordinary course of business.

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

(1) the disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries as permitted under "—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets" or any disposition which constitutes a Change of Control;

(2) any transaction or series of related transactions involving assets with a Fair Market Value not in excess of U.S.$10.0 million;

(3) the sale, lease, sublease, license, sublicense, consignment, conveyance or other disposition of real property, capital assets or equipment, inventory, indefeasible right of uses, accounts receivable or other assets in the ordinary course of business;

(4) the making of a Restricted Payment permitted under "—Certain Covenants—Limitation on Restricted Payments" and any Permitted Investment;

(5) a disposition to the Company or a Restricted Subsidiary (other than a Project Finance Subsidiary), including a Person that is or will become a Restricted Subsidiary (other than a Project Finance Subsidiary) immediately after the disposition;

(6) a disposition to a Project Finance Subsidiary by another Project Finance Subsidiary, including a Person that is or will become a Project Finance Subsidiary immediately after the disposition;

(7) a disposition of the Capital Stock of an Unrestricted Subsidiary;

(8) the sale or disposition of cash or Cash Equivalents;

(9) dispositions of receivables and related assets or interests in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(10) any issuance of Disqualified Stock otherwise permitted under "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness"; and

(11) the settlement, compromise, release, dismissal or abandonment of any action or claims against any Person.

"*Asset Sale Offer*" has the meaning set forth under "—Certain Covenants—Limitation on Asset Sales."

"*Asset Sale Transaction*" means any Asset Sale and, whether or not constituting an Asset Sale, (1) any sale or other disposition of Capital Stock, (2) any Designation with respect to an Unrestricted Subsidiary or Project Finance Subsidiary and (3) any sale or other disposition of property or assets excluded from the definition of Asset Sale by clause (5) of that definition.

"*Board of Directors*" means, as to any Person, the board of directors, management committee or similar governing body of such Person or any duly authorized committee thereof; provided that, if such Person has a dual board structure, the term "Board of Directors" shall refer to the board body responsible for the oversight of the business operations of such Person unless the members of such body may be replaced by action taken by the other board body (a "senior board"), in which case the term "Board of Directors" shall refer to the senior board.

"*Board Resolution*" means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"*Bolivian Indebtedness*" means any Indebtedness issued by a Subsidiary incorporated in Bolivia.

"*Capital Expenditures*" means, for any Person, the aggregate amount of all expenditures of such Person for fixed or capital assets made during such period which, in accordance with IFRS, would be classified as capital expenditures.

"*Capital Stock*" means:

(1) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person;

(2) with respect to any Person that is not a corporation, any and all partnership or other equity or ownership interests of such Person; and

(3) any warrants, rights or options to purchase or acquire any of the instruments or interests referred to in clause (1) or (2) above, but excluding Indebtedness convertible into equity.

"*Capitalized Lease Obligations*" means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under IFRS, including any Refinancing of such obligations that does not increase the aggregate principal amount thereof as of the date of Refinancing. For purposes of this definition, the amount of such obligations at any date will be the capitalized amount of such obligations at such date, determined in accordance with IFRS.

"*Cash Equivalents*" means, at any time, any of the following:

(1) United States dollars or money in other currencies received in the ordinary course of business;

(2) direct obligations of, or unconditionally guaranteed by any country or a state thereof (or any agency or political subdivision thereof, to the extent such obligations are supported by the full faith and credit of the government of such country or a state thereof), maturing not more than one year after such time of purchase, that is rated A2 or higher by Moody's or A or higher by S&P;

(3) commercial paper maturing no more than one year from the date of purchase thereof and, at the time of acquisition, having an Investment Grade Rating from Moody's and S&P;

(4) demand deposits, certificates of deposit, time deposits or bankers' acceptances maturing within one year from the date of acquisition thereof issued by (a) any bank organized under the laws of the United States of America or any state thereof or the District of Columbia, (b) any member State of the European Union, (c) any U.S. branch of a non-U.S. bank having at the date of acquisition thereof combined capital and surplus of not less than U.S.$250.0 million, (d) with respect to Cash Equivalents made by any Person whose principal place of business is in a jurisdiction other than the United States or such member state of the European Union, a bank operating in such other jurisdiction that either (A) has a long-term local currency rating of A2 or higher from Moody's, A or higher from S&P or A or higher from Fitch, or (B) is ranked (by any applicable governmental regulatory authority or by any reputable, non-governmental ranking organization) as one of the top three banks in such jurisdiction (ranked by total assets), or (e) any bank to the extent the Company or any of its Subsidiaries maintains any deposits with such bank in the ordinary course of business, so long as no such deposit is outstanding for longer than 14 days;

(5) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (1) above entered into with any bank meeting the qualifications specified in clause (3) above; and

(6) investments in money market funds which invest substantially all of their assets in securities of the types described in clauses (1) through (4) above.

"*Cerro del Aguila Project*" means, the project to be developed pursuant to the Peruvian government's Supreme Resolution No. 064-2010-EM, as such resolution may be amended or replaced from time to time.

"*Change of Control*" means the occurrence of one or more of the following events:

(1) prior to the first underwritten Public Equity Event, Israel Corp. ceases to be, directly or indirectly, the beneficial owner (as defined below) of more than a majority of the total voting power of the Voting Stock of the Company (including a Surviving Entity, if applicable);

(2) at the time of or subsequent to the first underwritten Public Equity Event, the Company becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) the acquisition by any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act), other than one or more Permitted Holders, in a single transaction or in a related series of transactions, by way of merger, consolidation or other business combination or purchase of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision) of 35% or more of the total voting power of the Voting Stock of the Company and the Permitted Holders shall own, directly or indirectly, less than such Person or group of the total voting power of the Voting Stock of the Company;

(3) if at any time, individuals who at the beginning of such period constituted the Company's Board of Directors (together with any new members whose election to such Board of Directors, or whose nomination for election by our shareholders, was approved by a vote of at least a majority of the members of the Company's Board of Directors then still in office who were either members at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason other than death or disability to constitute a majority of the members of the Company's Board of Directors then in office;

(4) the approval by the holders of Capital Stock of the Company of any plan or proposal for the liquidation or dissolution of the Company, whether or not otherwise in compliance with the provisions of the Indenture; or

(5) the Company ceases to be, directly or indirectly, the beneficial owner of more than (x) a majority of the total voting power of the Voting Stock of Kallpa (including a Surviving Entity, if applicable) or (y) a majority of the economic value of the outstanding Capital Stock of Kallpa (including a Surviving Entity, if applicable); provided, that this clause (5) shall only be applicable if Kallpa constitutes more than 30% of the Company's Consolidated EBITDA at the time the Company ceases to beneficially own more than (x) a majority of the total voting power of the Voting Stock of Kallpa (including a Surviving Entity, if applicable) or (y) a majority of the economic value of the outstanding Capital Stock of Kallpa (including a Surviving Entity, if applicable).

For purposes of this definition:

(a) "beneficial owner" will have the meaning specified in Rules 13d-3 and 13d-5 under the Exchange Act; and

(b) "Person" will have the meanings for "person" as used in Sections 13(d) and 14(d) of the Exchange Act.

"*Change of Control Payment*" has the meaning set forth under "—Change of Control."

"*Change of Control Payment Date*" has the meaning set forth under "—Change of Control."

"*COES*" means the Committee for the Efficient Operation of the System (*Comité de Operación Económica del Sistema*), an independent and private Peruvian entity composed of all of the members of the national interconnected electrical system of Peru (*Sistema Eléctrico Interconectado Nacional*) which is responsible for planning and coordinating the operation of the generation, transmission and distribution systems that form the national interconnected electrical system of Peru (*Sistema Eléctrico Interconectado Nacional*).

"*Common Stock*" of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common equity interests, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common equity interests.

"*Comparable Treasury Issue*" has the meaning set forth under "Optional Redemption."

"*Comparable Treasury Price*" has the meaning set forth under "Optional Redemption."

"*Consolidated EBITDA*" means, for any period:

(1) consolidated revenue; *minus*

(2) consolidated cost of sales; *minus*

(3) consolidated administrative expenses; *plus*

(4) consolidated other non-operating income, net; *plus*

(5) non-cash or non recurring losses or expenses included in any of the foregoing; *plus*

(6) any dividends, distributions or cash received by the Company or any of its Restricted Subsidiaries from an Unrestricted Subsidiary or any Person in which the Company owns a minority interest;

as each such item is reported on the most recent consolidated financial statements delivered by the Company to the Trustee and prepared in accordance with IFRS.

"*Consolidated Net Leverage Ratio*" means, with respect to any Person as of any date of determination, the ratio of the aggregate amount of Consolidated Total Net Indebtedness for such Person as of such date to Consolidated EBITDA for such Person for the four most recent full fiscal quarters for which financial statements are available ending prior to the date of such determination.

For purposes of this definition, Consolidated Total Net Indebtedness and Consolidated EBITDA will be calculated after giving effect on a *pro forma* basis in good faith for the period of such calculation for the following:

(1) the Incurrence, repayment or redemption of any Indebtedness (including Acquired Indebtedness) of such Person or any of its Subsidiaries (Restricted Subsidiaries (other than any Project Finance Subsidiary) in the case of the Company), and the application of the proceeds thereof, including the Incurrence of any Indebtedness (including Acquired Indebtedness), and the application of the proceeds thereof, giving rise to the need to make such determination, occurring during such period or at any time subsequent to the last day of such period and prior to or on such date of determination, to the extent, in the case of an Incurrence, such Indebtedness is outstanding on the date of determination, as if such Incurrence, and the application of the proceeds thereof, repayment or redemption occurred on the first day of such period; and

(2) any Asset Sale Transaction or Asset Acquisition by such Person or any of its Subsidiaries (Restricted Subsidiaries (other than any Project Finance Subsidiary) in the case of the Company), including any Asset Sale or Asset Acquisition giving rise to the need to make such determination, occurring during the such period or at any time subsequent to the last day of such period and prior to or on such date of determination, as if such Asset Sale Transaction or Asset Acquisition occurred on the first day of such period.

For purposes of making such *pro forma* computation, the amount of Indebtedness under any revolving credit facility will be computed based on:

(a) the average daily balance of such Indebtedness during such period; or

(b) if such facility was created after the end of such period, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation,

in each case giving *pro forma* effect to any borrowings related to any transaction referred to in clause (2) above.

"*Consolidated Net Income*" means, with respect to any Person for any period, the aggregate net income (or loss) of such Person and its Subsidiaries for such period on a consolidated basis, determined in accordance with IFRS; provided, that there shall be excluded therefrom to the extent reflected in such aggregate net income (loss):

(1) the net income (or loss) of any Person that is (i) not a Restricted Subsidiary, (ii) accounted for by the equity method of accounting or (iii) a Project Finance Subsidiary, except, in each case, to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person (other than a Project Finance Subsidiary);

(2) any non-cash charges or expense (other than depreciation, depletion or amortization) and non-cash gains; and

(3) the cumulative effect of changes in accounting principles.

"*Consolidated Total Assets*" means the aggregate amount of total assets of the Company and its Restricted Subsidiaries, all determined on a consolidated basis in accordance with IFRS, based (i) on the Company's most recent annual or quarterly balance sheet which are available, (ii) in accordance with IFRS and (iii) on a *pro forma* basis to give effect to any acquisition or disposition of companies, divisions, lines of businesses or operations by the Company and its Restricted Subsidiaries subsequent to such date and on or prior to the date of determination.

"*Consolidated Total Net Indebtedness*" means, with respect to any Person as of any date of determination, an amount equal to the aggregate amount (without duplication) of all Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries (other than any Project Finance Subsidiary) in the case of the Company) outstanding at such time *less* the sum of (without duplication) consolidated cash and Cash Equivalents and consolidated marketable securities recorded as current assets (including the net proceeds from the issuance of the Notes so long as such proceeds are invested in cash and Cash Equivalents and/or consolidated marketable securities recorded as current assets), except for any Capital Stock in any Person, in all cases determined in accordance with IFRS and as set forth in the most recent consolidated balance sheet of the Company and its Restricted Subsidiaries (excluding any Project Finance Subsidiaries).

"*Covenant Defeasance*" has the meaning set forth under "—Legal Defeasance and Covenant Defeasance."

"*Covenant Suspension Event*" has the meaning set forth under "Covenant Suspension."

"*Currency Agreement*" means, in respect of any Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party designed to hedge foreign currency risk of such Person.

"*Default*" means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

"*Designation*" and "*Designation Amount*" have the meanings set forth under "—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries and Project Finance Subsidiaries" above.

"*Disqualified Capital Stock*" means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof, in any case, on or prior to the 91st day after the final maturity date of the Notes.

"*Edegel*" means Edegel S.A.A.

"*Equity Event*" has the meaning set forth under "Redemption."

"*EU Country*" means any member state of the European Union.

"*Event of Default*" has the meaning set forth under "Events of Default."

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

"*Existing Committed Financing*" means, each of:

(1) Import Credit Facility Agreement (for the issuance of Letters of Credit), dated August 4, 2010, between Kallpa Generación S.A. and Banco de Crédito del Perú;

(2) Bond (*Fianza*) Agreement for US$5,500,000, dated August 4, 2010, between Kallpa Generación S.A. and Banco de Crédito del Perú;

(3) Bond (*Fianza*) Agreement for US$19,000,000, dated August 4, 2010, between Kallpa Generación S.A. and Banco de Crédito del Perú;

(4) Bond (*Fianza*) Agreement for US$6,500,000, dated April 8, 2010, between Kallpa Generación S.A. and Banco de Crédito del Perú;

(5) Master Bond Issuance Agreement (with financing), dated January 26, 2010, between Kallpa Generación S.A. and Scotiabank Perú S.A.A.;

(6) US$5,000,000 short-term Credit Facility Approval from Banco Citibank de El Salvador, S.A. to Nejapa Power Co. LLC and Cenérgica S.A. de C.V.;

(7) US$20,000,000 Letter of Credit Facility Approval from Scotiabank El Salvador S.A. to Nejapa Power Company LLC;

(8) Bank Bond, dated March 12, 2010, from Banco Bisa S.A. to COBEE for the benefit of Empresa Minera San Cristobal;

(9) Letter of Credit Agreement, dated July 20, 2010, between Banco Bisa S.A. and COBEE;

(10) Letter of Credit Agreement, dated October 21, 2010, between Banco Bisa S.A. and COBEE;

(11) Amendment and Extension, dated December 29, 2010, between Banco Mercantil Santa Cruz S.A. and COBEE, to a US$1,500,000 Letter of Credit Agreement, dated December 3, 2008;

(12) US$300,000 Bank Bond, dated December 14, 2010, from Banco Union S.A. to COBEE for the benefit of Yacimientos Petrolíferos Fiscales Bolivianos;

(13) US$308,400 Bank Bond, dated December 14, 2010, from Banco Union S.A. to COBEE for the benefit of Yacimientos Petrolíferos Fiscales Bolivianos;

(14) Revolving Credit Facility Agreement, dated December 16, 2008, between Banco Union S.A. and COBEE;

(15) Secured Credit Facility (for the issuance of Letters of Credit), dated July 2, 2010, between Citibank, N.A. and Compañia de Electricidad de Puerto Plata, S.A.;

(16) Credit Agreement, dated as of November 13, 2009, among Kallpa Generación S.A., as borrower, the lenders named therein, as lenders, The Bank of Nova Scotia, as co-lead arranger & co-bookrunner, Banco de Crédito del Perú S.A., as co-lead arranger & co-bookrunner, and The Bank of Nova Scotia, as administrative agent;

(17) Line of Credit, dated as of December 30, 2010, among Nejapa Power Company, LLC and Cenérgica, S.A. de C.V., as borrowers, and Banco Citibank de El Salvador, S.A., as lender;

(18) Letter of Credit Agreement, dated April 16, 2009, between Southern Cone Power Peru S.A. and Banco de Crédito del Peru;

(19) Letter of Credit Agreement, dated July 28, 2010, between Cenérgica, S.A. de C.V. and Banco HSBC Salvadoreño, S.A.; and

(20) Revolving Line of Credit, dated as of December 31, 2010, between Nejapa Power Company, LLC, as borrower, and Scotiabank El Salvador, S.A., as lender.

"*Existing Management Incentive Plan*" means the management incentive plan in existence of the Issue Date as described in the offering memorandum under the heading "Management—Stock Option Plan."

"*Fair Market Value*" means the value that would be paid by a buyer to an unaffiliated seller, determined in good faith by the Board of Directors of the Company (unless otherwise provided in the Indenture) and evidenced by a Board Resolution; *provided*, that with respect to any price less than U.S.$2.0 million (or the equivalent in other currencies) only a good faith determination by the Company's senior management will be required.

"*Fitch*" means Fitch Ratings Ltd. and its successors.

"*Fuel Agreement*" of any Person means any fuel price protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed to hedge fuel price risk of such Person. For the avoidance of doubt, the term "Fuel Agreement" does not include long-term fuel supply purchase agreements.

"*Governmental Authority*" means the government of the Bermuda, Peru or any other nation or any political subdivision of any thereof, whether provincial, state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other Person exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person:

(1) to purchase or pay, or advance or supply funds for the purchase or payment of, such Indebtedness of such other Person, whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise, or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part,

provided, that "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. "Guarantee" used as a verb has a corresponding meaning.

"*Hedging Obligations*" means the obligations of any Person pursuant to any Interest Rate Agreement, Currency Agreement or Fuel Agreement.

"*Holding Company Permitted Liens*" means any of the following:

(1) Liens securing Acquired Indebtedness Incurred in accordance with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" not incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation; provided, that

(a) such Liens secured such Acquired Indebtedness at the time of and prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary and were not granted in connection with, or in anticipation of the Incurrence of such Acquired Indebtedness by the Company and

(b) such Liens do not extend to or cover any property of the Company other than the property that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Company and are no more favorable to the lienholders than the Liens securing the Acquired Indebtedness prior to the Incurrence of such Acquired Indebtedness by the Company;

(2) Liens for taxes, assessments or other governmental charges not yet subject to penalties for nonpayment or which are being contested in good faith by appropriate proceedings, provided that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(3) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceeding may be initiated has not expired; and

(4) Liens for the purpose of securing the payment of all or a part of the purchase price of assets or property acquired or constructed in the ordinary course of business, provided that:

(a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred in accordance with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness" and does not exceed the cost of the assets or property so acquired or constructed; and

(b) such Liens are created within 180 days of construction or acquisition of such assets or property and do not encumber any other assets or property of the Company or any Restricted Subsidiary other than such assets or property and assets affixed or appurtenant thereto.

"*IFRS*" means, International Financial Reporting Standards as issued by the International Accounting Standards Board.

"*Incur*" means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Indebtedness or other obligation on the balance sheet of such Person (and "Incurrence," "Incurred" and "Incurring" will have meanings correlative to the preceding). For the avoidance of doubt, any completion guarantee entered into by a Person that qualifies as Indebtedness of such Person shall be Incurred on the date the completion guarantee becomes a legal, valid and binding obligation of such Person.

"*Indebtedness*" means with respect to any Person, without duplication:

(1) the principal amount (or, if less, the accreted value) of all obligations of such Person for borrowed money;

(2) the principal amount (or, if less, the accreted value) of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all Capitalized Lease Obligations of such Person, other than power purchase agreements and fuel supply and transportation agreements that are treated as such;

(4) Purchase Money Indebtedness;

(5) all letters of credit, banker's acceptances or similar credit transactions, including reimbursement obligations in respect thereof;

(6) Guarantees and other contingent obligations of such Person in respect of Indebtedness referred to in clauses (1) through (5) above and clauses (8) through (10) below;

(7) all Indebtedness of any other Person of the type referred to in clauses (1) through (6) which is secured by any Lien on any property or asset of such Person (other that the Capital Stock of such Person, if any such Person is a Project Finance Subsidiary or an Unrestricted Subsidiary), the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset or the amount of the Indebtedness so secured;

(8) all obligations under Hedging Obligations of such Person to the extent such Hedging Obligations appear as a liability on the balance sheet of such Person, prepared in accordance with IFRS;

(9) all Disqualified Capital Stock issued by such Person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any; provided, that:

(a) if the Disqualified Capital Stock does not have a fixed repurchase price, such maximum fixed repurchase price will be calculated in accordance with the terms of the Disqualified Capital Stock as if the Disqualified Capital Stock were purchased on any date on which Indebtedness will be required to be determined pursuant to the Indenture, and

(b) if the maximum fixed repurchase price is based upon, or measured by, the fair market value of the Disqualified Capital Stock, the fair market value will be the Fair Market Value thereof; and

(10) all liabilities recorded on the balance sheet of such Person in connection with any equity commitments made to a Project Finance Subsidiary.

Notwithstanding anything to the contrary contained herein, Indebtedness shall not include: (a) any intercompany loan provided by Israel Corp. or any of its Affiliates that is subordinated, in the event of a total or partial liquidation or a total or partial dissolution of the Company or in a bankruptcy, insolvency or receivership, to the prior payment in full in cash of all obligations with respect to the Notes; *provided*, that any future intercompany loan provided by Israel Corp. or any of its Affiliates shall be subordinated, in the event of a total or partial liquidation or a total or partial dissolution of the Company or in a bankruptcy, insolvency or receivership, to the prior payment in full in cash of all obligations with respect to the Notes, and shall contain subordination provisions that are not more disadvantageous to the Holders in any material respect, taken as a whole, than the subordination provisions in the intercompany loans provided by Israel Corp. or any of its Affiliates as of the Issue Date, (b) any liabilities recorded on the balance sheet of the Company or any Restricted Subsidiary in connection with any equity contribution commitments for the Cerro del Aguila Project or (c) completion guarantees or equity commitments that are treated as Restricted Payments at the election of the Company.

"*Independent Financial Advisor*" means an accounting firm, appraisal firm, investment banking firm or consultant that is, in the reasonable judgment of the Company's Board of Directors, qualified to perform the task for which it has been engaged and which is independent in connection with the relevant transaction.

"*Independent Investment Banker*" has the meaning set forth under "—Optional Redemption."

"*Interest Rate Agreement*" of any Person means any interest rate protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed to hedge interest rate risk of such Person.

"*Intermediate Holding Company*" means Inkia Americas Holdings Limited, Inkia Americas Limited and any other Restricted Subsidiary of the Company that owns directly or indirectly at least 25% of the Capital Stock of Edegel or Kallpa; *provided*, that such Restricted Subsidiary shall be a "passive" holding company.

"*Investment*" means, with respect to any Person, any:

(1) direct or indirect loan, advance or other extension of credit (including, without limitation, a Guarantee) to any other Person (other than advances or extensions of credit to customers in the ordinary course of business or any debt or extension of credit by a bank deposit other than a time deposit),

(2) capital contribution (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) to any other Person, or

(3) any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person.

The Company will be deemed to have made an "Investment" in an Unrestricted Subsidiary or a Project Finance Subsidiary, as applicable, at the time of its Designation, which will be valued at the Fair Market Value of the sum of the net assets of such Unrestricted Subsidiary or a Project Finance Subsidiary, as applicable, at the time of its Designation and the amount of any Indebtedness of such Unrestricted Subsidiary or a Project Finance Subsidiary, as applicable, owed to the Company or any Restricted Subsidiary immediately following such Designation. Any property transferred to or from an Unrestricted Subsidiary or a Project Finance Subsidiary, as applicable, will be valued at its Fair Market Value at the time of such transfer. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of a Restricted Subsidiary (including any issuance and sale of Capital Stock by a Restricted Subsidiary) such that, after giving effect to any such sale or disposition, such Restricted Subsidiary would cease to be a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to sum of the Fair Market Value of the Capital Stock of such former Restricted Subsidiary held by the Company or any Restricted Subsidiary immediately following such sale or other disposition and the amount of any Indebtedness of such former Restricted Subsidiary Guaranteed by the Company or any Restricted Subsidiary or owed to the Company or any other Restricted Subsidiary immediately following such sale or other disposition.

"*Investment Grade Rating*" means BBB- or higher by S&P, Baa3 or higher by Moody's or BBB- or higher by Fitch, or the equivalent of such global ratings by S&P, Moody's or Fitch.

"*Issue Date*" means, the first date of issuance of Notes under the Indenture.

"*Kallpa*" means Kallpa Generación S.A.

"*Kallpa Completion Date*" means the commercial operation date of the Kallpa combined cycle plant, as determined by COES.

"*Legal Defeasance*" has the meaning set forth under "Legal Defeasance and Covenant Defeasance."

"*Lien*" means any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest); provided that the lessee in respect of a Capitalized Lease Obligation or Sale and Leaseback Transaction will be deemed to have Incurred a Lien on the property leased thereunder.

"*Moody's*" means Moody's Investors Service, Inc. and its successors.

"*Net Cash Proceeds*" means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents (other than the portion of any such deferred payment constituting interest) received by the Company or any of its Restricted Subsidiaries from such Asset Sale, net of:

(1) reasonable out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees, brokerage commissions, sales commissions and other direct costs);

(2) taxes paid or payable in respect of such Asset Sale after taking into account any reduction in consolidated tax liability due to available tax credits or deductions and any tax sharing arrangements;

(3) repayment of Indebtedness including premiums and accrued interest that are either (a) secured by a Lien permitted under the Indenture that is required to be repaid in connection with such Asset Sale or (b) otherwise required to be repaid in connection with such Asset Sale; and

(4) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with IFRS, against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, but excluding any reserves with respect to Indebtedness.

"*Net Offering Proceeds*" means, with respect the issuance of the Notes, the proceeds in the form of cash received by the Company from the issuance and sale of the Notes on the Issue Date, net of:

(1) reasonable out-of-pocket expenses and fees relating to such issuance (including, without limitation, legal, accounting and investment banking fees, brokerage commissions, sales commissions and other direct costs);

(2) taxes paid or payable in respect of such issuance; and

(3) repayment of Indebtedness including premiums and accrued interest with the proceeds of such issuance.

"*Officer*" means the Chairman of the Board (if an executive), the Chief Executive Officer, the Chief Financial Officer, the President, the Chief Operating Officer, General Counsel, Chief Accounting Officer, the Treasurer, the Controller or the Secretary of the Company.

"*Officers' Certificate*" means a certificate signed by two Officers.

"*Opinion of Counsel*" means a written opinion of counsel, who may be an employee of or counsel for the Company, containing customary exceptions and qualifications.

"*Permitted Business*" means (i) the business or businesses conducted by the Company, its Subsidiaries and other operating businesses described in the offering memorandum as of the Issue Date , and (ii) any business reasonably ancillary, complementary, similar or related to the business or businesses provided for in clause (i) above.

"*Permitted Holders*" means Israel Corp., any fund managed by Israel Corp. or any Affiliate thereof.

"*Permitted Indebtedness*" has the meaning set forth under clause (2) of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness."

"*Permitted Investments*" means:

(1) Investments by the Company or any Restricted Subsidiary (other than a Project Finance Subsidiary) in any Person that is, or that result in any Person becoming, immediately after such Investment, a Restricted Subsidiary (other than a Project Finance Subsidiary) or constituting a merger or consolidation of such Person into the Company or with or into a Restricted Subsidiary (other than a Project Finance Subsidiary);

(2) Investments in the Company (including purchases by the Company or any Restricted Subsidiary of the Notes or any other Indebtedness of the Company or any wholly-owned Restricted Subsidiary);

(3) Investments in cash and Cash Equivalents;

(4) any Investment existing on, or made pursuant to written agreements existing on, the Issue Date and any extension, modification or renewal of such Investments (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof (unless a binding commitment therefore has been entered into on or prior to the Issue Date), other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms of such Investment as of the Issue Date);

(5) Investments permitted pursuant to clause (2)(c) or (d) of "—Certain Covenants—Limitation on Transactions with Affiliates";

(6) any Investments received in compromise or resolution of (A) obligations of Persons that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any Persons; or (B) litigation, arbitration or other disputes;

(7) Investments by the Company or its Restricted Subsidiaries as a result of non-cash consideration permitted to be received in connection with an Asset Sale made in compliance with the covenant described under "—Certain Covenants—Limitation on Asset Sales";

(8) Investments permitted under clause 2(d) of "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness";

(9) loans and advances to officers, directors and employees made in the ordinary course of business of the Company or any Restricted Subsidiary of the Company in an aggregate principal amount not to exceed U.S.$2.0 million at any one time outstanding.

(10) any Investment acquired from a Person which is merged with or into the Company or any Restricted Subsidiary, or any Investment of any Person existing at the time such Person becomes a Restricted Subsidiary and, in either such case, is not created as a result of or in connection with or in anticipation of any such transaction;

(11) any acquisition of assets or Capital Stock solely in exchange for the issuance of Capital Stock (other than Disqualified Capital Stock) of the Company; and

(12) Investments in Project Finance Subsidiaries and in Edegel in the aggregate not to exceed the aggregate of (i) U.S.$100.0 million plus (ii) the net proceeds from this offering that is not used to repay existing Indebtedness, at any one time outstanding.

"*Person*" means an individual, partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"*Preferred Stock*" of any Person means any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

"*Project Finance Subsidiary*" means any Restricted Subsidiary and any Restricted Subsidiary thereof that is a special purpose vehicle established to finance a project for the acquisition, construction, development and exploitation of any power plant, transmission facility, distribution facility, fuel shipment receiving facility, gas pipeline or other related facility.

"*Public Equity Event*" means a public offering of Qualified Capital Stock of the Company in excess of U.S.$100.0 million.

"*Purchase Money Indebtedness*" means all obligations of a Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement due more than six months after such property is acquired and excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business that are not overdue by 90 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted.

"*Qualified Capital Stock*" means any Capital Stock that is not Disqualified Capital Stock and any warrants, rights or options to purchase or acquire Capital Stock that is not Disqualified Capital Stock or that are not convertible into or exchangeable into Disqualified Capital Stock.

"*Rating Agency*" means any of S&P, Fitch or Moody's; or if, at the relevant time of determination, S&P, Fitch or Moody's do not have a public rating in effect on the Notes, an internationally recognized U.S. rating agency or agencies, as the case may be, selected by the Company, which will be substituted for S&P, Fitch or Moody's, as the case may be.

"*Ratings Event*" means that at any time within 90 days (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) after the earlier of the date of public notice of a Change of Control and of the Company's intention or that of any Person to effect a Change of Control, (i) in the event the Notes are assigned an Investment Grade Rating by at least two of the Rating Agencies prior to such public notice, the rating of the Notes by any Rating Agency shall be below an Investment Grade Rating; (ii) in the event the Notes are rated below an Investment Grade Rating by at least two of the Rating Agencies prior to such public notice, the rating of the Notes by any Rating Agency shall be decreased by one or more categories, or (iii) the Notes shall not be, or cease to be, rated by at least one of the Rating Agencies; *provided* that, in each case, any such Rating Event is in whole or in part in connection with a Change in Control.

"*Reference Treasury Dealer*" has the meaning set forth under "Optional Redemption."

"*Reference Treasury Dealer Quotation*" has the meaning set forth under "Optional Redemption."

"*Refinance*" means, in respect of any Indebtedness, to issue any Indebtedness in exchange for or to refinance, replace, defease or refund such Indebtedness in whole or in part or, in the case of a revolving credit facility, any re-borrowing of amounts previously advanced and re-paid thereunder. "Refinanced" and "Refinancing" will have correlative meanings.

"*Refinancing Indebtedness*" means Indebtedness of the Company or any Restricted Subsidiary (other than a Project Finance Subsidiary) issued to Refinance any other Indebtedness of the Company or a Restricted Subsidiary (other than a Project Finance Subsidiary) so long as:

(1) the aggregate principal amount (or initial accreted value, if applicable) of such new Indebtedness as of the date of such proposed Refinancing does not exceed the aggregate principal amount (or initial accreted value, if applicable) of the Indebtedness being Refinanced (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and the amount of reasonable fees, expenses and defeasance costs, if any, incurred by the Company in connection with such Refinancing);

(2) such new Indebtedness has:

(a) a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced, and

(b) a final maturity that is equal to or later than the final maturity of the Indebtedness being Refinanced;

(3) if the Indebtedness being Refinanced is:

(a) Indebtedness of the Company, then such Refinancing Indebtedness will be Indebtedness of the Company,

(b) Indebtedness of a Restricted Subsidiary, then such Refinancing Indebtedness will be Indebtedness of the Company and/or such Restricted Subsidiary, and

(c) Subordinated Indebtedness, then such Refinancing Indebtedness shall be subordinate to the Notes at least to the same extent and in the same manner as the Indebtedness being Refinanced.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Payment*" has the meaning set forth under "—Certain Covenants—Limitation on Restricted Payments."

"*Restricted Subsidiary*" means any Subsidiary of the Company or any Restricted Subsidiary which at the time of determination is not an Unrestricted Subsidiary.

"*Restricted Subsidiary Permitted Liens*" means any of the following:

(1) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, material-men, repairmen and other Liens imposed by law (including tax Liens) incurred in the ordinary course of business;

(2) Liens Incurred or deposits made in the ordinary course of business (i) in connection with workers' compensation, unemployment insurance and other types of social security (including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith) or (ii) to secure the performance of tenders,

statutory obligations, surety and appeal bonds, bids, leases, government performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(3) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;

(4) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Company, including rights of offset and set-off;

(5) Liens securing Hedging Obligations that relate to Indebtedness that is Incurred in accordance with "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness";

(6) Liens existing on the Issue Date and any extension, renewal or replacement thereof or of any Lien in clauses (7), (8) or (9) below; *provided, however*, that the total amount of Indebtedness so secured is not increased plus any premiums, fees and expenses in connection with such extension, renewal or replacement;

(7) Liens on any property or assets (including Capital Stock of any person) securing Indebtedness Incurred solely for purposes of financing the acquisition, construction or improvement of such property or assets after the Issue Date; *provided* that (a) the aggregate principal amount of Indebtedness secured by the Liens will not exceed (but may be less than) the cost (i.e., purchase price) of the property or assets so acquired, constructed or improved and (b) the Lien is incurred before, or within 365 days after the completion of, such acquisition, construction or improvement and does not encumber any other property or assets of the Company or any Restricted Subsidiary; and provided, further, that to the extent that the property or asset acquired is Capital Stock, the Lien also may encumber other property or assets of the person so acquired;

(8) any Lien securing Indebtedness for the purpose of financing all or part of cost of the acquisition, construction or development of a project; *provided* that the Liens in respect of such Indebtedness are limited to assets (including Capital Stock of the project entity) and/or revenues of such project; and *provided, further*, that the Lien is incurred before, or within 365 days after the completion of, that acquisition, construction or development and does not apply to any other property or assets of the Company or any Restricted Subsidiary;

(9) any Lien existing on any property or assets of any person before that person's acquisition (in whole or in part) by, merger into or consolidation with the Company or any Restricted Subsidiary after the Issue Date; *provided* that the Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation;

(10) Liens for taxes, assessments or other governmental charges not yet subject to penalties for nonpayment or which are being contested in good faith by appropriate proceedings, provided that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(11) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceeding may be initiated has not expired;

(12) Liens constituting any interest of title of a lessor, a licensor or either's creditors in the Property subject to any lease (other than a capital lease);

(13) any Lien securing Indebtedness Incurred pursuant to clauses (2)(i) or (2)(l) under the covenant "—Certain Covenants—Limitation on Incurrence of Additional Indebtedness."

(14) Liens securing Indebtedness Incurred by a Subsidiary that was a Project Finance Subsidiary at the time of such Incurrence and the granting of such Liens that continue to exist after the date that the Company revokes the designation of such Subsidiary as a Project Finance Subsidiary; and

(15) Liens securing an amount of Indebtedness outstanding at any one time not to exceed 10.0% of Consolidated Total Assets.

"*Reversion Date*" has the meaning set forth under "—Covenant Suspension."

"*Revocation*" has the meaning set forth under "—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries and Project Finance Subsidiaries."

"*S&P*" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc. and its successors.

"*Sale and Leaseback Transaction*" means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to the Company or a Restricted Subsidiary of any property, whether owned by the Company or any Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person by whom funds have been or are to be advanced on the security of such Property.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Senior Indebtedness*" means the Notes and any other Indebtedness of the Company that ranks equal in right of payment with the Notes, as the case may be.

"*Significant Subsidiary*" means a Subsidiary of the Company constituting a "Significant Subsidiary" of the Company in accordance with Rule l-02(w) of Regulation S-X under the Securities Act in effect on the date hereof; provided, that for the purposes of Event of Default (7) with respect to a Project Finance Subsidiary only, the significance of such Subsidiary shall be calculated with respect to the Company's (i) investment in and advances to, and (ii) equity in the income from continuing operations before income taxes, extraordinary items and the cumulative effect of changes in accounting principles in, such Subsidiary.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"*Subordinated Indebtedness*" means any Indebtedness of the Company which is expressly subordinated in right of payment to the Notes, as the case may be.

"*Subsidiary*" means, with respect to any Person (the "parent") at any date, any Person the account of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with IFRS as of such date.

"*Surviving Entity*" has the meaning set forth under "—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets."

"*Suspended Covenants*" has the meaning set forth under "—Covenant Suspension."

"*Suspension Period*" has the meaning set forth under "—Covenant Suspension."

"*Treasury Rate*" has the meaning set forth under "—Optional Redemption."

"*Unconsolidated Interest Coverage Ratio*" means, for any Person, for the most recently ended period of four consecutive fiscal quarters for which financial statements of such Person have been provided to the Trustee pursuant to the Indenture, the ratio of Unconsolidated Operating Cash Flow to Unconsolidated Interest Expense for such period; provided that:

(1) if the Company has

(a) Incurred any Indebtedness since the beginning of such period that remains outstanding on the date of the transaction giving rise to the need to calculate the Unconsolidated Interest Coverage Ratio or if the transaction giving rise to the need to calculate the Unconsolidated Interest Coverage Ratio is an Incurrence of Indebtedness, Unconsolidated Operating Cash Flow and Unconsolidated Interest Expense for such period will be calculated on a pro forma basis as if such Indebtedness had been Incurred on the first day of such period, except that in making such computation, the amount of Indebtedness under any revolving credit facility outstanding on the day of such calculation will be deemed to be (i) the average daily balance of such Indebtedness during such period or such shorter period for which such facility was outstanding; or (ii) if such facility was created after the end of such period, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation); or

(b) repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such period or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case, other than Indebtedness Incurred under any revolving credit facility, unless such Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Unconsolidated Interest Coverage Ratio, Unconsolidated Operating Cash Flow and Unconsolidated Interest Expense for such period will be calculated on a pro forma basis as if such discharge had occurred on the first day of such period and as if the Company had not earned the interest income actually earned during such period in respect of cash or Temporary Cash Investments used to repay, repurchase, defease or otherwise discharge such Indebtedness; and

(2) if since the beginning of such period or on the date of the transaction giving rise to the need to calculate the Unconsolidated Interest Coverage Ratio, the Company has made or makes any Asset Sale Transaction or Asset Acquisition, then Unconsolidated Operating Cash Flow for such period will be calculated on a pro forma basis as if such Asset Sale Transaction or Asset Acquisition had occurred on the first day of such period.

For purposes of this definition, whenever Unconsolidated Interest Expense or Unconsolidated Operating Cash Flow is to be calculated on a pro forma basis, the pro forma calculations will be determined in good faith by a responsible financial or accounting officer of the Company. If any Indebtedness bears a floating rate of interest and the effects of such Indebtedness are to be calculated on a pro forma basis, the interest expense related to such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any interest rate agreement applicable to such Indebtedness if such interest rate agreement has a remaining term as at the date of determination in excess of twelve months).

"*Unconsolidated Interest Expense*" means, for any Person, for any period, such Person's aggregate accrued interest expense for such period (determined on an unconsolidated basis, without duplication), including the portion of any payments made in respect of Capitalized Lease Liabilities allocable to interest expense, but excluding any interest expense incurred in connection with any intercompany loan provided by Israel Corp. or any of its Affiliates.

"*Unconsolidated Operating Cash Flow*" means, for any period, for any Person, the sum of the following amounts (determined on an unconsolidated basis, without duplication), but only to the extent received in cash by the Company from a Person during such period:

(1) dividends paid to the Company by its Subsidiaries during such period;

(2) consulting and management fees paid to the Company for such period;

(3) interest and other distributions paid during such period with respect to cash and Cash Equivalents of the Company;

(4) distributions arising from any capital reduction;

(5) interest payments made with respect to any intercompany loans provided to any Subsidiary; and

(6) loans made or repaid to the Company from Subsidiaries in anticipation of the payment of dividends which funds for the payment of such dividends have been set aside for such period,

less the sum of the following expenses (determined on an unconsolidated basis without duplication), in each case to the extent paid by the Company during such period and regardless of whether any such amount was accrued during such period:

(1) income tax expenses of the Company, and

(2) Unconsolidated Operating Expenses.

"*Unconsolidated Operating Expenses*" means the expenses paid in cash in conducting normal business operations, including wages, salaries, administrative expenses, professional expenses, insurance and rent, of any Person, for any period, determined on an unconsolidated basis.

"*Unrestricted Subsidiary*" means any Subsidiary of the Company or a Restricted Subsidiary Designated as such pursuant to "—Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries"; any such Designation may be revoked by a Board Resolution of the Company, subject to the provisions of such covenant.

“*Voting Stock*” with respect to any Person, means securities of any class of Capital Stock of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of any contingency) to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person.

“*Weighted Average Life to Maturity*” means, when applied to any Indebtedness at any date, the number of years (calculated to the nearest one-twelfth) obtained by dividing:

(1) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into

(2) the sum of the products obtained by multiplying:

(a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by

(b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

TAXATION

The following discussion summarizes certain Bermudian and U.S. federal income considerations that may be relevant to you if you invest in the notes. This summary is based on laws, regulations, rulings and decisions now in effect in Bermuda and the United States, which, in each case, may change. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisors about the tax consequences of holding the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

Bermuda Tax Considerations

At the date of this offering memorandum, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by Inkia.

Inkia has obtained, from the Ministry of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966, an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until 28 March 2016, be applicable to Inkia or any of its operations, or to its shares, debentures or other obligations, except in so far as such tax applies to persons ordinarily resident in Bermuda or is payable by Inkia in respect of real property owned or leased by it in Bermuda.

As an exempted company with an authorized share capital of less than US$12,000, Inkia is liable to pay to the Registrar of Companies in Bermuda a registration fee, which for the year 2011 is BD$1,995.

U.S. Federal Income Tax Considerations

The following is a description of certain U.S. federal income tax considerations relevant to the acquisition, ownership, disposition and retirement of notes by a holder thereof. This description only applies to notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as

- financial institutions,
- insurance companies,
- real estate investment trusts,
- regulated investment companies,
- certain former citizens or long-term residents of the United States,
- grantor trusts,
- tax-exempt organizations,
- dealers or traders in securities or currencies, including those that mark to market,
- holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes,
- holders that will hold the notes through a partnership or other pass-through entity, or
- U.S. Holders (as defined below) that have a functional currency other than the U.S. dollar.

Moreover, this description does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership, disposition or retirement of the notes and does not address the U.S. federal income tax treatment of holders that do not acquire the notes as part of the initial distribution at their issue price including purchasers of additional notes. The "issue price" of a note is equal to the first price to investors (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the notes is sold for money. Each prospective purchaser should consult its tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of the notes.

This description is based on the Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed Treasury Regulations ("Regulations"), administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing is subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein.

For purposes of this description, a "U.S. Holder" is a beneficial owner of the notes who for U.S. federal income tax purposes is

- an individual who is a citizen or resident of the United States;
- a corporation or any other entity treated as a corporation for U.S. federal income tax purposes organized in or under the laws of the United States or any State thereof, including the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that validly elects to be treated as a United States person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

A Non-U.S. Holder is a beneficial owner of notes that is neither a U.S. Holder nor a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes).

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds the notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor regarding the specific consequences of the acquisition, ownership and disposition of the notes.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO INTERNAL REVENUE SERVICE ("IRS") CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Interest

It is expected, and this discussion assumes, that either the issue price of the notes will equal the stated principal amount of the notes or the notes will be issued with no more than a "de minimis" amount of original issue discount, or "OID" (as such term is described under the Regulations). Therefore, if you are a U.S. Holder, interest paid to you on a note, including additional amounts, if any, with respect thereto as described under "Description of the Notes—Additional Amounts," will be includible in your gross income as ordinary interest income in accordance with your usual method of U.S. federal income tax accounting. In addition, interest on the notes will be treated as foreign source income for U.S. federal income tax purposes.

We may redeem all or part of the notes at any time at a redemption price equal to 100% of the principal amount of notes redeemed plus the applicable "make-whole" premium (see "Description of the Notes— Optional Redemption—*Optional Redemption*"). Similarly, you may require us to repurchase your notes in the event of a Change of Control (see "Description of the Notes—Change of Control"). Under the Regulations governing contingent payment debt instruments, or "CPDIs," the possibility of a contingent payment on a note may be disregarded if the likelihood of the contingent payment, as of the issue date, is "remote or incidental". We believe that as of the expected issue date of the notes, the likelihood of either a Change of Control or our redemption of the notes is, for this purpose, remote and, therefore, we do not intend to treat the notes as CPDIs. Our determination, however, is not binding on the IRS, and if the IRS was to challenge this determination, you may be required to accrue income on the notes that you own in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of such notes before the resolution of the contingency. In the event that such contingency were to occur, it would affect the amount and timing of the income that you recognize. U.S. Holders are urged to consult their own tax advisors regarding the potential application to the notes of the CPDI rules and the consequences thereof. The remainder of this discussion assumes that the notes will not be treated as CPDIs.

Subject to the discussion below under the caption "—U.S. Backup Withholding Tax and Information Reporting," if you are a Non-U.S. Holder, payments to you of interest on a note generally will not be subject to U.S. federal income tax unless the income is effectively connected with your conduct of a trade or business in the United States.

Sale, Exchange, Retirement or Other Taxable Disposition

If you are a U.S. Holder, upon the sale, exchange, retirement or other taxable disposition of a note you will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange, retirement or other taxable disposition, other than accrued but unpaid interest which will be taxable as ordinary interest income, and your adjusted tax basis in the note. Your adjusted tax basis in a note generally will equal the cost of the note to you. Any such gain or loss will be capital gain or loss. If you are a noncorporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to the gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if your holding period for the notes exceeds one year (*i.e.*, such gain is long-term capital gain). Any gain or loss realized on the sale, exchange, retirement or other taxable disposition of a note generally will be treated as U.S. source gain or loss, as the case may be. The deductibility of capital losses is subject to limitations.

Subject to the discussion below under the caption "—U.S. Backup Withholding Tax and Information Reporting," if you are a Non-U.S. Holder, any gain realized by you upon the sale, exchange, retirement or other disposition of a note generally will not be subject to U.S. federal income tax, unless:

- the gain is effectively connected with your conduct of a trade or business in the United States; or
- if you are an individual Non-U.S. Holder, you are present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement or other taxable disposition and certain other conditions are met.

U.S. Backup Withholding Tax and Information Reporting

A backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest on, an obligation and to proceeds of the sale or redemption of an obligation, to certain holders of notes that are U.S. persons. Information reporting generally will apply to payments of principal of, and interest on, notes, and to proceeds from the sale or redemption of, notes within the United States, or by a U.S. payor or U.S. middleman, to a holder of notes that is a U.S. person (other than an exempt recipient). The payor will be required to backup withhold on payments made within the United States, or by a U.S. payor or U.S. middleman, on a note to a holder of a note that is a U.S. person, other than an exempt recipient, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman, of principal and interest to a holder of a note that is not a U.S. person will not be subject to backup withholding tax and information reporting requirements if an appropriate certification is provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect. The backup withholding tax rate is 28% for taxable years beginning before January 1, 2013.

Backup withholding is not an additional tax. You generally will be entitled to credit any amounts withheld under the backup withholding rules against your U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

In the case of payments to certain trusts or certain partnerships, the persons treated as the owners of the trust or the partners of the partnership, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from backup withholding tax and information reporting requirements.

Medicare Tax and Foreign Asset Reporting

Recently enacted legislation requires certain U.S. Holders who are individuals, estates or trusts to pay a 3.8% tax on, among other things, interest and capital gains from the sale or other taxable disposition of notes for taxable years beginning after December 31, 2012. In addition, for taxable years beginning after March 18, 2010, certain U.S. Holders who are individuals will be required to report information relating to an interest in the notes, subject to certain exceptions (including an exception for notes held in accounts maintained by certain financial institutions). U.S. Holders are urged to consult their tax advisors regarding the effect, if any, of new U.S. federal income tax legislation on their ownership and disposition of the notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.

PLAN OF DISTRIBUTION

Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as joint book-running managers of the offering and as representatives of the initial purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each initial purchaser named below has severally agreed to purchase, and we have agreed to sell to that initial purchaser, the principal amount of the notes set forth opposite the initial purchaser's name.

Initial Purchaser	Principal Amount of Notes
Credit Suisse Securities (USA) LLC.	US$150,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	150,000,000
Total	US$300,000,000

The purchase agreement provides that the obligations of the initial purchasers to purchase the notes are subject to approval of legal matters by counsel and to other conditions. The initial purchasers must purchase all the notes if they purchase any of the notes.

We have been advised that the initial purchasers propose to resell the notes at the offering price set forth on the cover page of this offering memorandum within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. The price at which the notes are offered may be changed at any time without notice.

The notes have not been and will not be registered under the Securities Act or any applicable securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

We have agreed that, for a period of 60 days from the date of this offering memorandum, Inkia will not, without the prior written consent of Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by Inkia. Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated in their sole discretion may release Inkia from this obligation at any time without notice.

The notes will constitute a new class of securities with no established trading market. We have applied to list the notes on the Global Exchange Market of the Irish Stock Exchange. However, we cannot assure you that the prices at which the notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the notes will develop and continue after this offering. The initial purchasers have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the notes.

In connection with this offering, the initial purchasers may purchase and sell notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions and stabilizing purchases. Short sales involve secondary market sales by the initial purchasers of a greater number of notes than they are required to purchase in the offering. Covering transactions involve purchases of notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions involve bids to purchase notes so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the initial purchasers for their own accounts, may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

We expect to deliver the notes against payment for the notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the fourth business day following the date of the pricing of the notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in three business days, purchasers who wish to trade notes on the date of pricing will be required, by virtue of the fact that the notes initially will settle in T+4, to specify alternative settlement arrangements to prevent a failed settlement.

The initial purchasers have performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The initial purchasers may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchasers may be required to make because of any of those liabilities.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of notes described in this offering memorandum may not be made to the public in that relevant member state prior to the publication of a prospectus in relation to the notes that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that relevant member state at any time:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;

- to fewer than 100 or, if the relevant member state has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the initial purchasers nominated by the Company for any such offer; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes shall require the Company or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For purposes of this provision, the expression an “offer to the public” in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state. The expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant member state), and includes any relevant implementing measure in the relevant member state and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

The sellers of the notes have not authorized and do not authorize the making of any offer of notes through any financial intermediary on their behalf, other than offers made by the initial purchasers with a view to the final placement of the notes as contemplated in this offering memorandum. Accordingly, no purchaser of the notes, other than the initial purchasers, is authorized to make any further offer of the notes on behalf of the sellers or the initial purchasers.

Notice to Prospective Investors in Peru

The notes and the information contained in this offering memorandum have not been and will not be registered with or approved by CONASEV or the Lima Stock Exchange. Accordingly, the notes cannot be offered or sold in Peru, except if such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian securities market law establishes that any particular offer may qualify as private if it is directed exclusively to institutional investors.

The notes have been registered with the Foreign Investment Instruments Registry of the SBS in order to make the notes eligible for Peruvian pension fund investment, as required by Peruvian legislation. This registration was approved on March 28, 2011 and its effectiveness is conditioned on the delivery of the final offering memorandum and other ancillary documents to the SBS.

Notice to Prospective Investors in the United Kingdom

This offering memorandum is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a "relevant person"). This offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Notice to Prospective Investors in France

Neither this offering memorandum nor any other offering material relating to the notes described in this offering memorandum has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers.* The notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this offering memorandum nor any other offering material relating to the notes has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the notes to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with, articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*;
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers,* does not constitute a public offer (*appel public à l'épargne*).

The notes may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

Notice to Prospective Investors in Hong Kong

The notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Japan

The notes offered in this offering memorandum have not been registered under the Financial Instruments and Exchange Law of Japan. The notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

- where no consideration is or will be given for the transfer; or

- where the transfer is by operation of law.

Notice to Prospective Investors in Switzerland

Our securities may not and will not be publicly offered, distributed or redistributed on a professional basis in or from Switzerland only on the basis of a non-public offering, and neither this offering memorandum nor any other solicitation for investments in our securities may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of articles 652a or 1156 of the Swiss Federal Code of Obligations or of Article 2 of the Federal Act on Investment Funds of March 18, 1994. This offering memorandum may not be copied, reproduced, distributed or passed on to others without the initial purchasers' prior written consent. This offering memorandum is not a prospectus within the meaning of Articles 1156 and 652a of the Swiss Code of Obligations or a listing prospectus according to article 32 of the Listing Rules of the Swiss exchange and may not comply with the information standards required thereunder. We will not apply for a listing of our securities on any Swiss stock exchange or other Swiss regulated market and this offering memorandum may not comply with the information required under the relevant listing rules. The notes have not been and will not be approved by any Swiss regulatory authority. The notes have not been and will not be registered with or supervised by the Swiss Federal Banking Commission, and have not been and will not be authorized under the Federal Act on Investment Funds of March 18, 1994. The investor protection afforded to acquirers of investment fund certificates by the Federal Act on investment Funds of March 18, 1994 does not extend to acquirers of our securities.

Notice to Prospective Investors in Chile

The Notes may not be offered or sold in Chile, directly or indirectly, by means of a “Public Offer” (as defined under Chilean Securities Law (Law No 18,045 and regulations from the *Superintendencia de Valores y Seguros* of the Republic of Chile)). Chilean institutional investors (such as banks, pension funds and insurance companies) are required to comply with specific restrictions relating to the purchase of the Notes.

TRANSFER RESTRICTIONS

The notes have not been registered, and will not be registered, under the Securities Act or any applicable securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the Securities Act; and

- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of notes (other than the initial purchasers in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made in reliance on Rule 144A or (b) a non-U.S. person that is outside the United States;

(2) it acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) it understands and agrees that notes initially offered in the United States to qualified institutional buyers will be represented by a global note and that notes offered outside the United States in reliance on Regulation S will also be represented by a global note;

(4) it will not resell or otherwise transfer any of such notes, except (i) to us or any of our subsidiaries, (ii) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (iii) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (iv) pursuant to another applicable exemption from registration under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act;

(5) it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;

(6) it acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or in respect of notes sold or transferred in reliance on either (a) Rule 144A or (b) Regulation S), the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;

(7) it acknowledges that the trustee, registrar or transfer agent for the notes will not be required to accept for registration or transfer of any notes acquired by it, except upon presentation of evidence satisfactory to us and the trustee, registrar or transfer agent that the restrictions set forth herein have been complied with;

(8) it acknowledges that we, the initial purchasers, the trustee, the registrar, the transfer agent and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify us and the initial purchasers; and

(9) if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend which will appear on the face of the Rule 144A global note and which will be used to notify transferees of the foregoing restrictions on transfer. This legend will only be removed with our consent. If we so consent, it will be deemed to be removed.

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT; (2) AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A) (I) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS; AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2A(V) ABOVE, THE ISSUER AND THE TRUSTEE RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS (IN THE FORM ATTACHED AS EXHIBITS TO THE INDENTURE), OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THIS LEGEND WILL ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

The following is the form of restrictive legend which will appear on the face of the Regulation S global note and which will be used to notify transferees of the foregoing restrictions on transfer. This legend will only be removed with our consent. If we so consent, it will be deemed to be removed.

PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")), THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

LEGAL MATTERS

The validity of the notes will be passed upon for us by White & Case LLP, our U.S. counsel, and for the initial purchasers by Milbank, Tweed, Hadley & McCloy LLP, U.S. counsel to the initial purchasers.

Certain matters of Peruvian law relating to the notes will be passed upon for us by Rodrigo, Elias & Medrano Abogados, our Peruvian counsel. Miranda & Amado Abogados, Peruvian counsel to the initial purchasers, will pass upon certain matters of Peruvian law relating to the notes for the initial purchasers.

Certain matters of Bermuda law will be passed upon for us by Appleby, our Bermudian counsel.

INDEPENDENT AUDITORS

Our consolidated financial statements as of December 31, 2010 and 2009 and for each of the two years in the period ended December 31, 2010 have been audited by Caipo y Asociados S. Civil de R.L., independent auditors, a member firm of KPMG, as stated in their report included elsewhere in this offering memorandum.

Our consolidated financial statements for the year ended December 31, 2008 have been audited by Medina, Zaldívar, Paredes & Asociados, independent auditors, a member firm of Ernst & Young, as stated in their report included elsewhere in this offering memorandum.

LISTING AND GENERAL INFORMATION

1. The notes have been accepted for clearance and settlement through DTC, Euroclear and Clearstream. The CUSIP, Common Code and ISIN numbers for the notes are as follows:

	Restricted Global Note	Regulation S Global Note
CUSIP	45721R AA1	G4808V AA8
ISIN	US45721RAA14	USG4808VAA82

2. Copies of our latest audited annual financial statements and unaudited quarterly financial information, and copies of the bye-laws of the issuer, as well as the indenture (including forms of notes), will be available (free of charge) at the offices of any paying agent.

3. Except as disclosed in this offering memorandum, there has been no material adverse change in our financial position since December 31, 2010, the date of our latest financial statements included in this offering memorandum.

4. We have applied to list and admit the notes for trading on the Global Exchange Market of the Irish Stock Exchange. We will comply with any undertakings assumed or undertaken by us from time to time to the Global Exchange Market of the Irish Stock Exchange in connection with the notes, and we will furnish to them all such information as the rules of the Global Exchange Market of the Irish Stock Exchange may require in connection with the listing of the notes.

5. The issuance of the notes was authorized by our board of directors on March 16, 2011.

6. The estimated expenses related to the admission to trading will be approximately €5,000.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of
Inkia Energy Ltd.

We have audited the accompanying consolidated financial statements of Inkia Energy Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2010 and 2009, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2010 and 2009, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(e)(iii) to the consolidated financial statements. During 2010 management identified a correction in its accounting policy relating to workers profit sharing. The related corresponding figures for December 31, 2009 have been restated accordingly.

Lima, Peru,

Caipo y Asociados

March 11, 2011

Countersigned by:

Víctor Requena
Peruvian CPA 20809
Partner

Independent auditors' report

To the Board of Directors and Shareholders of Inkia Energy Ltd.

1. We have audited the accompanying consolidated statements of income, comprehensive income, changes in equity and cash flows of Inkia Energy Ltd. and Subsidiaries for the year ended December 31, 2008 and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of the consolidated financial statements of Inkia Energy Ltd. and Subsidiaries in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We have not audited the consolidated statements of income, comprehensive income, changes in equity, and cash flows of Southern Cone Power Perú S.A., Compañía de Electricidad de Puerto Plata S.A., Globeleq CEPP Operations, S.A. and Pedregal Power Company, S. de R.L. for the year ended December 31, 2008, which represent in total approximately US$17 million of the net income as of that date. The financial statements of these companies have been audited by other auditors and their reports have been furnished to us and our opinion on the balances included in the Company's financial statements, is exclusively based on their auditor's report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

Independent auditors' report (continue)

internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained and the auditor's reports from other auditors are sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, based on our audit and the other auditors' reports, the accompanying consolidated financial statements detailed in paragraph 1 above, present fairly, in all material respects, the consolidated financial performance and cash flows of Inkia Energy Ltd. and Subsidiaries for the year ended December 31, 2008, in accordance with International Financial Reporting Standards.

Emphasis of matter paragraph

5. As explained in more detail in Note 2, the consolidated financial statements of Inkia Energy Ltd. and Subsidiaries for the year ended December 31, 2008, detailed in paragraph 1 above, have been restated due to a change in the accounting policy related to the capitalization of major maintenance costs and the derecognition of the deferred working profit sharing in accordance with IAS 19.

Lima, Peru
March 9, 2009, except for Note 2 to the consolidated financial statements dated March 11, 2011.

Medina, Zaldívar, Paredes & Asociados

Countersigned by:

Juan Paredes
C.P.C.C. Register No.22220

INKIA ENERGY LTD. AND SUBSIDIARIES

Consolidated Statement of Financial Position

(In thousands of U.S. dollars)

Assets	Note	December 31, 2010	December 31, 2009 Restated *	January 1, 2009 Restated *
Current assets:				
Cash and cash equivalents	4	112,345	61,866	31,404
Restricted cash	4	7,233	7,146	31,555
Trade and other accounts receivable	5	109,331	118,535	82,700
Inventories	6	18,619	21,797	30,110
Prepayments and other current assets		3,897	7,221	5,778
Total current assets		251,425	216,565	181,547
Non-current assets:				
Long-term portion of shareholder contributions	5	-	29,293	-
Value added tax recoverable		-	-	4,695
Other assets		1,812	1,886	2,085
Deferred tax assets	13	3,964	3,397	4,263
Property, plant and equipment	7	631,521	577,577	498,347
Investments available-for-sale	8	3,370	3,370	3,370
Investment in associates	8	268,314	255,683	228,096
Intangible assets	9	16,835	15,641	16,816
Goodwill	9	51,627	51,627	55,292
Total non-current assets		977,443	938,474	812,964
Total assets		1,228,868	1,155,039	994,511

* See change in accounting policies – note 2.e

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

INKIA ENERGY LTD. AND SUBSIDIARIES

Consolidated Statement of Financial Position (continued)

(In thousands of U.S. dollars)

Liabilities and equity	Note	December 31, 2010	December 31, 2009 Restated *	January 1, 2009 Restated *
Current liabilities:				
Short terms loans		4,003	7,075	24,123
Trade and other accounts payable	10	51,503	52,779	52,833
Current portion of interest bearing borrowings	11	38,680	37,445	13,982
Total current liabilities		94,186	97,299	90,938
Non-current liabilities:				
Shareholder's loans	12	176,869	136,306	131,688
Interest bearing borrowings	11	360,594	327,868	291,394
Other accounts payable	10	23,042	30,935	51,807
Deferred tax liabilities	13	47,245	46,511	46,437
Total non-current liabilities		607,750	541,620	521,326
Total liabilities		701,936	638,919	612,264
Equity attributable to Inkia's equity holders:				
Share capital	14	-	-	-
Additional paid in capital		342,773	342,773	342,773
Hedging reserve		(3,913)	(4,461)	(16,997)
Translation reserve		27,727	14,627	(2,348)
Retained earnings		95,423	59,651	1,148
		462,010	412,590	324,576
Non-controlling interest		64,922	103,530	57,671
Total equity		526,932	516,120	382,247
Total liabilities and equity		1,228,868	1,155,039	994,511

* See change in accounting policies – note 2.e

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

INKIA ENERGY LTD. AND SUBSIDIARIES

Consolidated Statement of Income

For the years ended December 31, 2010, 2009 and 2008

(In thousands of U.S. dollars)

	Note	2010	2009 Restated*	2008 Restated*
Revenue		420,576	327,393	289,674
Cost of sales	15	(297,374)	(236,499)	(228,126)
Gross profit		123,202	90,894	61,548
Administrative expenses		(19,700)	(25,844)	(23,734)
Depreciation and amortization		(35,222)	(26,014)	(19,598)
Other, net	5(a)	9,238	(7)	2,780
Results from operating activities		77,518	39,029	20,996
Finance income	16	3,342	4,926	3,926
Gain (losses) from derivative financial instruments	10 (b)	361	1,599	(3,135)
Finance expenses	16	(32,852)	(27,010)	(30,150)
Net finance costs		(29,149)	(20,485)	(29,359)
Share of profit in associates	8	20,036	21,473	12,210
Capital gain	17	-	34,683	-
Income before income tax		68,405	74,700	3,847
Income tax expense	13	(12,501)	(8,537)	(7,456)
Net income (loss) for the year		55,904	66,163	(3,609)
Attributable to:				
Inkia's equity holders		44,535	58,503	(5,260)
Non-controlling interest		11,369	7,660	1,651
Net income (loss) for the year		55,904	66,163	(3,609)

* See change in accounting policies – note 2.e

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

INKIA ENERGY LTD. AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

For the years ended December 31, 2010, 2009 and 2008

(Stated in thousands of US dollars)

	2010	2009 Restated*	2008 Restated*
Net income (loss) for the year	55,904	66,163	(3,609)
Other comprehensive income			
Exchange differences on translating foreign operations	9,084	21,475	(16,229)
Cash flow hedges	330	12,982	(18,787)
Share of other comprehensive income of associates	472	125	-
Income tax relating to cash flow hedges	218	(446)	1,790
Other comprehensive income (loss) for the year, net of tax	10,104	34,136	(33,226)
Total comprehensive income (loss) for the year	66,008	100,299	(36,835)
Attributable to:			
Inkia's equity holders	52,490	88,014	(34,862)
Non-controlling interest	13,518	12,285	(1,973)
Total comprehensive income (loss) for the year	66,008	100,299	(36,835)

* See change in accounting policies – note 2.e

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

INKIA ENERGY LTD. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the years ended December 31, 2010, 2009 and 2008

(In thousands of U.S. dollars)

	Attributable to Inkia's equity holders							
	Share capital	Additional paid in capital	Hedging reserve	Translation reserve	Retained earnings (accumulated losses)	Total	Non-controlling interest	Total equity
Balances as at January 1, 2008	-	342,773	-	10,257	(145)	352,885	59,354	412,239
Accumulated effect of change in accounting policy of major maintenance costs	-	-	-	-	2,293	2,293	379	2,672
Accumulated effect of change in accounting policy of workers profit sharing	-	-	-	-	4,260	4,260	2,015	6,275
Balances as at January 1, 2008 (Restated *)	-	342,773	-	10,257	6,408	359,438	61,748	421,186
Net loss	-	-	-	-	(5,260)	(5,260)	1,651	(3,609)
Exchange difference on translating foreign operations	-	-	-	(12,605)	-	(12,605)	(3,624)	(16,229)
Cash flow hedges, net of income tax	-	-	(16,997)	-	-	(16,997)	-	(16,997)
Total comprehensive income for the year	-	-	(16,997)	(12,605)	(5,260)	(34,862)	(1,973)	(36,835)
Distributions to owners								
Dividends to non-controlling shareholders	-	-	-	-	-	-	(2,104)	(2,104)
Balances as at December 31, 2008	-	342,773	(16,997)	(2,348)	1,148	324,576	57,671	382,247
Comprehensive income for the year								
Net income	-	-	-	-	58,503	58,503	7,660	66,163
Other comprehensive income								
Exchange differences on translating foreign operations	-	-	-	16,894	-	16,894	4,581	21,475
Cash flow hedges, net of income tax	-	-	12,536	-	-	12,536	-	12,536
Share of other comprehensive income of associates	-	-	-	81	-	81	44	125
Total other comprehensive income	-	-	12,536	16,975	-	29,511	4,625	34,136
Total comprehensive income for the year	-	-	12,536	16,975	58,503	88,014	12,285	100,299
Sale of non-controlling interest	-	-	-	-	-	-	35,226	35,226
Distributions to owners								
Dividends to non-controlling shareholders	-	-	-	-	-	-	(1,652)	(1,652)
Balances as at December 31, 2009	-	342,773	(4,461)	14,627	59,651	412,590	103,530	516,120
Comprehensive income for the year								
Net income	-	-	-	-	44,535	44,535	11,369	55,904
Other comprehensive income								
Exchange differences on translating foreign operations	-	-	-	6,955	-	6,955	2,129	9,084
Cash flow hedges, net of income tax	-	-	548	-	-	548	-	548
Share of other comprehensive income of associates	-	-	-	452	-	452	20	472
Total other comprehensive income			548	7,407	-	7,955	2,149	10,104
Total comprehensive income for the year			548	7,407	44,535	52,490	13,518	66,008
Purchase of non-controlling interest	-	-	-	5,693	(8,763)	(3,070)	(50,091)	(53,161)
Distributions to owners								
Dividends to non-controlling shareholders	-	-	-	-	-	-	(2,035)	(2,035)
Balances as at December 31, 2010	-	342,773	(3,913)	27,727	95,423	462,010	64,922	526,932

* See change in accounting policies – note 2.e
The accompanying notes are an integral part of these consolidated financial statements.

INKIA ENERGY LTD. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the years ended December 31, 2010, 2009 and 2008

(In thousands of U.S. dollars)

	2010	2009 Restated*	2008 Restated*
Cash flows from operating activities			
Collection from customers	403,150	310,023	267,557
Dividends received	17,454	15,474	9,336
Payments to suppliers and third parties	(278,014)	(231,156)	(226,163)
Payments to employees	(27,919)	(21,325)	(15,813)
Payments of income taxes	(10,803)	(5,992)	(20,951)
Net cash provided by operating activities	103,868	67,024	13,966
Cash flows from investing activities			
Collection of interest	2,421	2,918	3,926
Proceeds from sales of plant and equipment	2,017	169	92
Acquisition of property, plant and equipment	(82,566)	(51,190)	(16,903)
Purchase of non-controlling interest	(53,161)	-	-
Acquisition of intangibles	(2,769)	(415)	(694)
Restricted cash	(87)	24,410	(15,378)
Temporary cash investments	-	8,187	2,655
Net cash used in investing activities	(134,145)	(15,921)	(26,302)
Cash flows from financing activities			
Proceeds from long-term debt	69,010	20,492	115,653
Shareholders loan	50,000	-	-
Proceeds from non-controlling shareholder contribution	41,001	18,431	-
Proceeds from short term borrowings	14,253	94,551	124,922
Payments of long-term debt	(38,508)	(15,966)	(23,660)
Payments of interests	(22,140)	(24,899)	(11,553)
Payments of short term borrowings	(17,325)	(111,598)	(102,099)
Payment of shareholders loan	(13,500)	-	(88,400)
Payments of dividends to non-controlling interest	(2,035)	(1,652)	(2,104)
Net cash provided by (used in) financing activities	80,756	(20,641)	12,759
Net increase in cash and cash equivalents	50,479	30,462	423
Cash and cash equivalents as at January 1	61,866	31,404	30,981
Cash and cash equivalents as at December 31	112,345	61,866	31,404

* See change in accounting policies – note 2.e

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

(1) Corporate Information

Inkia Energy Ltd (hereinafter “Inkia” or the “Company”) is a limited liability company incorporated in Bermuda in June 12, 2007, to act as a holding company and to coordinate the policy and administration of its subsidiaries (referred together with Inkia as the “Group” and individually as “Group entities”) . The Company's headquarters are located in Lima, Peru. From this office, Inkia manages its overall strategic, development, legal and financial activities and provides supervision and support to its subsidiaries.

The address of Inkia's main office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company’s administrative offices are located in Victor Andres Belaunde 147, Tower 5, 13th floor, Lima, Peru.

Inkia is a wholly-owned subsidiary of Israel Corporation (the ultimate parent company), a publicly traded corporation on the Tel Aviv stock exchange. Israel Corporation is a diversified holding company with investments in chemicals, shipping and transportation, energy and others. The corporation is based in Tel Aviv, Israel. During the second quarter of 2010, Israel Corporation created a holding company named IC Power Ltd. to hold its investments in power generation, including Inkia.

Inkia, through its subsidiaries and associates, provides electric generation in Peru, Bolivia, El Salvador, The Dominican Republic, Panama and Jamaica. The Company has net ownership of 1,195 megawatts and has control and operates 1,064 megawatts of generation. These investments generate electricity through a variety of technologies including hydroelectric, natural gas turbines and heavy fuel oil engines. On March 24, 2010, the third turbine of Kallpa Generación S.A. achieved commercial operations, reaching a capacity of 196 megawatts.

The Bolivian government has nationalized Corani, Guaracachi and Valle Hermoso which were owned by state power company Ende prior to their privatization during President Gonzalo Sánchez de Lozada's 1993-97 administration.

The President of Bolivia has announced the government’s intention to control the entire electric generation sector but that it was willing to openly discuss the terms in which the process will be conducted with all of the interested stakeholders. As of the date hereof, the government has not clarified what it meant by “control” and has not expressed any intention to nationalize or intervene Cobee.

Currently Inkia has the full control of the operations of the Cobee and maintains all the economic rights and risks, and therefore Cobee's financial statements are consolidated in the accompanying consolidated financial statements.

Industry regulation and functioning of the electricity system

The legislation of the Latin American countries in which the Group operates differs from one country to another; however, the main features for generation plants are as follows:

In general, they operate in liberalized markets in which private-sector players take investment decisions freely based on the authorities' guidelines.

In all the countries there is a centralized dispatching system that seeks to optimize the available production resources.

Integration and concentration limits
In general, the legislation in force defends free competition and defines criteria for preventing certain levels of economic concentration and/or market practices from damaging this competition.

In principle, companies can engage in different activities (generation, distribution, and retailing) provided that there is an appropriate degree of unbundling for both accounting and corporate law purposes. If this is permitted, it is in the transmission business in which the greatest restrictions are generally imposed, due mainly to its nature and to the need to guarantee adequate access to all players.

The relevant legislation requires the authorization of the regulator for consolidations or mergers between players in the same segment.

System access
In all countries, access rights and the related fee or access price are regulated by the relevant authority.

(2) Basis of Preparation

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorized for issue by Management on March 11, 2011 and will be submitted for approval at the Board of Directors and the General Shareholder's Meeting that will occur within the period established by law. In Management's opinion, the consolidated financial statements will be approved without modifications.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except where otherwise indicated in respective accounting policies.

(c) Functional and Presentation Currency

The consolidated financial statements are presented in US Dollars, which is the Company´s functional currency. All financial information presented in US Dollars has been rounded to the nearest thousand, except where otherwise indicated. The Company considers that its functional and presentation currencies to be the United States dollar (U.S. Dollar or US$), because it reflects the economic substance of the underlying events and the circumstances relevant to the Group; insofar as its main operations and/or transactions in the different countries where the Group operates, such as financing obtained, sales of energy, interest income and expenses, an important percentage of salaries and purchases, are established and liquidated in U.S. Dollars. All resulting translation differences are recognized in the consolidated statement of income.

All Group's subsidiaries and associates have the US Dollar as functional currency, except its investment in Generandes Peru S.A. through Southern Cone Power Peru S.A., for which the Peruvian Nuevos Soles is its functional currency and, as result, on consolidation, its financial statements are translated into US dollars, the presentation currency, as follows:

- Monetary and non-monetary assets and liabilities for each balance sheet presented are translated at the free market exchange rate at the date of the consolidated balance sheet.
- Income and expenses are translated monthly at the average exchange rate.
- Resulting exchange differences are taken to a translation reserve as a separate component of equity. Upon disposal such translation differences are recognized as income or expense in the period of disposal.

(d) Uses of Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

- The fair value adjustments performed for the acquisition of its subsidiaries in accordance with IFRS 3, and the measurement of assets and goodwill to ascertain whether there are any impairment losses thereon.
- The useful life of the property, plant and equipment and intangible assets.
- The assumptions used in measuring the fair value of the financial instruments.
- The probability of the occurrence and the amount of liabilities which are uncertain as to their amount of contingent liabilities.
- The results for tax purposes of the various Group companies that will be reported to the tax authorities in the future that served as the basis for recognizing the various income tax related balances in the accompanying consolidated financial statements.
- The fair value of Stock Option Plan

(e) Changes in Accounting Policies

(i) Accounting for business combination

From January 1, 2010 the Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no material impact on earnings per share.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after January 1, 2010
For acquisitions on or after January 1, 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of preexisting relationships. Such amounts are generally recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

Acquisitions before January 1, 2010
For acquisitions before January 1, 2010, goodwill represents the excess of the cost of the acquisition over the Group’s interest in the recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalized as part of the cost of the acquisition.

(ii) Accounting for acquisitions of non-controlling interests

From January 1, 2010 the Group has applied IAS 27 Consolidated and Separate Financial Statements (2008) in accounting for acquisitions of non-controlling interests. The change in accounting policy has been applied prospectively and has had no impact on earnings per share.

Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets at fair value of the subsidiary.

Previously, goodwill was recognized on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at fair value at the date of the transaction.

On September 17, 2010, Inkia notified Conduit Capital Partners LLC ("Conduit") its intention to exercise its right of refusal to purchase 22,709 shares in Southern Cone Power Limited ("SCPLtd"), a fully consolidated holding company, in consideration of US$ 50,000 thousand. In addition, the Company approached the other non-controlling shareholder of SCPLtd, Hart Energy International Ltd ("Hart"), with an offer to purchase its shares in a price which represented the same value as proposed to Conduit.

On September 28, 2010, Inkia acquired a total of 24,209 shares of Southern Cone Power Limited from Conduit and Hart, which constitutes 32.12% of the issued and outstanding shares in SCPLtd for a consideration of US$53,161 thousand. As a result of this transaction, Inkia increased its indirect holdings in Edegel from 14.35% to 21.14%. The difference between the consideration paid and the book value of US$3,070 thousand has been recorded as part of the company's shareholders capital, in the retained earnings and translation reserve categories.

(iii) Workers profit sharing

Answering a clarification request regarding the classification of workers profit sharing, in November 2010 the IFRIC Committee concluded that the workers profit sharing must be registered in accordance with IAS 19 "Employee benefits" instead of IAS 12 "Income taxes". Consequently, the liability is recognized only when the employee provided the related service; therefore, according to IAS 19, there is no need to record deferred workers profit sharing since those correspond to future services. As of the date of this clarification, Peruvian companies included the workers profit sharing in the determination of the deferred tax calculation in accordance to IAS 12.

As a result of this clarification, the Group has excluded the working profit sharing as part of the deferred tax calculation and has changed its income tax accounting policy. The application of this change was made in accordance with IAS 8, "Accounting policies, changes in accounting estimates and errors". The cumulative effect of this change in accounting policy as of January 1, 2008 resulted in a debit to investment in associates of US$ 6,544 thousand and a credit to other accounts payable, retained earnings and non-controlling interest of US$ 269 thousand, US$ 4,260 thousand and of US$ 2,015 thousand, respectively.

(iv) Capitalization of Major Maintenance Costs
Effective January 1, 2009, Inkia standardized its accounting policy of periodic maintenance costs in order to uniform the accounting treatment of maintenance costs within the Group and with its parent company accounting policy. Therefore, the costs actually incurred in respect of the periodic maintenance of property, plant and equipment are amortized over the period until the next planned maintenance. The book value of the replaced parts is derecognized. The cumulative effect of this change in accounting policy as of January 1, 2008 resulted in a debit to property, plant and equipment of US$ 3,563 thousand and a credit to deferred tax liability, retained earnings and non-controlling interest of US$ 891 thousand, US$ 2,293 thousand and of US$ 379 thousand, respectively

As a result of the accounting policies changes mentioned above, the comparative figures were restated. A summary of adjusted figures is presented below.

	In thousands of US$		
	Original	Adjustments and reclassifications	Restated
For the year ended December 31, 2009:			
Statement of income			
Share of profit in associates	22,113	(640)	21,473
Other, net	(8)	1	(7)
Income before income tax	75,339	(639)	74,700
Income tax expense	(8,563)	26	(8,537)
Net income for the year	66,776	(613)	66,163
As at December 31, 2009:			
Statement of financial position			
Assets			
Investments in associates	249,516	6,167	255,683
Liabilities			
Other accounts payables	30,703	232	30,935
Equity			
Translation reserve	14,290	337	14,627
Retained earnings	55,959	3,692	59,651
Non-controlling interest	101,624	1,906	103,530

	In thousands of US$		
	Original	Adjustments and reclassifications	Restated
For the year ended December 31, 2008:			
Statement of income			
Cost of sales	(231,557)	3,431	(228,126)
Gross profit	58,117	3,431	61,548
Depreciation and amortization	(17,143)	(2,455)	(19,598)
Share of profit in associates	12,443	(233)	12,210
Income before income tax	3,104	743	3,847
Income tax expense	(7,222)	(234)	(7,456)
Net loss for the year	(4,118)	509	(3,609)
Statement of cash flows			
Cash provided by (used in) activities corresponding to:			
Operation	10,535	3,431	13,966
Investment	(22,871)	(3,431)	(26,302)
Financing	12,759	-	2,759
Cash and cash equivalents at the end of the period	31,404	-	31,404
As at January 1, 2009:			
Statement of financial position			
Assets			
Property, plant and equipment, net	493,808	4,539	498,347
Investments in associates	221,785	6,311	228,096
Liabilities			
Other accounts payables	51,548	259	51,807
Deferred tax liabilities	45,303	1,134	46,437
Equity			
Retained earnings (accumulated losses)	(5,892)	7,040	1,148
Non-controlling interest	55,254	2,417	57,671

(3) Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note 2(e), which addresses changes in accounting policies.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of Consolidation

(i) Business Combination

The Group has changed its accounting policy with respect to accounting for business combinations. See note 2(e) for further details.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(iii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The companies that comprise the Group as of December 31, 2010 and 2009, with an indication of the percentage owned directly and indirectly by Inkia Energy Ltd. as of those dates, as well as other relevant information, based on the financial statements in accordance with IFRS, and before adjustments for price allocation and the eliminations for consolidation, are as follows:

	Country of operation	Ownership percentage	In thousands of US$ Assets		Liabilities		Equity		Net Income (loss)	
		%	2010	2009	2010	2009	2010	2009	2010	2009
Operating companies										
Compania Boliviana de Energía Eléctrica S.A.- Bolivian Power Company Limited	Bolivia	100.00	353,876	149,728	63,399	65,539	290,477	84,189	2,967	5,012
Kallpa Generación S.A.	Peru	74.90	433,815	372,141	292,529	240,375	141,286	131,766	10,377	7,689
Nejapa Power Company LLC	El Salvador	71.00	95,366	119,179	18,023	68,840	77,343	50,339	10,297	2,748
Compania de Electricidad Puerto Plata S.A.	Dominican Republic	96.67	59,270	46,429	14,203	14,220	45,067	32,209	20,733	9,699
Compañía de Energía de Centroamérica, S.A. de C. V.	El Salvador	100.00	10,266	16,367	4,531	8,860	5,735	7,507	2,228	1,633
Inkia CEPP Operations S.A.	Dominican Republic	100.00	1,195	1,199	(197)	(166)	1,392	1,365	27	212
Holding companies										
Southern Cone Power Peru S.A.	Peru	100.00	184,514	175,434	16,583	22,883	167,931	152,551	16,201	15,844
Inkia Energy Ltd	Bermuda	100.00	705,574	550,986	248,259	242,810	457,315	308,176	(7,826)	(11,431)
Inkia Americas Ltd	Bermuda	100.00	516,635	360,232	141,322	136,192	375,313	224,040	(4,900)	(2,078)
Inkia Americas Holding Ltd	Bermuda	100.00	477,362	366,334	159,096	159,096	318,266	207,238	-	-
Inkia Holdings (Kallpa) Ltd	Bermuda	100.00	70,985	55,157	55,263	55,263	15,722	(106)	(37)	119
Inkia Holdings (Cobee) Ltd	Bermuda	100.00	308,476	101,098	23,840	23,840	284,636	77,258	-	-
Inkia Holdings (CEPP) Ltd	Bermuda	100.00	51,616	18,504	356	349	51,260	18,155	(7)	(53)
Inkia Holdings (Panama Generation) Ltd	Cayman	100.00	11,488	10,324	339	301	11,149	10,023	1,101	1,388
Inkia Holding (JPPC)	Barbados	100.00	7,305	6,500	5,636	5,635	1,669	865	-	-
Inkia Panama Management S.R.L.	Panama	100.00	365	884	294	776	71	108	(38)	(54)
Inkia Energy Guatemala Ltd	Guatemala	100.00	5	4	0	14	5	(10)	16	(68)
Nejapa Main Office Ltd.	Cayman	100.00	108,154	103,069	5,284	14,132	102,870	88,937	(920)	(15)
Inkia Salvadorian Power Ltd	Cayman	100.00	71,289	56,627	8	8	71,281	56,619	-	-
Nejapa Holding Ltd	Cayman	71.00	75,694	55,293	20	20	75,674	55,273	-	(15)
Inkia Holdings (Acter) Ltd	Cayman	100.00	118,910	87,557	-	-	118,910	87,557	-	-
Southern Cone Power Ltd	Cayman	100.00	247,834	201,124	75,433	75,897	172,401	125,227	(176)	(156)
Latin America Holding I, Ltd	Cayman	100.00	251,534	202,649	140,537	140,214	110,997	62,435	(626)	(604)
Latin America Holding II, Ltd	Cayman	100.00	-	-	21	21	(21)	(21)	-	-
Inkia Holding Nejapa Ltd	Bermuda	100.00	124,294	108,414	12	12	124,282	108,402	-	-
West Indies Development Corporation Ltd.	Jamaica	100.00	7,444	6,977	140	139	7,304	6,838	466	(129)

(b) Foreign Currency Transactions

Transactions in foreign currencies are translated into the functional currency of the underlying reporting entity using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the restatement at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

(c) Financial Instruments

(i) Non-derivative Financial Assets

The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Purchase or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at fair value through profit and loss, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit and loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk Management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Available-for-sale

Corresponds to the investment in Jamaica Private Power Company Ltd. maintained at cost, due to the fact that it does not have a market value and its fair value cannot be reliably measured.

(ii) Non-derivative Financial Liabilities

The Group initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

(iii) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of tax effects.

(iv) Derivative Financial Instruments, Including Hedge Accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within the range of 80-125 percent.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges
When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. The amount recognized in other comprehensive income is removed and included in profit and loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedging accounting, expires or is sold, terminated, exercised, or designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss.

Other non-trading derivatives
When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

(d) Property, Plant and Equipment
Land and buildings comprise mainly power station structures, power distribution facilities and related offices. Property, plant and equipment include other major plant items, vehicles, fixtures and fittings. These are shown at historical cost less accumulated depreciation and, where applicable, accumulated impairment losses. Historical cost includes expenditure directly attributable to the acquisition of these items, the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Routine repairs

and maintenance are charged to the income statement in the period in which they are incurred. Major maintenance/overhaul items are capitalized when incurred and depreciated over their expected useful lives. When parts of an item of property, plant and equipment have different useful lives, they are accounted of as separate items (major components) of property, plant and equipment. Property, plant and equipment in use are depreciated on a straight-line basis over their estimated lives, with the exception of freehold land and assets under construction, which are not depreciated. Depreciation starts when an asset is available for use (i.e. when the asset is in the location and conditions necessary for it to be capable of operating in the manner intended by management are met).

The following useful lives shown on an average basis are applied across the Group:

	Years
Buildings	40
Thermal power plants	25 to 35
Hydro-electric	70 to 90
Power generation and electrical	20
Other items	4 - 10

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Decommissioning liability

The provision for decommissioning costs arises on construction of a manufacturing facility for the electricity production. A corresponding asset is recognized in plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

(e) Intangibles Assets

Intangible assets other than goodwill are comprised of separately identifiable intangible items arising from acquisitions and similar items. Except for those acquired in a business combination, these intangible assets are recognized on the balance sheet at cost and are amortized over their estimated useful life, not to exceed 10 years.

Intangible assets acquired as part of a business combination are recognized outside of goodwill if the assets are separable or arise from contractual or other legal rights and their fair value can be measured reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for on a prospective basis by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Typically the estimated useful life of such assets takes into account the life of the power purchase agreement ("PPA") governing each project. The following useful lives apply to the intangible assets acquired as part of a business combination:

	Years
Kallpa Generación S.A.	
Customer relationship	11.9
Licenses	27.0
Generandes Peru S.A.	
Customer relationship	10.5
Licenses	50.0
Compañía de Energía de Centroamérica, S.A. de C.V.	
Customer relationship	8.5

At each balance sheet dates intangible assets are reviewed for indicators of impairment or changes in estimated future benefits. If such indicators exist, an analysis is performed to assess whether the carrying amount is fully recoverable. An impairment provision is charged to the statement of income if the carrying amount exceeds the recoverable amount.

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

(f) Leases

Lease in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating and the leased assets are not recognized in the Group's statement of financial position.

(g) Inventories

Inventories consist of fuel, spare parts, materials and supplies and are valued at the lower of cost or net realizable value. Cost is determined by using the average cost method.

Management periodically conducts technical studies on inventory obsolescence for the purpose of determining the amounts to be recorded for this concept as of the statement of financial position.

(h) Impairment

(i) Financial Assets (Including Receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

(ii) Non-financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in profit or loss. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash generating units to which the goodwill relates. Where the recoverable amount of the cash generating units is less than their carrying amount and impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as of December 31 of each year.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as of December 31 of each year, either individually or at the cash generating unit level, as appropriate.

(i) Employee Benefits

(i) Other Long-term Employee Benefits

The Group's net obligation for long-term employee benefits, which are not attributable to post employment plans, is for the amount of the future benefit to which employees are entitled for services that were provided during the current and past periods. The amount of these benefits is discounted to its present value and the fair value of any related assets is deducted. The discount rate is determined according to the yield on government bonds, where their currency and maturity date are similar to the terms and conditions of the Group´s obligations, as at the reporting date. The calculations are performed by using the projected unit credit method. Any actuarial gains and losses are recorded to the statement of income in the period in which they arise.

(ii) Severance Pay

Severance pay is charged as expense when the Group is clearly obligated to pay it, without any reasonable chance of cancellation, in respect of termination of employees before they reach the customary age of retirement according to a formal, detailed plan. The benefits given to employees upon voluntary retirement are charged when the Group proposes a plan to the employees encouraging voluntary retirement, it is expected that the proposal will be accepted and it is possible to reliably estimate the number of employees that will accept the proposal.

(iii) Short-term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability for short-term employee benefits in respect of cash bonuses is recognized when the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iv) Share-based Payment Transactions

Senior executives of the Group receive remuneration in the form of share-based payment transactions, which can only be settle in cash (cash-settled transactions). The cost of cash-settle transactions is measured initially at the grant date using binominal model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to a fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in employee benefits expense.

(j) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized if there is a present obligation, whether legal or constructive, which has arisen as a result of a past event, payment is more likely than not and the amount can be reliably measured. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities are disclosed in relation to possible obligations depending on uncertain future events or in relation to present obligations where payment is not probable or there is uncertainty over the amount. Where the likelihood is remote, there is neither recognition nor disclosure.

Contingent assets are not recognized, but are disclosed where an inflow of economic benefits is probable. Disclosure will arise in relation to possible assets arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more probable, but uncertain future events not wholly within the control of the enterprise.

(k) Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue comprises the fair value for the sale of electricity, net of value-added-tax, rebates and discounts and after eliminated sales within the Group.

Revenues from the sale of energy are recognized in the period during which the sale occurs. The revenues from the generation business are recorded based upon output delivered and capacity provided at rates as specified under contract terms.

(l) Finance Income and Finance Costs

Finance income comprises interest income on funds invested (including available for sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss, impairment losses recognized on financial assets (other than trade receivables), and losses on hedging instruments that are recognized in profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(m) Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither the accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, associates and interests in joint ventures, to the extent that is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) New Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

(4) Cash and Cash Equivalents and Restricted Cash

	In thousands of US$	
	2010	2009
Cash and cash equivalents		
Cash	30	30
Current accounts (a)	96,663	36,863
Cash in transit (b)	12,567	-
Time deposits (c)	3,085	24,973
	112,345	61,866
Restricted cash – current (d)	7,233	7,146

(a) Current accounts are freely available and earn interest at market rates ranging from 0.0% to 1.1% p.a.

(b) Corresponds to a CEPP's dividend distribution received on December 30, 2010 and cashed on January 5, 2011.

(c) Time deposits corresponds to short-term investments made for periods ranging from one day to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates ranging from 0.3% to 2.4% p.a.

(d) Corresponds to amounts held in an escrow accounts for loans and contractual obligations, such as debt service reserve accounts. They earn interest at market interest rates ranging from 0.8% to 1.4% p.a.

(5) Trade and Other Receivables

	In thousands of US$	
	2010	2009
Trade accounts receivables (a)	69,431	65,633
Contributions from non-controlling interest (b)	14,293	55,294
Value added tax	10,235	3,932
Accounts receivable from Comisión Ejecutiva Hidroeléctrica del Rio Lempa (c)	7,692	16,619
Current portion of derivatives fair value, note 10(b)	3,176	3,294
Other	4,504	3,056
	109,331	147,828
Less - Long term portion of contributions from non-controlling interest	-	(29,293)
	109,331	118,535

(a) Trade accounts receivable are non-interest, are denominated in their original currency and are current.

As of December 31, 2010 and 2009, the ageing analysis of trade accounts receivable is as follows:

	In thousands of US$			
Year	Neither past due nor impaired	Past due not impaired < 30 days	Past due not impaired > 30 days	Total
2010	59,154	-	10,277	69,431
2009	38,159	-	27,474	65,633

Following an understanding with CDEEE, a state owned company in Dominican Republic, the Company offset in September 2010, accounts payable and accounts receivable between CDEEE and CEPP. As a result of the offset CEPP reversed an allowance for doubtful accounts related to those accounts receivable in the amount of US$ 3,638 thousand, recognized a deferred income booked in 2006 in the amount of US$ 3,973 thousand, both included in the caption "Other, net" in profit and loss, and recorded an interest expenses on accounts payable in the amount of US$ 1,948 thousand presented in "Finance expenses" in profit and loss.

Trade accounts receivable as of December 31, 2010 is presented net of US$565 thousand of allowance for doubtful accounts; for 2009 the accounts receivable is presented net of US$ 2,557 thousand of allowance for doubtful accounts and US$ 4,971 thousand of deferred income.

(b) According to the Investment Agreement signed on October 19, 2009 between Inkia Holdings (Kallpa) Limited and Quimpac Corp S.A.C. (hereinafter "Quimpac") as described in note 17, Quimpac will make capital contributions in Kallpa during 2011 as follows:

Contribution dates	In thousands of US$
February 28, 2011	18,979
May 31, 2011	10,314
Total	29,293

On December 29, 2010 Quimpac made an anticipated contribution of US$15,000 thousands which originally should have been made on February 28, 2011. As a result of this, the balance of Quimpac's contributions as of December 31, 2010 is US$14,293 thousand.

(c) Corresponds to the payments owed by Comisión Ejecutiva Hidroeléctrica del Rio Lempa ("CEL") to the Group entity Nejapa Power Company, LLC ("Nejapa") pursuant to a certain Transmission Costs Agreement executed between such entities (the "TCA"). According to this agreement, CEL undertook to pay the transmission costs and any other related costs, including any taxes that resulted from such payments, for a period of five years starting from the date the contract was signed (March 21, 2002). CEL refused payment with respect to the reimbursement of transmission costs that were incurred in the last two months in which the TCA was effective. Nejapa did not receive further amounts under the TCA and Nejapa initiated an arbitration process against CEL demanding payment of amounts that have remained outstanding as of 2008. The Arbitration Tribunal has imposed to CEL the obligation to pay Nejapa Power approximately US$ 18,000 thousand. On April 21, 2010, Nejapa signed a settlement agreement with CEL, by which CEL acknowledges the debt and made a US$ 5,000 thousand down payment on the date of execution of the mentioned settlement agreement and the balance in 24 monthly installments. The full amount receivable of US$ 18,000 thousand include taxes and cost reimbursed, both will not bear interest. As of December 31, 2010 Nejapa recorded a finance expense of US$ 1,029 thousand referring to the present value of these receivables. In addition, in June 2010 Nejapa received a tax assessment for a total of US$ 2,497 thousand (plus interest and fines) related to the 2007 TCA payments. Nejapa paid such amount in June 2010 and CEL reimbursed the full amount in December 2010.

(6) Inventories

	In thousands of US$	
	2010	2009
Fuel (a)	6,068	9,750
Spares (b)	12,551	12,047
	---------------	---------------
	18,619	21,797
	=========	=========

(a) The plants in El Salvador and the Dominican Republic consume heavy fuel in the generation of electric energy. These plants must purchase the fuel in the international markets for import into the respective countries in economic quantities. The plants must take into consideration demand for the electric energy, available supply and transportation cost and timing when purchasing fuel oil.

(b) Corresponds to spare parts for maintenance works.

In Management's opinion, based on the reports prepared by internal technicians of the Group entities, as of December 31, 2010 and 2009, it is not necessary to record an allowance for obsolescence of inventories.

(7) Property, Plant and Equipment, Net

In thousands of US$

	Land road and buildings	Leasehold improvements	Installation machinery and equipment	Office equipment and computers	Vehicles	Damms	Others	Work in progress	Total 2010	Total 2009
Cost										
Beginning balance	88,728	352	462,760	10,181	2,794	138,521	8,649	115,768	827,753	726,293
Additions	232	-	7,745	118	113	-	-	81,654	89,862	104,823
Transfers and reclassifications	14,221	92	79,258	505	53	14	235	(94,378)	-	-
Retirements	-	-	(2,133)	(791)	(60)	-	(8)	(1,482)	(4,474)	(3,363)
Ending balance	103,181	444	547,630	10,013	2,900	138,535	8,876	101,562	913,141	827,753
Accumulated depreciation										
Beginning balance	44,950	81	168,833	7,307	2,012	21,992	5,001	-	250,176	227,946
Additions	1,637	35	29,119	638	339	1,738	186	-	33,692	24,442
Transfers	28	-	(28)	-	-	-	-	-	-	-
Retirements	-	-	(1,750)	(430)	(60)	-	(8)	-	(2,248)	(2,212)
Ending balance	46,615	116	196,174	7,515	2,291	23,730	5,179	-	281,620	250,176
Net cost	56,566	328	351,456	2,498	609	114,805	3,697	101,562	631,521	577,577

(a) Kallpa started the construction of the Combined Cycle conversion project in March 2010. The carrying amount of this asset at December 2010 was US$99,799 thousand (US$29,178 at December 2009). The caption work in progress includes mainly the disbursements related to the Combined Cycle Project. On September 15, 2009 Kallpa signed a contract with POSCO Engineering & Construction Co., Ltd (hereinafter "POSCO") denominated "Turnkey, Engineering, Procurement and Construction Contract for Combined Cycle Conversion of the Operating Simple Cycle Chilca Power Plant." (hereinafter "EPC"). Under the EPC contract, POSCO shall provide the supply and works required to the design, engineering, procurement, construction, start-up and commissioning and turning over the Facility and related work for the conversion of Kallpa's open cycle gas units (Kallpa I, II & III) to combined cycle. The EPC contract guarantees a net plant capacity of 831.722 MW and that the Combined Cycle Commercial Operation Date will be achieved on or before July 28, 2012. In the event that POSCO fails to achieve the terms and conditions agreed shall compensate Kallpa for the losses or damages as a result of POSCO's failure.

(b) The property, plant and equipment caption includes spare parts that correspond to replacement of parts to be used in power generators, which has been classified as part of the "property, plant and equipment" caption. The Group depreciates these parts during the useful life of the assets to which they are related.

(c) The amount of borrowing costs capitalized during 2010 was US$ 7,261 thousand (US$13,503 thousand during 2009).

(d) The property, plant and equipment caption includes assets acquired through finance leases. As of December 31, 2010 and 2009, the cost and the corresponding accumulated depreciation of such assets are made up as follows:

	In thousands of US$					
	As of December 31, 2010			As of December 31, 2009		
	Cost	Accumulated depreciation	Net cost	Cost	Accumulated depreciation	Net cost
Land and buildings	29,880	(1,268)	28,612	17,466	(598)	16,868
Plant and equipment	178,516	(24,777)	153,739	108,410	(9,982)	98,428
Work in progress	-	-	-	81,884	-	81,884
	208,396	(26,045)	182,351	207,760	(10,580)	197,180

(e) As of December 31, 2010 and 2009, there are no assets that guarantee transactions with third parties, except for the assets obtained through finance leases in Kallpa and the assets obtained through loans in Bolivia, see note 11.

(f) The Group's perform impairment tests for its long lived assets (property, plant. equipment and intangibles); using fair values less cost to sell based on independent appraisals or value in use computations, with similar assumptions as those described in note 9(b). As result, no impairment provision was deemed necessary.

(8) Investments

Investees	Interest	Beginning balance	Equity share	Cumulative translation	Other	Dividends received	Total
		In thousands of US$					
2010							
Associates							
Generandes Peru S.A.	39.00%	247,056	18,555	9,556	-	(16,138)	259,029
Pedregal	21.22%	8,627	1,481	-	25	(848)	9,285
Total		255,683	20,036	9,556	25	(16,986)	268,314
Available-for-sale							
Jamaica Private Power Company	15.60%	3,370	-	-	-	-	3,370
		3,370	-	-	-	-	3,370

Investees	Interest	Beginning balance	Equity share	Cumulative translation	Other	Dividends received	Total
		In thousands of US$					
2009							
Associates							
Generandes Peru S.A.	39.00%	219,649	19,818	21,599	-	(14,010)	247,056
Pedregal	21.22%	8,447	1,655	-	(11)	(1,464)	8,627
Total		228,096	21,473	21,599	(11)	(15,474)	255,683
Available-for-sale							
Jamaica Private Power Company	15.60%	3,370	-	-	-	-	3,370
		3,370	-	-	-	-	3,370

The following table illustrates summarized financial information of the consolidated financial statements of Generandes Peru S.A.:

	In thousands of US$	
	2010	2009
Associate's financial statements (*):		
Current assets	106,892	107,276
Current liabilities	130,602	142,092
Working capital	(21,585)	(34,816)
Property, plant and equipment, net	1,468,339	1,482,083
Total assets	1,685,402	1,690,966
Equity	453,120	437,334
Revenues	410,337	393,111
Operating income	132,856	132,597
Net income attributable to Generandes	45,366	48,147

(*) Original figures for the year ended as at December 31, 2010 and 2009, stated originally in Peruvian Nuevos Soles and converted to US Dollar using an average exchange rate of 2.824 and 2.888, respectively, per US Dollar.

(9) Intangible Assets and Goodwill

(a) Intangibles

Comprise mainly the identified intangible assets as result of the business combination, such as the acquisition of the "client relationships" and other in the purchase of its subsidiaries and associates, and the incurred cost on the development and acquisition of software licenses used in the Group operations.

The 2010 additions in the caption “others” include mainly development costs incurred in the Cerro del Aguila hydroelectric project in Peru.

The movement of intangible assets during 2010 and 2009, is as follows:

	In thousands of US$					
Description	Client relationships	Licenses	Software	Others	2010	2009
Cost						
Beginning balance	16,601	1,003	300	1,637	19,541	19,126
Additions	-	-	44	2,725	2,769	415
Ending balance	16,601	1,003	344	4,362	22,310	19,541
Accumulated amortization						
Beginning balance	3,537	93	178	92	3,900	2,310
Amortization of the period	1,415	37	86	37	1,575	1,590
Ending balance	4,952	130	264	129	5,475	3,900
Net book value	11,649	873	80	4,233	16,835	15,641

(b) Goodwill

Goodwill arises from the following Group entities (cash generating unit):

	In thousands of US$	
	2010	2009
Nejapa Power Company LLC and Companía de Energía de Centroamerica S.A. de C.V.	40,693	40,693
Kallpa Generación S.A.	10,934	10,934
Book value	51,627	51,627

The Group's impairment test for goodwill is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget approved by the Board of Directors and its Shareholders for the next five years and do not include restructuring activities that the Group has not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained below.

Key assumptions used in value in use calculations

The calculation of the value in use for the cash generating units is most sensitive to the following assumptions:

Discount rates - Discount rates reflect the current market assessment of the risks specific to each cash generating unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the Group. This rate was further adjusted to reflect the market assessment of any risk specific to the cash generating unit for which future estimates of cash - flows have not been adjusted. The discounts rates applied in 2010 and 2009 are in the range between 9.4 percent and 10.7 percent, based on the characteristics of each cash generating unit.

Investment schedule - The management has used the updated investment schedule in countries in which those companies operate, in order that the supply satisfies the demand growth in an efficient manner.

Fuel prices - Products prices has been based on estimated future prices including a price differential adjustment specific to every product according to the local characteristics.

Demand - Demand forecast has taken into consideration the best economical performance as well as growth forecast of different sources.

Technical performance- The forecast take into consideration that the power plants have an appropriate preventive maintenance that allows its proper functioning.

Growth rate estimates - Rates are based on industry trends obtained by the Group's management.

Sensitivity to changes in assumptions
With regard to the assessment of value in use of the cash generating units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

(10) Trade and Other Accounts Payables

	In thousands of US$			
	2010		2009	
	Current	Non current	Current	Non current
Trade payables	27,622	-	30,637	-
Income tax	7,876	-	5,576	-
Other payables	4,663	6,220	5,296	7,368
Interests payable	4,637	-	4,688	-
Accruals	2,572	-	2,374	-
Retirement and severance payables	-	2,708	-	8,264
Fair value of derivatives (b)	4,133	7,970	4,208	11,162
Withholding tax on earnings	-	4,390	-	4,141
Stock options liability (c)	-	1,754		
Total	51,503	23,042	52,779	30,935

(a) The terms and conditions of the above financial liabilities are as follows:

- Trade payables are non - interest bearing and are normally settled on 60 - day terms.
- Other payables are non - interest bearing and have an average term of six months.
- Interests payable are normally settled quarterly throughout the financial year.

(b) As of December 31, 2010 and 2009, the derivatives maintained by the Group are as follow:

	In thousands of US$		
	Notional amount	Fair value 2010	Fair value 2009
Hedge derivatives (i)			
Cross currency swap	88,420	397	(3,585)
Interest rate swap	67,500	(5,883)	(4,689)
		(5,486)	(8,274)
Trading derivatives (ii)			
Interest rate swap	51,000	(3,441)	(3,802)
		(8,927)	(12,076)

(i) On July 25, 2008 the Company entered into a cross currency swap transaction to hedge its exposure to both, interest and foreign exchange risks from the issuance of bonds. The swap is highly effective, although any ineffectiveness will be recorded in the consolidated income statement. The bond issued amounted to S/. 250,000 thousand, equivalent to US$ 88,420 thousand at the date of issuance, with a fixed interest rate of 9.25% p.a. The swap has the same contractual terms of the bonds (interest, maturities, among others) and Inkia must pay US$ 88,420 thousand plus fixed interest at 7.62% p.a. and receive S/. 250,000 thousand plus fixed interest at 9.25% p.a. During 2010, the Company recorded in the profit and loss a gain for the realized exchange differences of approximately US$ 2,500 thousand (a gain of U$7,000 thousand and a loss of US$10,000 thousand during 2009 and 2008, respectively), which affect the exchange gain for the same amount obtained in the Inkia Bonds (see note 11), both recorded in the statement of income under caption of "Other, net".

Likewise, due to the construction of the second generating plant denominated "Kallpa II", a Group entity Kallpa assumed a consolidated debt with Banco de Credito del Peru for an amount of US$ 67,500 thousand with final maturity in May 31, 2015. The conditions and schedule of the debt has been fixed in the fourth quarter of 2008 and, as result in order to fix the interest rate of such debt; Kallpa entered into a swap transaction to hedge its interest rate exposure for this debt. The fixed interest rate after the swap transaction is 6.55% p.a.

The Company prepared the documentation for these transactions in accordance with IAS 39 Financial Instruments. The effectiveness of the swap is measured using the "hypothetic derivative" method.

(ii) The swap is a long-term arrangement for the period of December 2007 through May 2013. The losses arising from the volatility of the fair value of this interest rate swap is shown in the statement of income as "gain (loss) from derivative financial instruments".

(c) Effectively on January 1, 2010, the Company has granted certain senior executives of the Company and of the Company's subsidiaries stock options under a certain Stock Option Plan (the "Plan"). The Plan is subject to varying vesting and a lock up periods which matures on June 30, 2014. The Plan can be settled in cash or, under certain conditions, by actual shares of the Company.

The aggregate maximum number of authorized and unissued shares which shall be subject to the Plan is 4,500, which represents 1.5% of the Company's issued share capital. The balance accrued as of December 31, 2010 for the Plan is US$ 1,754 thousand, which was charged to profit and loss as an administrative expense.

(11) Interest Bearing Borrowings

	Effective annual interest rate	Maturity	In thousands of US$ 2010 Current	2010 Non-current	2009 Current	2009 Non-current
Cobee						
Bolivian Bonds (a)	9.50%	2012	-	10,000	-	10,000
Bolivian Bonds (a)	8.25%	2010	-	-	10,000	-
Bonds Cobee II (b)	9.40%	2015	-	20,403	-	20,403
Bonds Cobee III - 1 (c)	2.08%	2014	-	4,000	-	-
Bonds Cobee III - 2 (c)	3.00%	2017	-	3,500	-	-
Bonds Cobee III - 3 (bolivianos) (c)	3.78%	2020	-	6,271	-	-
Banco Mercantil Santa Cruz (d)	TRE+5.5%	2014	504	1,261	857	3,000
Banco Nacional de Bolivia	TRE+4.75%	2014	364	848	364	1,212
Boa Bisa (e)	6.00%	2014	302	905	300	1,202
Banco Nacional de Bolivia (f)	TRE+4.30%	2019	249	1,743	169	1,992
Kallpa Generación						
Banco de Crédito del Perú (g)	LIBOR + 3.00%	2016	1,263	7,658	1,174	8,958
Citibank Perú (g)	LIBOR + 3.00%	2016	2,711	16,442	2,511	19,154
Citileasing (g)	LIBOR + 3.00%	2016	441	2,673	408	3,114
Citileasing (g)	LIBOR + 3.00%	2016	882	5,346	816	6,228
Banco de Crédito del Perú (h)	LIBOR + 2.05%	2017	6,197	54,128	6,157	60,325
Scotiabank (i)	7.57%	2018	6,840	65,880	2,490	79,394
Kallpa Bonds (j)	8.50%	2022	-	55,040	-	18,920
Banco de Crédito del Perú (k)	LIBOR + 5.5%	2019	-	3,683	-	-
Banco de Crédito del Perú COFIDE(k)	LIBOR+ 5.5%	2019	-	5,156	-	-
DEG (k)	LIBOR+ 5.5%	2019	-	3,683	-	-
Scotiabank Peru S.A.A. (k)	LIBOR+ 5.5%	2019	-	6,628		
Southern Cone Power Peru						
Southern Cone Bonds (l)	8.90%	2012	6,548	7,133	6,010	13,680
Inkia Energy Ltd.						
Inkia Bonds (m)	7.62%	2015	12,379	70,391	6,189	80,286
Cepp						
Cepp Bonds	7.75%	2013	-	4,674	-	-
Subtotal			38,680	357,446	37,445	327,868
Cobee						
Cobee Bonds III - 1 (Premium)		2014	-	357	-	-
Cobee Bonds III - 2 (Premium)		2017	-	635	-	-
Cobee Bonds III - 3 (Premium)		2020	-	2,156	-	-
Total			38,680	360,594	37,445	327,868

(a) Bolivian Bonds - The two US$ 10,000 thousand tranches of bonds were issued in the Bolivian market in 2005 repayable in full in terms of 5 and 7 years. Interest is escrowed monthly by the trustee and is paid semi annually. Principal is due at maturity of the bond and it is anticipated that either a bank or bond facility will replace the bonds at maturity of each of the tranches. The bonds are secured by the assets of the Group entity Companía Boliviana de Energía Eléctrica (COBEE).

(b) Bonds Cobee II - The US$ 20,403 thousand of bonds were placed in the Bolivian market in 2008 and 2009, with a maturity of 7 years and principal installments in 2013, 2014 and 2015. Interest is escrowed monthly by the trustee and is paid semi annually.

(c) On March 12, 2010, Cobee placed bonds for US$17,251 thousand in the Bolivian market. These bonds include a premium for an amount of US$3,148 thousand as of December 31, 2010. The nominal interest rate corresponding to the 1st, 2nd and 3rd tranches were 5.0%, 6.5% and 9.0%, respectively.

(d) Banco Mercantil Santa Cruz – On December 24 2008, a 5 year US$4,500 thousand loan was negotiated with Banco Mercantil Santa Cruz with an interest rate of TRE plus 5.5%. This loan is payable in quarterly installments.

(e) Boa Bisa - On October 8 2009, a Bs 10,620 thousand (equivalent to US$1,502 thousand) was negotiated with Banco Bisa for a 5 year period. This loan carries an annually interest rate of 6% for the first two years and a TRE plus 5% for the remainder period. This loan is payable semiannually and the first installment is due on April 13, 2010.

(f) Banco Nacional de Bolivia - A subsidiary of Cobee entered into a 12 year, US$1,800 thousand loan in 2006 for the construction of a building for office premises. The loan bears an interest rate of 8.35% p.a. for the first thirty months, 8% p.a. for the next eighteen months and TRE plus a spread of 4.3% thereafter. On July 24, 2008, an addition US$ 400 thousand were borrowed under the same terms and condition.

(g) Citibank Perú and Banco de Crédito del Perú - The finance lease was for the construction of the first gas turbine at Chilca, south of Lima that was completed with the commercial operation date of June 2007. The loan is repayable monthly with interest and principal beginning in December 2007 with the final payment in May 2016. The loan is secured by the assets of Kallpa in Peru. Kallpa entered into an interest rate swap to fix the interest rate, see note 10 (b).

(h) Banco de Crédito del Perú - In December 2007 Kallpa obtained a finance lease for the construction of the second gas turbine at the Chilca facility. The loan is for US$ 67,500 thousand, repayable monthly with interest and principal over 8 years. The first payment was due December 2009 with the last payment due December 2017. The loan bears an interest rate of the 90 day LIBOR plus 2.05%. Kallpa entered into an interest rate swap to fix the interest rate, see note 10(b).

(i) Scotiabank - In July 2008, Kallpa obtained a finance lease for the construction of the third open cycle gas turbine at the Chilca facility. The financing is for a maximum of US$88,000 thousand, repayable with interest and principal over 8 years. The first payment was due in September 2010 with the last payment due in July 2018. The loan bears a fixed interest rate of 7.57% p.a.

(j) Kallpa Bonds - In November 2009, Kallpa issued US$172,000 thousand million aggregate principal amount of its 8.5% Bonds due 2022. Holders of these bonds are required to make subscription payments under a defined payment schedule during the 21 months following the date of issue. Kallpa received proceeds of these bonds in the aggregate amount of US$18,920 thousand and US$36,120 thousand in 2009 and 2010, respectively. The proceeds of these bonds are being used for capital expenditures related to Kallpa's combined-cycle plant. Interest on these bonds accrues based on the principal received by Kallpa and is payable quarterly. Principal amortization payments under these bonds in amounts varying between 0.25% and 5.00% of the outstanding principal amount of these bonds will commence in May 2013 and will continue until maturity in May 2022. These bonds are secured by Kallpa's combined-cycle plant and related assets. As of December 31, 2010, the aggregate outstanding principal amount of these bonds was US$55,400 thousand.

(k) Kallpa Syndicated Loan - In November 2009, Kallpa entered into a secured credit agreement in the aggregate amount of US$105,000 thousand to finance capital expenditures related to Kallpa's combined-cycle plant. The loans under this credit agreement are secured by Kallpa's combined-cycle plant and related assets and bear interest payable monthly in arrears at a rate of LIBOR plus a margin of 5.50% per annum through November 2012, 5.75% per annum from November 2012 through November 2015 and 6.00% from November 2015 through maturity in November 2019. Scheduled amortizations of principal are payable monthly through maturity in November 2019. As of December 31, 2010, the outstanding principal amount under this credit agreement was US$19,150 thousand.

(l) Southern Cone Bonds - The US$50,000 thousand bond offering repaid interest and principal semi-annually in February and August. The bonds are secured with the dividend stream from the investment in Generandes Peru S.A., a Peruvian power generating company, see note 8. In addition, Generandes shares are pledged to guarantee the bonds.

(m) Inkia Bonds - In March 2008, the Board of Directors authorized the issuance of bonds up to an amount of US$200,000 thousand to be placed in one or more tranches. In July 2008, the Company issued the first tranche for an amount of S/. 250,000 thousand (equivalent to US$ 88,000 thousand at such date) with maturity in July 2015. The issuance was made at par value and its nominal fixed interest rate is 9.25%. The funds received were used to partially repay the shareholder's loan (see note 12). At the same date, the Company entered into a swap transaction to hedge its currency and interest exposures for this debt (See note 10 (b).

(n) As at December 31, 2010 and 2009, the main covenants that the Company and certain Group entities must comply with during the term of the debts are as follows:

	Covenant				
Group entities	Shareholder equity	Debt service to coverage ratio	Collateral ratio	Minimum leverage	Interest rate hedging
Southern Cone Power Perú S.A.	Not less than S/. 348,102 thousand at year end (equivalent to US$123,924 thousand as at December 31, 2010)	Not less than 1.00	Not less than 3.00	Not required	Not required
Kallpa Generacion S.A.	Not required	Not less than 1.20	Not required	No more than 3.5 until December 31, 2010. No more than 3.25 until Kallpa IV COD and 3.0 thereafter	Required
Cobee (Bonds)	Not required	>=1.2	Not required	<=1.2	Not required
Inkia	Not required	No more than 5.0 between January 1, 2009 and December 31, 2010 No more than 4.0 from January 1, 2011 and thereafter	Not required	<= 0.65	Not required

Compliance with the covenants referred to above is overseen by the Group's Management and, in its opinion, said obligations have been complied with as of December 31, 2010 and 2009.

(o) The table below presents the contractual amortization schedule of the non-current portion of the long-term debt as of December 31, 2010 and 2009:

	In thousands of US$	
	2010	2009
2011	-	39,664
2012	49,763	50,831
2013	58,368	42,408
2014	65,838	43,398
2015 or thereafter	186,625	151,567
	360,594	327,868

(12) Shareholder's Loan

In June 2007, Inkia received a US$200,000 thousand from Israel Corporation (IC). These funds together with the initial paid-in capital of US$343,000 thousand, were used to finance the acquisition of certain power generation assets in Latin America and the Caribbean from Globeleq Americas Limited (renamed Inkia Americas Limited). This loan bears interest at a rate of LIBOR plus 2% per annum. In July 2008, Inkia repaid US$ 88,400 thousand of the principal amount of this loan with the proceeds of the bond issuance.

In September 2010, Inkia borrowed an additional US$50,000 thousand from IC to finance the purchase of the non-controlling interest mentioned in note 2. The latter loan bears interest at a fixed rate of 8%. Both loans have no specific maturity date and will not be paid prior to January 2012. Payment will be made in accordance with instructions to be received from IC. As of December 31, 2010, the outstanding balance of these loans, including accrued interest, is US$176,869 thousand. Both loans are subordinated.

The interest expense recorded for the year ended December 31, 2010 amounts to approximately US$4,063 thousand (approximately US$4,618 thousand and US$ 11,890 thousand for the years ended December 31, 2009 and 2008, respectively). Also, during 2010, the Company paid US$13,500 thousand in connection with the first loan and a further US$20,000 thousand were paid in February 2011.

(13) Deferred Income Tax

(a) The components of the deferred tax assets and liabilities recorded are the following:

	In thousands of US$						
		Debit/(credit) to			Debit/(credit) to		
	As of January 1, 2009	Statement of income	Equity	As of December 31, 2009	Statement of income	Equity	As of December 31, 2010
Deferred assets							
Loss from derivative instruments	3,994	(535)	(446)	3,013	(265)	218	2,966
Retirement and severance benefits	179	67	-	246	13	-	259
Other provisions	90	48	-	138	601	-	739
	4,263	(420)	(446)	3,397	349	218	3,964
Deferred liabilities							
Fair value adjustment on identifiable net assets from business combination	(40,592)	1,399	-	(39,193)	1,531	-	(37,662)
Capitalized interest expenses	(2,713)	(1,355)	-	(4,068)	(1,642)	-	(5,710)
Fixed assets under finance lease, net of depreciation	(1,998)	(885)	-	(2,883)	(1,345)	-	(4,228)
Exchange losses (gain)	-	513	-	513	558	-	1,071
Capitalized maintenance costs	(1,134)	254	-	(880)	164	-	(716)
	(46,437)	(74)	-	(46,511)	(734)	-	(47,245)
Net effect	(42,174)	(494)	(446)	(43,114)	(385)	218	(43,281)

(b) The table below presents the components of the income tax expense shown in the statement of income corresponding for the years 2010, 2009 and 2008:

	In thousands of US$		
	2010	2009	2008
Income tax			
Current	12,116	8,043	5,681
Deferred	385	494	1,775
	12,501	8,537	7,456

(c) The table below presents the reconciliation of the effective income tax rate for the years 2010, 2009 and 2008 to the tax rate:

	In thousands of US$		
	2010	2009	2008
Income before income tax	68,405	74,700	3,847
Add (deduct)			
Non taxable expenses incurred by holding companies	(6,356)	(3,032)	20,222
Share of profit in associates	(20,036)	(21,473)	(12,210)
Capital gain	-	(34,683)	-
Income subject to tax	42,013	15,512	11,859
Approximated weighted average tax rate for operating companies	27%	27%	27%
Estimated income tax	11,344	4,188	3,202
Permanent items	1,157	4,349	4,254
Income tax expense	12,501	8,537	7,456

The permanent items correspond mainly to adjustment for transfer pricing and translation results of the tax basis in foreign currency related to the operations in Peru and Bolivia.

Current income tax from operations in El Salvador includes income taxes from the consolidated subsidiaries of Nejapa Power Company Sucursal and Cenergica, which is primarily a fuel terminal operation and the service company for Nejapa.

In the Dominic Republic, the power generating subsidiary Compañía de Electricidad de Puerto Plata (CEPP) has a tax exemption until 2011 from all direct taxes, including income taxes, CEPP operations is the service company for CEPP pays a withholding tax of 25% on distributions made for non- resident shareholders. This withholding tax is creditable against future income taxes.

In Bolivia the company has a 25% income tax and a 12.5% withholding tax on the Bolivian branch profits credited to the shareholder.

In Peru, Kallpa has a 30% income tax and a 4.1% withholding tax on the distributions made to non-resident shareholders.

Tax authorities are legally entitled to review and, if it is necessary, amend the taxes calculated individually by the companies of the Group, for a period that comprise, mainly, five years after the presentation of the tax filing. Due to the diverse possible interpretations that tax authorities may give to the current laws, it is not possible to determine whether such reviews will result in additional tax liabilities for the companies of the Group. Any charge or additional tax payable that could result from these reviews will be charged to expenses in the years in which they are settled.

(14) Issued Capital and Reserves

The capital stock amount to US$240 and it comprise 240 ordinary shares issued at one US dollar each.

In accordance with the local laws that regulate the operations of the operating Group entities, a reserve of up to a certain limits of their paid-in capital is required to be established through annual transfers of net income.

(15) Cost of Sales

	In thousands of US$		
	2010	2009	2008
Fuel, gas and lubricants (a)	179,350	125,918	134,745
Energy purchases	57,767	60,329	54,100
Transmission cost	26,634	18,589	10,258
Personnel expenses	13,073	12,433	5,994
Maintenance	8,563	9,071	6,776
Insurance	3,615	2,979	3,200
Third party services	3,490	3,454	9,599
Regulatory expenses	3,129	2,171	3,266
Other operating expenses	1,753	1,555	188
	297,374	236,499	228,126

(a) Fuel cost is primarily heavy fuel oil consumed by the thermal plants in El Salvador and the Dominican Republic.

(16) Finance Income and Expenses

	In thousands of US$		
	2010	2009	2008
Finance income			
Interest income from investments (a)	344	777	481
Interest on commercial operations	2,754	3,691	3,445
Foreign currency gain, net	244	458	-
	3,342	4,926	3,926
Finance expenses			
Interest expenses on loans and bonds (b)	24,399	20,589	15,067
Interest on shareholders loan, note 12	4,063	4,618	11,890
Finance expense related to the net present value of CEL account receivable (5c)	1,029	-	-
Finance expense related to the CDEEE account receivable (5a)	1,948	-	-
Other financial costs	1,413	1,803	1,341
Foreign currency losses, net	-	-	1,852
	32,852	27,010	30,150
Total finance costs	29,510	22,084	26,224

(a) Interest income is related to interest earned for Company funds held in money market accounts and time deposits.

(b) Interest expenses on loans and bonds is related to debt held by the Group entities, see note 11.

(17) Capital Gain

On October 19, 2009 Inkia, Inkia Holdings (Kallpa) Limited (hereinafter "Inkia Holdings") and Kallpa, executed an Investment Agreement (the "Investment Agreement") with Quimpac Corp. S.A.C., a company organized under the laws of Peru and Inkia Holdings, Kallpa and Quimpac Corp. S.A.C. executed a Shareholders Agreement (the "Shareholders Agreement"). Quimpac Corp. S.A.C. assigned its rights and delegated its obligations under the Investment Agreement and the Shareholders Agreement to Quimpac S.A. (hereinafter "Quimpac").

The Investment Agreement provides the terms and conditions that will govern capital contributions to be made by Quimpac and Inkia Holdings to finance the combined cycle conversion project of Kallpa's power plant. Under the Investment Agreement, Kallpa should issue to Quimpac shares representing 25.1% of the issued and paid-in share capital of Kallpa. Kallpa's value for the deal was set to US$ 220,000 thousand, pre investment.

The agreement with Quimpac was conditional on certain conditions including, inter alia, the closing of the debt component of the finance of the expansion project.

Furthermore, the Shareholders Agreement provided the terms and conditions that will govern the relationship between Quimpac and Inkia Holdings as shareholders of Kallpa. The agreement gives Quimpac minority protection rights that are customary to such deals regarding the way certain material decisions are taken in Kallpa, as well as customary clauses regarding sale of shares by either party (refusal rights, tag along by Quimpac, and Inkia has the right to force Quimpac to join a sale to a third party), a Buy you buy me mechanism (BYBM) to solve deadlocks and a non compete clause obliging the parties to develop power projects in Peru through Kallpa.

On November 13, 2009, Kallpa completed the financial closing of the above mentioned project which has an estimated total cost of US$ 400,000 thousand, of out of which a debt in the amount of US$ 277,000 thousand was raised via banks through a sindicated loan of US$ 105,000 thousand and the placement of bonds for US$ 172,000 thousand. As a result of this, Inkia recorded a capital gain of US$ 34,683 thousands at the closing of the deal.

(18) Financial Risk Management Objectives and Financial Instruments

The Group principal financial assets (as defined by IAS32) are comprised of cash and cash equivalents, investments from trading, trade receivables and investment available-for-sale. Financial liabilities comprise of trade and other payables, short-term loans interest bearing borrowings, shareholder borrowings and derivatives. The main purpose of these financial instruments is to raise finance for the Group's operations. The benchmark rate for floating rate assets and liabilities is based on LIBOR rates. In general, none of Inkia's or the Group trade receivables earns interest.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks, together with the capital requirement as explained in further detail below.

(a) Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In special circumstances Inkia provides contingent security in the form of parent-level credit support to the underlying businesses where required.

The Group includes within net debt, interest bearing borrowings, trade and other payables, less cash and cash equivalents. Adjusted capital includes equity attributable to the equity holders of the parent, non-controlling interest less the net unrealized hedging reserve; plus shareholder´s loans.

	In thousands of US$	
	2010	2009
Interest bearing borrowings	399,274	365,313
Trade and other payables	74,545	83,714
Short term loans	4,003	7,075
Less cash and cash equivalents	(112,345)	(61,866)
Net debt	365,477	394,236
Equity	526,932	516,120
Hedging reserve	3,913	4,461
Shareholder's loans	176,869	136,306
Adjusted capital	707,714	656,887
Debt to adjusted capital ratio at year end	0.52	0.60

The debt facilities utilized are basically long-term and include financial covenants which must be satisfied in order to distribute excess cash to the shareholders and/or holding companies.

At the Group level, each Company obtains a prudent level of debt and may continue to increase some debt in the future. The debt could be taken for further expanding the Group or for remitting to the ultimate shareholder, Israel Corporation as a return of capital on the shareholder loan.

(b) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings, deposits, available - for - sale investments, and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as of December 31, 2010 and 2009.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to float interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place as of December 31, 2010 and 2009, respectively.

The analysis excludes the impact of movements in market variables on the carrying value provision, non financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at December 31, 2010 and 2009, respectively, including the effect of hedging instruments.
- The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets, including the effect of any associated hedges, and swaps designated as cash flow hedges as of December 31, 2010 and 2009, respectively, for the effects of the assumed changes in interest rates. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

(c) Derivatives

Within the Group, Inkia and Kallpa have entered into cross currency and interest rate swaps to mitigate their exchange rate and interest rate risks on specific loans. The description of the swaps maintained by the Group is detailed in note 10 (b).

(d) Interest Rate Risk

Interest rate risk is the risk that the Group could suffer financial loss due to changes in the value of an asset or liability or in the value of future cash flows due to interest rate volatility. Any financial asset or liability on which interest is paid or received will be subject to interest rate risk. The Group's exposure to the risk of changes in market interest rate relates primarily to the Group's long term borrowings with floating interest rates. To manage this, the Group enters into interest rate swap arrangements as described in the previous paragraph. The Group manages the interest rate risk on the long term borrowings of its operating businesses to minimize the exposure to floating interest rates. The table below displays the amount of fixed rate and floating rate debt of the Group as of December 31, 2010 and 2009:

Interest Rate Exposures

December 31, 2010	Fixed Rate	Floating Rate	Non-Interest	Total	Weighted average interest rate at 31.12.10
	In thousands of US$				%
Financial Assets					
Restricted cash	7,233	-	-	7,233	0.95
Trade and other receivables	-	-	109,331	109,331	-
Financial liabilities					
Short term loans	4,003	-	-	4,003	6.99
Trade and other payables	-	-	74,545	74,545	-
Interest bearing borrowings (*)	279,406	119,868	-	399,274	7.69
Shareholder's loans	51,154	125,715	-	176,869	3.91

December 31, 2009	Fixed Rate	Floating Rate	Non-Interest	Total	Weighted average interest rate at 31.12.09
	In thousands of US$				%
Financial Assets					
Restricted cash	7,146	-	-	7,146	0.63
Trade and other receivables	-	-	118,535	118,535	-
Financial liabilities					
Short term loans	7,075	-	-	7,075	7.99
Trade and other payables	-	-	83,714	83,714	-
Interest bearing borrowings (*)	251,035	114,278	-	365,313	7.78
Shareholder's loans	-	136,306	-	136,306	3.46

(*) Out of US$ 119,868 thousand, US$ 97,742 thousand is hedged for interest rate risk (in 2009, out of US$114,278 thousand; US$108,845 thousand is hedged).

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings in a period of a year considering the effect of the interest rate swaps):

	Increase/decrease in basic points	Effect on profit before tax In thousands of US$
December 31, 2010		
Shareholders loan	(+)(-) 100	(-)(+) 1,769
Interest bearing borrowings (*)	(+)(-) 100	(-)(+) 112
Derivatives (**)	(+)(-) 100	(-)(+) 4,489
December 31, 2009		
Shareholders loan	(+)(-) 100	(-)(+) 1,363
Interest bearing borrowings (*)	(+)(-) 100	(-)(+) 543
Derivatives (**)	(+)(-) 100	(-)(+) 7,673

(*) There have not been considered those floating rate borrowings with interest rate swaps.

(**) The increase/decrease in interest rates affects also the derivatives valuation (cash flow hedges) by increase/decrease the net equity valuation in approximately US$ 767 thousand and US$ 3,600 thousand in 2010 and 2009, respectively.

(e) Liquidity Risk
Liquidity risk is the risk that the Group will not have sufficient funds to meet liabilities. The Group monitors its risk to shortage of funds through use of cash forecasts which identify the liquidity requirements of the Group. These are reviewed regularly to ensure sufficient financial headroom exists for at least a 6 month period.

The maturity profile of the interest bearing liabilities and derivatives (based on projected outflows) are as follows:

	In thousands of US$		
	Shareholder loans	Interest bearing borrowings	Interest rate and cross currency swaps
December 31, 2010			
Financial Liabilities: Maturity profile			
Due on demand	-	-	-
Due within one year, but not on demand	20,000	67,053	958
Due within one to two years	-	75,208	1,320
Due within two to three years	-	71,978	1,006
Due within three to four years	-	69,170	1,033
Due within four to five years	-	83,575	4,611
Due after five years	156,869	167,230	-
Total	176,869	534,214	8,928

	In thousands of US$		
	Shareholder loans	Interest bearing borrowings	Interest rate and cross currency swaps
December 31, 2009			
Financial Liabilities: Maturity profile			
Due on demand	-	-	-
Due within one year, but not on demand	-	63,221	1,083
Due within one to two years	-	65,940	914
Due within two to three years	-	74,011	878
Due within three to four years	-	60,930	1,044
Due within four to five years	-	57,862	1,505
Due after five years	136,306	175,514	6,652
Total	136,306	497,478	12,076

The other financial liabilities (see note 10) have maturities mainly due within one year.

The following tables indicate the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur:

	In thousands of US$					
December 31, 2010	Fair Value	Expected cash flow	0-1 years	2 years	3-5 years	More than 5 years
Cross interest swaps:						
Assets	-	-	-	-	-	-
Liabilities	(5,884)	(5,884)	(2,392)	(1,750)	(1,742)	-
Cross currency swaps:						
Assets	397	397	3,175	1,699	(4,477)	-
Liabilities	-	-	-	-	-	-
	(5,487)	(5,487)	783	(51)	(6,219)	-

	In thousands of US$					
December 31, 2009	Fair Value	Expected cash flow	0-1 years	2 years	3-5 years	More than 5 years
Cross interest swaps:						
Assets	-	-	-	-	-	-
Liabilities	(4,689)	(4,689)	(2,489)	(1,407)	(826)	33
Cross currency swaps:						
Assets	(3,585)	(3,585)	3,294	1,633	(1,827)	(6,685)
Liabilities	-	-	-	-	-	-
	(8,274)	(8,274)	805	226	(2,653)	(6,652)

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur, and impact the statement of income:

	In thousands of US$					
December 31, 2010	Fair Value	Expected cash flow	0-1 years	2 years	3-5 years	More than 5 years
Cross interest swaps:						
Assets	-	-	-	-	-	-
Liabilities	(3,441)	(3,441)	(1,741)	(1,269)	(431)	-
Cross currency swaps:						
Assets	-	-	-	-	-	-
Liabilities	-	-	-	-	-	-
	(3,441)	(3,441)	(1,741)	(1,269)	(431)	-

	In thousands of US$					
December 31, 2009	Fair Value	Expected cash flow	0-1 years	2 years	3-5 years	More than 5 years
Cross interest swaps:						
Assets	-	-	-	-	-	-
Liabilities	(3,802)	(3,802)	(1,888)	(1,139)	(775)	-
Cross currency swaps:						
Assets	-	-	-	-	-	-
Liabilities	-	-	-	-	-	-
	(3,802)	(3,802)	(1,888)	(1,139)	(775)	-

(f) Credit Risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on their obligations under the contract. This includes any cash amounts owed to the Group by those counterparties, less any amounts owed to the counterparty by the Group where a legal right of set-offs exist and also includes the fair values of contracts with individual counterparties which are included in the financial statements. The maximum exposure to credit risk at each reporting date is the carrying value of each class of financial assets mentioned in this note.

(g) Power Generation

Counterparty credit exposures arise in the normal course of operations as a result of the potential for a customer defaulting on their payable balance. In the case of power generation customers, credit risk is managed by analyzing credit worthiness and financial strength during the negotiation of power purchase agreements and during the life of the contract.

Where the creditworthiness of the customer is deemed to be below standards, various contractual agreements and structures are negotiated (such as letters of credit, liquidity facilities, government guarantees) to provide the required credit support. For the distribution business, commercial customer's credit risk is managed by analyzing a company's creditworthiness and financial strength both before power sales commence and during the business relationship.

(h) Interest Rate Swap Counterparties

Counterparty credit exposures are monitored by individual counterparty and by category of credit rating. The majority of significant exposures is with counterparties with credit ratings" A" or better.

(i) Currency Exposures

Foreign exchange risk arises when certain transaction are denominated in a currency that is not the entity's functional currency. The table below shows the Group's currency exposures that give rise to exchange rate gains and losses that are recognized in the income statement. Such exposures comprise those monetary assets and liabilities of Group companies that are not denominated in their functional currency.

	December 31, 2010 (in thousands of U.S. dollars)		
	Total	US$	Other currencies
Cash and cash equivalents	112,345	88,428	23,917
Restricted Cash	7,233	6,964	269
Trade and other accounts receivable, excluding the fair value of derivatives	106,156	70,497	35,659
Other current assets	3,897	3,897	-
Total	229,631	169,786	59,845
Short terms loans	4,003	4,003	-
Trade and other accounts payable, excluding the fair value of derivatives	62,442	45,315	17,127
Interest bearing borrowings	399,274	306,870	92,404
Shareholder's loans	176,869	176,869	-
Total	642,588	533,057	109,531
Net monetary position	(412,957)	(363,271)	(49,686)
Currency swap – notional amount	-	82,770	(82,770)
Net position	(412,597)	(446,041)	33,084

	December 31, 2009 (in thousands of U.S. dollars)		
	Total	US$	Other currencies
Cash and cash equivalents	61,866	60,379	1,487
Restricted cash	7,146	7,146	-
Trade and other accounts receivable, excluding the fair value of derivatives	144,534	138,654	5,880
Other current assets	7,221	4,670	2,551
Total	220,767	210,849	9,918
Short terms loans	7,075	7,075	-
Trade and other accounts payable, excluding the fair value of derivatives	68,112	54,696	13,416
Interest bearing borrowings	365,313	278,838	86,475
Shareholder's loans	136,306	136,306	-
Total	576,806	476,915	99,891
Net monetary position	(356,039)	(266,066)	(89,973)
Currency swap – notional amount	-	86,475	(86,475)
Net position	(356,039)	(352,541)	(3,498)

Management considers that due to the net position maintained by the Group currencies, the effect of the expected changes in the exchange rates will have no significant impact in its consolidated income statement as of December 31, 2010 and 2009.

Sensitivity analysis

A strengthening at the rate of 5%–10% of the dollar exchange rate against the Nuevo Sol, DR Peso, Bolivian Peso, Quetzal and Euro would have increased (decreased) the income or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	In thousands of U.S. dollars			
	10% increase	5% increase	5% decrease	10% decrease
December 31, 2010				
Dollar / Nuevo Sol	4,242	2,009	(1,818)	(3,471)
Dollar / DR Peso	264	125	(113)	(216)
Dollar / Bolivian Peso	(789)	(374)	338	646
Dollar / Quetzal	-	-	-	-
Dollar / Euro	(37)	(18)	18	37
December 31, 2009				
Dollar / Nuevo Sol	29	15	(17)	(36)
Dollar / DR Peso	28	14	(16)	(34)
Dollar / Bolivian Peso	265	139	(154)	(324)
Dollar / Quetzal	(4)	(2)	2	5
Dollar / Euro	-	-	-	-

(j) Fair Value of Financial Assets and Liabilities

Accounting standards define a financial instrument as cash, ownership in an entity, or a contract by means of which the contractual right or obligation to receive or deliver cash or another financial instrument has been vested in or imposed to an entity. Fair value is defined as the amount for an asset could be exchanged or liability settled, between knowledgeable, willing parties in an arm's length transaction, assuming an on - going enterprise.

When a financial instrument is traded in an active and liquid market, its quoted market price in an actual transaction provides the best evidence of its fair value. When a quoted market price is not available, or may not be indicative of the fair value of the instrument, to determine such fair value, the current market value of another instrument that is substantially similar, discounted cash flow analysis or other estimation techniques may be used, all of which are significantly affected by assumptions used.

Although Management uses its best judgment in estimating the fair value of these financial instruments, there are inherent weaknesses in any estimation technique. As a result, the fair value may not be indicative of the net realizable or liquidation value.

As of December 31, 2010 and 2009, management considers that the book values of the financial instruments do not differ significantly from their estimated fair values; based on the methodologies and assumptions mentioned herein below:

- Cash and cash equivalents items do not represent a credit risk or significant interest rate risk. Therefore, it has been assumed that the carrying value approximates their market value.

- Derivative financial instruments are recorded at their estimated market value; therefore, there are no differences between their carrying value and their estimated market value.

- For accounts receivable and payable with a less than one year maturity, it has been considered that their fair values are not significantly different from their carrying values.

- For short term loans and the long-term interest bearing borrowings that accrue interest contracted at fixed rate, it has been estimated that their book value do not differ significantly to their market value, insofar as the interest rates of loans in effect do not differ significantly compared to year-end market interest rates.

(19) Commitments

(a) Inkia Energy Ltd

Inkia Energy has outstanding guarantees in connection with its equity investment commitment and contingent equity contributions related to the combined cycle conversion project in Kallpa. These commitments are partially covered by letter of credits issued to Inkia's account.

(b) Cobee, Bolivia

The company operates under a 40 year concession from the Government of Bolivia to generate electricity as a public utility. The term of the concession commenced on October 1, 1990 and expires on September 30, 2030. The Company is currently seeking the conversion of the Concession into a license, pursuant to the provisions of the Bolivian Electricity Law. The Company has fulfilled all its procedural obligations in relation to this matter and expects that a favorable resolution by the Bolivian Government will be issued in the near future.

(c) Kallpa, Peru

As of December 31, 2010 Kallpa has signed twenty three contracts with industrial end users for the delivery of 237 MWs (twenty contracts of 212.5 MWs in 2009). These contracts have various commencement dates, and vary in length of duration. The longest tenor is of ten years, while the shortest tenor is of eight months. The largest contract in effect is for 25 MW while the smallest is for 3 MW. Kallpa has entered into a power purchase agreement with Minera Cerro Verde S.A. by which it has committed a total capacity of 140 MW starting on January, 2011.Also, as of December 31, 2010, the company upholds 25 PPAs with 10 distribution companies for 418 MW.

The Peruvian market functions on the marginal cost method in which the generators bid their marginal cost into the market regulator who instructors the most efficient generators to produce electricity for the system. In the event the Company is not dispatched to meet their commitments under the contracts, the Company will be required to purchase energy in the spot market.

(d) CEPP, The Dominican Republic

CEPP has a contract with the distribution companies for the delivery of 50MW of capacity that expires on September 30, 2014.

In the event CEPP is unable to generate the amount of energy committed under the contract, CEPP will supply the energy by purchasing it in the spot market or from other generators subject to bilateral contracts. Any difference between the cost incurred by CEPP in the purchase of energy and the contractual sale price received by CEPP, is recognized in the income statement in the period the energy is delivered. In the event that CEPP is unable to fulfill the obligations under the contracts, it is liable for a penalty expressed in dollar per MWh not delivered. This rate is established annually by governmental regulators.

(20) Contingent Liabilities

The main contingencies for the Group's subsidiaries and associates are described as follows:

(a) Inkia Energy Ltd

The board of the Peruvian Securities Regulator has amended its resolution imposing on Inkia Energy a a public offer for the purchase of 16% of Edegel shares to 3.47% of such shares at the value the company had at the date of the acquisition of the Inkia Group. The Company pursuant to such resolution has tendered a public offer for 3.47% of Edegel shares and due to the current stock exchange price of Edegel shares, management does not expect Inkia to purchase a substantial amount of shares. The public offer remained effective until March 8, 2011 and no acceptances where received as of such date, and therefore, Inkia Energy will not increase its investment in Edegel as a result of the process.

(b) Nejapa Power Company, LLC

Legal process with a Minority shareholder

Crystal Power, Limited (“Crystal Power”), the holder of the minority interest in Nejapa Holdings, and La Casa Castro, S.A. de C.V. (together with Crystal Power, the “Plaintiffs”), an affiliate of Crystal Power, have filed a lawsuit against Inkia Salvadorian Power and other group companies (jointly, the “Inkia Defendants”), alleging, among other things, that they breached certain rights of Crystal Power in its capacity as the holder of a minority interest in Nejapa Holdings. The most significant of Crystal Power's alleged claims arise from a settlement that Nejapa Power Company, LLC ("Nejapa") entered into with CEL in March 2002. Prior to that time, Nejapa provided electricity to CEL under a power purchase agreement (the "PPA") that had been entered into in May 1994. In 1999, CEL initiated arbitration seeking to terminate the PPA, arguing that due to unforeseeable circumstances the PPA had become excessively onerous and that its continued performance imposed an undue hardship upon CEL. This arbitration resulted in an award to Nejapa in March 2002 consisting of a cash payment of US$90,000 thousand by CEL and the execution of a Transmission Costs Agreement under which CEL agreed to pay transmission costs and certain related costs of Nejapa Holdings for five years.

Under the Nejapa Holdings' Shareholders Agreement, at the time of this award, Crystal Power owned 13.5% of the shares of Nejapa Holdings, but was entitled to receive additional shares of Nejapa Holdings equivalent to 15.7% of the shares of Nejapa Holdings on the 13th anniversary of the on-line service date of Nejapa's plant.

Crystal Power brought suit in the County Court of Brazoria County, Texas in October 2002 against El Paso Corporation, or El Paso, which at the time of the arbitral award was the other shareholder of Nejapa Holdings, claiming, in substance, among other things, that the settlement had been entered into in order to deny Crystal Power its increased proportionate interest in Nejapa Holdings' claim against CEL. We refer to this litigation as the Crystal Power litigation.

During 2006, El Paso sold its interest in Nejapa Holdings to Globaleq and agreed to indemnify Nejapa Holdings and Inkia Salvadorian Power (the sole shareholder of Nejapa Holdings) for losses incurred based upon or arising out of claims that were asserted in the Crystal Power litigation or on claims which Crystal Power or its affiliates could have asserted in the Crystal Power litigation based on the facts alleged therein or giving rise thereto.

In January 2010, El Paso entered into a settlement agreement with Crystal Power under which Crystal Power agreed, among other things, to withdraw all of its claims against El Paso in the Crystal Power litigation. This settlement also provided that Crystal Power would release all claims against Nejapa Holdings and Inkia Salvadorian Power for which El Paso owed an indemnity obligation under the stock purchase agreement related to the sale of its interests in Nejapa. After its settlement with El Paso, Crystal Power realleged in the Crystal Power litigation substantially the same claims against Nejapa Holdings and Inkia Salvadorian Power it had previously settled with El Paso in the County Court of Brazoria County, Texas.
In addition to these claims, in February 2008, a related suit was severed from Crystal Power litigation in which Crystal Power asserted, among other things, claims against Nejapa, Nejapa Holdings and Inkia Salvadorian Power in the County Court of Brazoria County, Texas, alleging that it was entitled to 29.2% of the amount of all dividends or distributions paid by Nejapa Holdings after the 13th anniversary of the on-line service date of the Nejapa plant. The actual date of the on-line service date of the Nejapa plant is at issue in this litigation.

In February 2010, both cases were removed to the United States District Court for the Southern District of Texas, or the Texas District Court. In November 2010, the Texas District Court denied Crystal Power's motions to remand these cases to the County Court of Brazoria County, Texas. Crystal Power has requested that Nejapa Holdings and Inkia Salvadorian Power consent to mediation of these disputes.

The Inkia Defendants filed a motion to compel arbitration on the Plaintiffs and the United States Magistrate Judge for the Southern District of Texas, Galveston Division issued an opinion dated as of March 1, 2011 by which it recommended the District Court to grant the motion filed such motion despite the opposition of the Plaintiffs.

Both opinions of the Magistrate Judge are pending a ruling by the Court.

(c) Compañía de Electricidad de Puerto Plata S.A. (“CEPP”)

The Dominican Port Authority has sued CEPP for US$ 1,400 thousand of outstanding fees allegedly owed by CEPP as consideration for the use of a dock located at the port of Puerto Plata, an easement over the plaintiff’s land and storage and handling services rendered by the plaintiff. CEPP alleges that it does not owe any outstanding fees to the plaintiff because its barge is docked in a port of its own property, easements can only be created by law or by contractual agreement under Dominican law and an easement has not been created by neither and that the plaintiff has not rendered any services in its favor.

(d) Compañía Boliviana de Energía Electrica (“COBEE”)

Energy Tariff Adjustment in Bolivia

Prior to December 2008, the tariff paid to COBEE under its PPAs was calculated on a cost-plus basis under which COBEE was entitled to receive a tariff equal to its operating and depreciation costs plus a margin of 9%. The Authority for the Supervision and Social Control of Electricity (Autoridad de Fiscalización y Control Social de Electricidad), or the AE, in Bolivia was entitled to review COBEE’s calculation of its operating and depreciation costs and retroactively adjust the tariffs actually received by COBEE.

In April 2010, the AE concluded its review of COBEE’s operating and depreciation costs for the period from 2006 through 2008 and issued a resolution claiming an adjustment from COBEE in the aggregate amount of US$7,400 thousand. COBEE filed a motion for reconsideration. In October 2010, the AE issued a resolution revising the amount of the adjustment claimed from COBEE to US$6,800 thousand and ordering that this amount be paid from COBEE’s individual account in the Bolivian Stabilization Fund for the Electrical Market. We have contested the resolution issued by the AE by filing a motion of reconsideration in October 2010 which has been denied on March 2011. We will appeal this decision before the Vice Ministry of Energy.

(e) Kallpa Generación S.A.
Kallpa has reached a settlement with Calidda, the gas distribution concessionaire for Lima and Callao by which Kallpa agreed to (a) transfer to Calidda the pipeline that connects its generation plant with the main natural gas transportation pipeline, (b) withdraw all of its judicial claims against the imposition of the natural gas distribution tariff, (c) pay the natural gas distribution tariff starting on January 2014. As consideration, Calidda agreed to pay Kallpa a compensation of US$12,720 thousand. Out of this total, US$ 6,500 thousand was recorded as income in 2010 and the remaining balance of US$6,220 will be recognized as income from 2014 to 2019 to offset part of the distribution tariff costs.

(f) Associated Generandes Peru (Edegel S.A.A.)
As of December, 31 2010 and 2009, Edegel S.A. (referred in this note as the Company) has the following contingencies that have been evaluated by the Company's Management, recording the liabilities they consider appropriate based on the available information as of December 31, 2010 and 2009, respectively.

Years 1996 to 2006 have been reviewed by tax authorities. As a result of such revisions, the Company has received tax assessments from the Tax Administration on the income tax and value added tax corresponding to said economic years. In due time, the Company filed the respective tax claims and, in the opinion of Management and its internal legal counsels, such claims will be resolved in a favorable manner for the Company.

In addition, the Company has several law suits pending resolution related to the activities it develops, which in the opinion of Management and its internal legal counsels will not result in additional liabilities to those already recorded by the Company. Therefore, Management has not deemed necessary to make any additional provision to that recorded for these contingencies.

The main tax and legal contingencies are as follows:

(i) Income Tax Assessments Corresponding to the Years 1996 Through 1999
With regard to the process originated from the revisions of the income tax for the years 1996 through 1999, in January 2006, the Company resorted to the protection of the Special System for the Update and Payment of Tax Obligations (Sistema Especial para la Actualización y Pago de Obligaciones Tributarias - SEAP), having paid off the total omitted tax amount assessed by the Tax Administration for the years 1996 through 1998 and corresponding interest thereon, as well as part of the omitted tax corresponding to 1999. The standing appeal with regard to this last economic year is related solely to the objection to the depreciation of the amount added for "interests during the construction" in the new similar value of the fixed assets restated with tax effect in 1996. Said appeal is pending resolution by the Tax Court. The amount of the supposed omitted income tax as of December 31, 2010 amounts to S/. 27,235 thousand (include interest as of that date) equivalent to approximately US$ 9,699 thousand.

In the opinion of Management and its legal counsels, the Company should obtain a favorable result from this appeal, due to the fact that SUNAT's finding has no support as it is based on an appraisal at "market value", and the Company has demonstrated, as requested by the Tax Court, that in 1996, the financial cost of the construction of the works could be computed based on the factor used by the appraiser.

(ii) Value Added Tax Assessments Corresponding to the Year 2000

In December 2004, the Company received several Tax Assessment Resolutions and Fine Imposing Resolutions amounting to approximately S/. 27,177 thousand (including interest and fines), equivalent to US$ 9,213 thousand. The main assessment is based SUNAT's refusal to recognize the economic reality of a transaction made in 2000 between the Company and its parent entity Generandes Peru S.A., by means of which the latter company provided technical counseling for the development and construction of the Yanango and Chimay projects.

The Company accepted some minor tax assessments and paid the corresponding tax and filed tax claims with SUNAT against the aforementioned assessment. In August 2007, SUNAT ratified its tax assessments and asked the payment of the total omitted amount. The company has appealed such assessment before Tax Court. As of December 31, 2010, the amount of the supposed omitted income tax amounts to S/. 56,169 thousand (including fines plus interests) equivalent to US$20,003 thousand, which was fully accrued as of December 31, 2010.

As of the date of this report, such appeal is pending resolution by the Tax Court.

(iii) Income Tax Assessments Corresponding to the Years 2000 and 2001

As a result of the income tax reviews of the years 2000 and 2001, in December 2005, the Company received Tax Assessment Resolutions and Fine Imposing Resolutions amounting to approximately S/. 75,892 thousand, equivalent to US$ 24,192 thousand, including interest and fines.

In addition, at the same date the Company was notified with several tax assessment resolutions for an amount of approximately S/. 6,842 thousand, equivalent to US$ 2,181 thousand, related to interests of the advance payments of income tax.

On January, 2006, the Company accepted minor assessments and filed tax claims against the above-mentioned Tax Assessment Resolutions and Fine Imposing Resolutions, in a partial manner. In September, 2008, the tax Administration partially accepted the claim presented by the Company.

The tax debt as of December 31, 2010, amounts to approximately S/. 79,990 thousand equivalent to US$ 28,486 thousand (included fines and interests)

In the opinion of Company Management and its legal counsels, there are good possibilities for success with respect to the appeal.

(21) Related Party Transactions

The Group does not have significant transactions with related parties as of December 31, 2010 and 2009, as defined by IAS 24; except for the transactions with its shareholder as described in note 12.

Inkia executive officers do not receive compensation directly from Inkia; each is also an executive officer of Kallpa and receives compensation directly from Kallpa. The aggregate annual compensation received by Inkia executive officers during 2010 was US$2,438 thousand.

(22) Subsequent events

During the period from January 1, 2011 to February 28, 2011, CEPP has issued and sold US$3,876 thousand of its 7.75% bonds due 2013.

In addition, in February 2011 Inkia repaid US$20,000 thousand to Israel Corporation in connection to Shareholder´s Loan mentioned in note 12.

In January and February 2011, Nejapa borrowed an aggregate amount of US$14,799 thousand under a short-term line of credit.

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OFFERING MEMORANDUM

April 19, 2011