Financial Statements

AES Changuinola, S.R.L.

For the year ended December 31,2020
with Independent Auditor's Report

CONTENT

Ernst & Young Limited Corp.
Costa del Este, Avenida Centenario,
PH Dream Plaza, Piso 9
Panamá, República de Panamá

P.O. Box 0832-1575 W.T.C.
Tel: (507) 208-0100
Fax: (507) 214-4301
www.ey.com/centroamerica

Independent Auditor's Report

To the Shareholders of
AES Changuinola, S.R.L.

Opinion

We have audited the financial statements of AES Changuinola, S.R.L. (the Company), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in stockholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Panama (Decree No. 26 of May 17, 1984), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Deferred tax assets

The Company maintains deferred tax assets recognized in the statement of financial position, the recovery of a portion of the deferred tax assets requires that the Administration makes judgments about the estimate of future taxable income and the other portion corresponds to temporary differences, which will be recovered over time. As of December 31, 2020, the book value of the deferred income tax, net is $9.9 million, the detail of the deferred tax is disclosed in note 16 of the financial statements.

We carry out, among others, the following procedures:

- We reviewed the technical analysis prepared by the client on their expectations of recovering and realizing these deferred tax assets.
- Our team of tax specialists conducted a review of the different concepts that generate the deferred and their reasonableness.
- We evaluated the Company's process to determine the recoverability of deferred tax assets.
- We evaluated the reasonableness of forecasting future tax profit, using our understanding obtained during the audit, and knowledge of the industry including its consistency with the business plans and forecasts used.
- We evaluated the appropriate disclosures in the notes to the financial statements.

Other Information

Other information consists of the annual report Form IN-A presented to the Securities Market Superintendency, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Víctor M. Ramírez.

Ernst & Young.

Panama, Republic of Panama
March 31, 2021

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

Notes		2020	2019
	ASSETS		
	Current assets		
4	Cash and cash and equivalents	$ 45,853	$ 25,063
	Accounts receivable:		
	Trade	501	4,365
5	Affiliates	19,599	3,223
6	Others	371	273
	Inventories, net	1,083	1,161
	Prepaid income tax, net	3,667	3,438
	Prepaid expenses	80	357
	Total current assets	71,154	37,880
	Non-current assets		
7	Property, plant and equipment, net	517,784	529,875
	Restricted cash	549	475
5	Loan and interest receivable - affiliate	878	—
6	Other accounts receivable	4,079	—
8	Intangible assets, net	2,455	2,824
5 & 11	Deferred assets	30,865	22,763
16	Deferred income tax, net	9,922	16,266
	Advances to suppliers	122	10
	Prepaid assets	54	—
	Total non-current assets	566,708	572,213
	TOTAL ASSETS	**$ 637,862**	**$ 610,093**

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

Notes		**2020**	**2019**
	LIABILITIES AND STOCKHOLDERS' EQUITY		
	Current liabilities		
	Accounts payable:		
9	Suppliers	$ 2,528	$ 25,235
5	Affiliates	1,111	1,106
	Interest payable	183	249
	Accrued expenses and other liabilities	2,399	2,437
10	Loan payable	15,333	—
10	Bonds payable	69,251	20,000
	Total current liabilities	90,805	49,027
	Non-current liabilities		
	Seniority premium	231	182
	Accounts payable	8	8
5	Loan payable - affiliate, net	228,161	—
	Contingencies and commitments	311	311
10	Loan payable	—	8,000
10	Bonds payable, net	69,852	309,397
	Total non-current liabilities	298,563	317,898
	STOCKHOLDERS' EQUITY		
12	Authorized capital	270,385	270,385
	Additional paid-in-capital	369	321
	Accumulated deficit	(11,686)	(16,591)
	Other comprehensive loss	(10,028)	(10,417)
	Deemed tax	(546)	(530)
	Total stockholders' equity	248,494	243,168
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 637,862**	**$ 610,093**

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

AES Changuinola S.R.L.
Statements of Comprehensive Income
For the years ended December 31, 2020 and 2019
(Expressed in thousands of dollars of the United States of America)

Notes		2020	2019
	Revenues		
5	Electricity sales	$ 71,982	$ 9,651
5 & 11	Leases	17,914	17,876
	Total revenues	89,896	27,527
	Operating cost and expenses		
5	Electricity purchases	3,812	1,959
	Transmission costs	1,881	2,390
5 & 13	Operating, general and maintenance expense	14,709	20,475
7 & 8	Depreciation and amortization	19,022	17,054
	Total operating cost and expenses	39,424	41,878
	Operating income (loss)	50,472	(14,351)
	Other (expenses) income		
14	Interest expense, net	(22,350)	(20,405)
15	Other (expense) income, net	(17,103)	28,676
	Total other (expenses) income, net	(39,453)	8,271
	Income (loss) before income tax expense	11,019	(6,080)
16	Income tax expense	6,114	3,160
	Net income (loss)	**$ 4,905**	**$ (9,240)**
	Amortization of other comprehensive income	389	389
	Other comprehensive income	389	389
	Total other comprehensive income (loss)	$ 5,294	$ (8,851)
18	**Net income (loss) per share**	$ 9.81	$ (18.48)

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

AES Changuinola, S.R.L.
Statements of Changes in Stockholders' Equity
For the years ended December 31, 2020 and 2019
(Expressed in thousands of dollars of the United States of America)

	Notes	**Authorized capital**	**Additional Paid-in-capital**	**Accumulated deficit**	**Other comprehensive (loss)**	**Deemed tax**	**Total Stockholders' equity**
Balance as of January 1, 2019		$ 270,385	$ 276	$ (7,351)	$ (10,806)	$ (287)	$ 252,217
Net loss		—	—	(9,240)	—	—	(9,240)
Amortization of other comprehensive income		—	—	—	389	—	389
Total other comprehensive income (loss)		—	—	(9,240)	389	—	(8,851)
Deemed tax		—	—	—	—	(243)	(243)
Share based compensation	3	—	45	—	—	—	45
Balance as of December 31, 2019		270,385	321	(16,591)	(10,417)	(530)	243,168
Net income		—	—	4,905	—	—	4,905
Amortization of other comprehensive income		—	—	—	389	—	389
Total other comprehensive income		—	—	4,905	389	—	5,294
Deemed tax		—	—	—	—	(16)	(16)
Share based compensation	3	—	48	—	—	—	48
Balance as of December 31, 2020		**$ 270,385**	**$ 369**	**$ (11,686)**	**$ (10,028)**	**$ (546)**	**$ 248,494**

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

AES Changuinola, S.R.L.
Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(Expressed in thousands of dollars of the United States of America)

Notes		**2020**	**2019**
	Cash flow from operating activities:		
	Net income (loss)	$ 4,905	$ (9,240)
	Adjustment to reconcile net income (loss) to net cash provided by operating activities:		
7	Depreciation	18,356	16,383
8	Amortization	666	671
7	Gain on sales of property, plant and equipment	—	(36)
	Loss on retirement of property, plant and equipment	46	11,225
14	Interest income	(519)	(1,178)
14	Interest expense	18,195	22,640
14	Write-off of deferred financing costs	406	—
15	Loss on early extinguishment of debt	6,485	—
14	Amortization of deferred financing cost	218	154
	Income tax expenses	6,114	3,160
	Share-based compensation	48	45
	Cash flows before working capital movements	54,920	43,824
	Increase in account receivable - trade	(200)	(1,277)
	Decrease in inventories, net	78	367
	Increase in deemed tax	(16)	—
	Decrease in prepaid expenses	222	11
	Increase in account receivable - affiliates	(16,388)	(26,544)
	Increase in account payable - affiliates	5	17
	(Decrease) increase in accounts payable	(2,707)	263
	(Decrease) increase in accrued expenses and other liabilities	(38)	266
	Increase in seniority premium	49	47
	Interest received	405	1,303
5 & 11	Increase in deferred assets	(8,102)	(15,759)
	Net cash provided by operating activities	28,228	2,518
	Carried forward…	$ 28,228	$ 2,518

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

Notes		**2020**	**2019**
	Brought forward…	$ 28,228	$ 2,518
	Cash flow from investing activities:		
	Advance payments for the acquisition of property, plant and equipment	(122)	(10)
7	Acquisition of property, plant and equipment	(6,175)	(41,936)
8	Acquisition of intangible assets	(28)	(114)
5	Insurance proceeds from property damage	—	39,957
5	Loans to affiliate companies	(866)	—
	Restricted cash	(73)	(76)
5	Proceeds from the sale of property, plant and equipment	—	36
	Net cash used in investing activities	(7,264)	(2,143)
	Cash flow from financing activities:		
	Payment of interest	(18,261)	(22,698)
	Payment of bonds	(190,671)	(20,000)
	Proceeds from credit lines	7,333	8,000
	Premium payment of early extinguishment debt	(6,485)	—
	Payment of deferred financing costs	(3,638)	—
	Payment of financing for construction in progress	(20,141)	—
	Proceeds from new loan - affiliate	231,689	—
	Net cash used in financing activities	(174)	(34,698)
	Net increase (decrease) in cash, and cash equivalents	20,790	(34,323)
	Cash and cash equivalents at the beginning of the year	25,063	59,386
	Cash and cash equivalents at the end of the year	**$ 45,853**	**$ 25,063**
	Supplementary disclosure		
	Property, plant and equipment purchases not paid at period end	$ 407	$ 20,558
	Interest paid, capitalized in property, plant and equipment	$ 35	$ 1,606

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

1. Organization and Nature of Operations

AES Changuinola, S.R.L. (the Company), formerly Hydro Teribe, S.A., was incorporated on November 21, 2001 and since December 2006, was a subsidiary of AES Bocas del Toro Hydro, S.A. in 83.35%. In October 2010, AES Bocas del Toro Hydro, S.A. exercised the option that gave it the right to acquire 16.65% of the ownership held by minority shareholders, thus becoming 100% owner of AES Changuinola, S.R.L. AES Bocas del Toro Hydro, S.A. was in turn a 100% subsidiary of AES Isthmus Energy, S.A., in turn a 100% subsidiary of The AES Corporation (the Corporation), a global energy company, based in Arlington, Virginia (United States of America).

On September 25, 2013, the Board of Directors of AES Changuinola, S.R.L. approved the capitalization of the debt it maintained with its affiliate AES Panamá, S. R.L. for the total amount of $63,227 derived from the energy supply contract that both companies maintain. As a result of this transaction, on November 25, 2013, the share certificate No.12 in favor of AES Bocas del Toro Hydro, S.A. for 500 common shares with no nominal value was canceled and Certificate No. 13 for 400 shares was issued in the name of AES Bocas del Toro Hydro, S.A. and certificate No. 14 for 100 shares in the name of AES Panamá, S.R.L. which designated it as owner of 20% of AES Changuinola, S.R.L.

On September 26, 2014, the transformation of AES Changuinola, S.A. into AES Changuinola, S.R.L. (limited liability company) was registered in the Public Registry of Panama. The change was approved by the Company's Board of Directors and shareholders. As a result of this change, the Company canceled its outstanding common stock and issued 500 shares of participating stock to its members representing the same percentage of ownership.

On June 25, 2015, at the stockholders meeting, the transfer of the participating stock owned by AES Bocas del Toro Hydro, S.A. in favor of AES Elsta, B.V., a 100% indirect subsidiary of the Corporation, was approved. The transfer was duly registered in the Public Registry of Panama effective September 30, 2015, which resulted in AES Elsta, B.V. owning 80% of AES Changuinola, S.R.L.

On December 12, 2016, in an extraordinary partners meeting, it was decided to modify the authorized capital of the Company, reducing it from $296,985 to $270,385 divided into 500 shares, from a value of $593,971.08 each to $540,771.08 each.

As a consequence of a corporate restructuring, on December 18, 2018, though partner meetings, the Company approved the assignment of all participation shares owned by AES Elsta B.V. in favor to AES Global Power Holdings, B.V., a company registered under the laws of the Netherlands, indirectly owned by the Corporation.

1. Organization and Nature of Operations (Continued)

The Company was established with the purpose of developing hydroelectric power generation projects and any other energy source, as well as acting as a concessionaire for the generation and use of resources related to the generation and administration of hydroelectric power plants within and outside the territory of the Republic of Panama.

The Changuinola I hydroelectric power plant is in the Province of Bocas del Toro, Changuinola District, county of Valle del Risco, approximately 550 kilometers northwest of Panama City. It uses the waters of the Changuinola and Culubre rivers and has a nominal installed capacity of 223 (¨MW¨) . The Company obtained the final concession from the Public Services Authority and the endorsement of the Comptroller General of the Republic of Panama on April 27, 2007. Said concession is valid for 50 years from said endorsement.

Additionally, the Company obtained the rights to develop the hydroelectric projects called “Chan 75”, “Chan 140” and “Chan 220,” however, through Resolution AN No. 4493 and No. 4494 of June 7, 2011, the National Public Services Authority (ASEP) canceled Chan 140 and Chan 220 concessions. AES Changuinola, S.R.L. filed two appeals against the Resolution that canceled the concession contract of Chan 140 and administratively settled the concession contract of Chan 220. ASEP did not accept both appeals. On November 24, 2016, after several legal processes, the Company filed an abandonment of action motion, which was admitted by order on March 30, 2017, in the Third Chamber of the Supreme Court of Justice. As a consequence, the Company recognized an impairment of the concession contracts of CHAN 140 and CHAN 220 because of the cancellation of both concessions by ASEP.

The main offices of the Company are located in Business Park II, Tower V, 11th floor, Paseo Roberto Motta, Costa del Este, Panama, Republic of Panama.

2. Basis of Preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements were authorized by the Controller for issuance on March 31, 2021.

Basis for measurement

The financial statements have been prepared based on historical cost, except for certain items that have been valued as indicated in the accounting policies detailed in Note 3.

2. Basis of Preparation (continued)

Presentation currency

The functional currency of the Company is the dollar of the United States of America, which is the currency used in the Company's activities and significant contracts.The monetary unit of the Republic of Panama is the balboa. The balboa is on par and is free exchange with the dollar of the United States of America and is freely convertible.

Estimates and significant accounting assumptions

The preparation of the financial statements in accordance with IFRS requires the administration to make judgments, estimates and assumptions that affect the reported amounts in assets, liabilities, revenues and expenses. Actual results might differ from these estimates.

Estimates and assumptions are reviewed periodically. The results of the revisions of accounting estimates are recognized in the period in which they have been reviewed and any other future periods that they affect.

The relevant estimates that are particularly susceptible to significant changes are related to the estimation of the useful lives of the assets, the determination of contingent liabilities, the fair value of financial instruments, the valuation of deferred income taxes and the provision for inventory obsolescence.

3. Summary of Accounting Policies

The accounting policies described below have been consistently applied in the years presented in these financial statements by the Company.

Financial instruments

Initial recognition and measurement

Financial instruments are initially recognized when the Company becomes a contractual party of the instrument, with the exception of accounts receivable that are initially recognized when they originate.

A financial instrument, with the exception of accounts receivable that do not contain a significant financing component, is initially measured at its fair value plus transaction costs that are directly attributable to its acquisition or issue. Accounts receivable that do not contain a significant financing component are initially measured at the transaction price.

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Initial recognition and measurement (continued)

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The Company does not choose to irrevocably designate the measurement of financial assets at fair value through profit or loss or other comprehensive income.

Financial assets

Classification and measurement

Financial assets (including loans and accounts receivable) are not reclassified after initial recognition unless the Company changes the business model to manage financial assets, in which case all affected financial assets are reclassified on the first day of the first presentation period after the change in the business model, which is revised annually.

The Company measures financial assets at amortized cost if both of the following conditions are met:

- It is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, exchange gains or losses and impairment are recognized in profit or loss. Any gain or loss at the time of derecognizing assets is recognized in profit or loss.

A financial asset is measured at fair value through Other Comprehensive Income ("OCI") if the following conditions are met:

- It is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets that are not measured at amortized cost or fair through OCI, as described above, are measured at fair value through profit or loss.

3. Summary of Accounting Policies (continued)

Financial assets (continued)

Evaluation of the business model

The Company performs an annual evaluation of its operations to determine how it manages its financial assets, designates its business model and the groups of financial assets to achieve a specific business objective, which will not depend on the intentions of management for an individual instrument.

The levels of aggregations considered by the Administration to perform the evaluation of the business model are four: cash and cash equivalents, accounts receivable trade, accounts receivable affiliates and other accounts receivable.

The Company´s business model is to recover the contractual cash flows at maturity in order to comply with the Administration's objectives. In situations of credit or liquidity risks, the Company may consider the sale of financial assets; however, the frequency, value and timing of sales of financial assets in prior periods are evaluated to determine whether they represent a change in the way financial assets are managed.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. The expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For the determination and valuation of the expected credit losses, the Company adopted the simplified approach and the presumption of "default" after 90 days, for all customers with the exception of accounts receivable from government customers for which the default was defined as of 365 days.

In the estimation of impairment, the Company uses historical information on the behavior of the portfolio and of the recoveries during the last three years, excluding balances with guarantees. This matrix is reviewed every three years, unless there are new conditions or changes that materially affect the behavior of the recovery of financial assets.

3. Summary of Accounting Policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The Company used historical information and analyzed variables that affect and help to predict the behavior of the recoverability of financial assets, none of which showed an adequate correlation. However, the Company periodically performs qualitative risk analyzes to identify changes in the estimated losses. As of December 31, 2020 and 2019, the Company determined that there were no indications of doubtful accounts.

Financial asset derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; or when the Company has transferred its rights to receive cash flows from the asset or has assumed the obligation to pay the cash flow received in full without material delay to a third party under a transfer agreement and (a) the Company has substantially transferred all risks and rewards of the asset, or (b) the Company has not transferred or retained substantially all risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a transfer agreement, it assesses whether, and to what extent, it has retained the risks and rewards of ownership. When it has not transferred or retained substantially all the risks and benefits of the asset, nor has it transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing participation. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Cash and cash equivalents

The Company considers as cash and cash equivalents its petty cash, bank deposits and time deposits with initial maturity dates that are less than 3 months.

Inventories

The inventories, which mainly consist of materials and spare parts are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories includes all costs of purchase, conversion and other costs incurred to bring them to their current location and condition. The cost of inventories includes all costs of purchase, conversion and other costs incurred to give them its present location and condition. The cost of inventories is assigned using the weighted average cost method.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

3. Summary of Accounting Policies (continued)

Inventories (continued)

The Company performs physical inventories and any difference is adjusted in the statements of comprehensive income. During the years ended December 31, 2020 and 2019, the Company did not recognize a provision for obsolescence.

Property, plant and equipment

Property, plant, and equipment is initially stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. When assets are sold or written off, the corresponding cost and accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is reflected in the statements of comprehensive income. When the property, plant and equipment have different useful lives, they are accounted for separately.

Depreciation

Depreciation is calculated according to the useful lives of the respective assets using the straight-line method. The depreciation rates used are based on the estimated useful lives of the assets and are detailed below:

	Useful lives
Buildings	25 to 45 years
Electricity generation facilities (roads)	30 to 45 years
Electricity generation facilities (reservoir)	45 years
Electricity generation facilities (transmission equipment)	15 to 40 years
Electricity generation facilities (Generating units)	15 to 45 years
Office furniture and equipment	3 to 15 years

An item of property, plant and equipment is derecognized upon disposal or when the Company does not expect sufficient future economic benefits from its use. Any loss or gain resulting from the disposal of an asset, calculated as the difference between its net carrying amount and the proceeds of the sale, is recognized in the statements of comprehensive income of the period in which the transaction occurs.

Major and minor maintenance

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

3. Summary of Accounting Policies (continued)

Construction in progress

Construction in progress payments, engineering costs, insurance, salaries, interest and other costs directly relating to construction in progress are capitalized during the construction period. Construction in progress balances are stated at cost and transferred to electricity generation assets when an asset group is ready for its intended use.

Intangible assets

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

The estimated useful lives for intangible assets are detailed below:

	Useful lives
Licenses and software	3 to10 years
Concessions	50 years

Computer applications contracts hosted in the cloud

Computer application contracts hosted in the cloud are agreements in which the Company does not have ownership, but accesses and uses them as needed through the internet or a dedicated line.

The company assesses in the first instance whether a contract of this type contains a lease in accordance with the scope of IFRS 16. If it is determined not, it goes on to analyze whether the contracts will provide resources over which the Company can exercise control (for example , an intangible asset).

When it is determined that control of the resources implicit in the contracts will not be obtained, the company records the contracts for computer applications hosted in the cloud as a "Service Contract" and evaluates whether the implementation costs can be capitalized under other accounting standards.

3. Summary of Accounting Policies (continued)

Computer applications contracts hosted in the cloud (continued)

The company records the periodic fee agreed with the provider as operating, general and maintenance expenses, capitalizes a portion of the implementation costs associated with the contracts for computer applications hosted in the cloud (considered as service contracts), which are incurred to integrate its systems existing internal use or to make improvements to them; which are not eligible for capitalization as an intangible asset, any cost not associated with the implementation is recorded as operating, general and maintenance expenses as they are accrued; for example, training costs.

The implementation costs are presented as prepaid expenses in the statement of financial position and once the implementation phase is completed, they are amortized to operating, general and maintenance expenses during the life of the contract.

Impairment of non-financial assets

The Company reviews the carrying amounts of its non-financial assets at the end of each year in order to identify impairments or when facts or circumstances indicate that the amounts recorded may not be recoverable.

If such indication exists and the carrying amount exceeds the recoverable amount, the Company values the assets or cash-generating unit at their recoverable amount, defined as the greater of their fair value less selling costs and their value in use. The adjustments generated by this concept are recorded in the results of the year in which they are determined.

The Company evaluates at the end of each year if there is any indication of the impairment loss of the value for a non-financial asset. If there is such an indication, the Company re-estimates the recoverable value of the asset and, if applicable, reverses the loss by increasing the asset to its new recoverable amount, which will not exceed the net book value of the asset before recognizing the loss for deterioration, recognizing the credit in the statements of comprehensive income of the period.

Lessor

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for economic consideration. Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease term and is included in revenues in the statements of comprehensive income due to its operating nature (Note 11).

3. Summary of Accounting Policies (continued)

Lessor (continued)

The difference between the collections from the lease and the lease revenue, subject to the lease accounting are presented as deferred assets or liabilities in the statements of financial position.

Short-term leases and leases of low value assets

The Company applied the short-term lease recognition exemption to its short-term leases of machinery and equipment, if those leases have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the term of the lease.

Deferred financing costs

Financing costs related to long-term debt are deferred and amortized using the effective interest method, over the term of such financings. These costs are presented net of the bonds payable and the loan with an affiliate in the statement of financial position (Notes 5 and 10). The Company recorded amortization expense of $218 and $154, net of capitalization, for the years ended December 31, 2020 and 2019, respectively.

The Company capitalizes as part of the cost of the assets those financing costs directly attributable to the acquisition, construction, production or installation of an asset that requires a period of time to be ready for its intended use. Financing costs that do not meet the criteria for capitalization are recorded in the statements of comprehensive income of the year in which they are incurred.

Financial liabilities

Recognition and measurement

Financial liabilities (including loans and accounts payable) are initially recognized at fair value plus costs directly attributable to the transaction. In case of maintaining a financial liability for trading, it would be measured at fair value with changes in profit and loss.

After initial recognition, financial liabilities are measured at amortized cost; any difference between the financial liability (net of transaction costs) and the value of the deferred financing cost is recognized in the statements of comprehensive income over the period of the loans using the effective interest method. The Company recognizes gains or losses in the statements of comprehensive income of the period when the financial liability is written off.

3. Summary of Accounting Policies (continued)

Financial liabilities (continued)

Recognition and measurement (continued)

The amortized cost of a financial instrument is defined as the amount at which the financial instrument was measured on the date of initial recognition less capital payments, plus or minus the accumulated amortization, applying the effective interest rate method, of any difference between the initial amount and the amount due, less any provision.

Derecognition of financial liabilities

Financial liabilities are derecognized by the Company when the obligation under the liability is discharged, canceled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of comprehensive income.

Provisions

A provision is recognized when the Company has a present obligation, legal or constructive, as the result of a past event, and it is probable that the Company will require cash resources to settle the obligation and the amount of the obligation can be measured reliably. The amount of the provisions recorded are assessed periodically and the necessary adjustments are recorded in the results of the year.

Net income (loss) per share

Net income (loss) per share measures the performance of an entity over the reported period and it is calculated by dividing net income (loss) by the amount of the weighted average outstanding shares during the year. The weighted average outstanding shares is 500 in the years 2020 and 2019.

Revenue recognition and concentration

Revenues from energy sales under contract are recognized when the contracted energy is delivered to the customer according to the monthly capacity and energy settlements, according to the contractual conditions and prices established in the power purchase agreement that is maintained with AES Panama, S.R.L., an affiliate company. In this power purchase agreement, the sale of energy is expected to be the only performance obligation and it occurs at a point in

3. Summary of Accounting Policies (continued)

Revenue recognition and concentration (continued)

time, which is at month end when the energy delivered within the month is billed to the customer. The capacity payments are recorded under lease accounting guidance.

The Company also receives spot market revenues from sales of auxiliary services and other market revenues, which is expected to be the only performance obligation and it occurs at a point in time, which is at month end when are delivered within the month is billed to the customer. For the years ended December 31, 2020 and 2019, 99% were derived from contracts with AES Panamá, S.R.L. and 1% are from the spot market.

Interest income

Interest income corresponds to interest earned on bank and time deposits, calculated at the applicable effective interest rate and commercial interest income that is determined by other agreements.

Income tax

Income tax for the year includes both current tax and deferred tax. The income tax is recognized in the statements of comprehensive income of the current year or in equity, as appropriate. The current income tax refers to the estimated tax payable on the taxable profit of the year, using the rate enacted at the date of the statement of financial position. The deferred income tax is calculated based on the liability method, considering the temporary differences between the carrying amount of the assets and liabilities reported for financial purposes, and the amounts used for tax purposes.

The amount of deferred income tax is based on the form of realization of the assets and payment of liabilities, considering the tax rate that is expected to be applied in the period in which it is estimated that the asset will be realized or that the liability will be paid. Deferred income tax assets are recognized to the extent that it is probable that sufficient taxable benefits will be available in the future, against which temporary differences may be used.

Commitments and contingencies

All losses from contingent liabilities arising from claims, litigation, agreements, penalties and others, are recognized when it is probable that the liability will have to be incurred and the amounts of expenses could be reasonably estimated. Legal costs related to contingencies are recognized as an expense when incurred.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

3. Summary of Accounting Policies (continued)

New and amended standards and interpretations

The Company did not present any impact associated with the new standards and interpretations issued.

Standards issued but not yet effective

The Company does not believes any impact associated with the new and amended standards and interpretations issued but not yet effective, will be material to the financial statements of the Company.

4. Cash and cash equivalents

As of December 31, 2020 and 2019, cash and cash equivalents is composed of the following:

	2020	2019
Petty cash	$ 6	$ 6
Bank deposits	23,847	17,057
Time depostits	22,000	8,000
	$ 45,853	**$ 25,063**

The average interest rate for time deposits with maturities of less than 3 months is 1.50% and 1.60% for the years ended December 31, 2020 and 2019, respectively.

5. Balance and Transactions with Affiliated Companies

The balances with affiliates as of December 31, 2020 and 2019, are as follows:

In the statements of financial position:	**2020**	**2019**
Accounts Receivable - affiliates:		
AES Panamá, S.R.L.	$ 18,286	$ 1,938
AES Global Power Holdings B.V.	1,183	1,183
The AES Corporation	47	47
AES Tietê Energía S.A.	31	31
AES Argentina Generación S.A.	23	23
AES Colon Development, S de R.L.	22	—
Colon LNG Marketing, S de R.L.	5	—
Gas Natural Atlántico S. de R.L.	1	—
Costa Norte LNG Terminal S. de R.L.	1	1
	$ 19,599	**$ 3,223**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

5. Balance and Transactions with Affiliated Companies (continued)

In the statements of financial position:	**2020**	**2019**
Accounts Payable - affiliates:		
AES Panama Generation Holdings S.R.L.	$ 900	$ —
AES Panamá, S.R.L.	88	1,074
AES Strategic Equipment Holdings Corporation	84	6
AES Argentina Generación S.A.	18	18
AES Servicios América S.R. L.	1	6
AES Global Power Holdings B.V.	10	—
Costa Norte LNG Terminal S. de R.L.	10	2
	$ 1,111	**$ 1,106**

Loan and interest receivable with affiliate

On October 1, 2020, the Company signed a loan agreement with its affiliate AES Next Solutions, S.R.L. for a maximum amount of $1.5 million at a fixed rate of 6.5%, the principal and interest will be paid upon maturity on October 1, 2025. As of December 31, 2020, the balance of the loan plus the corresponding interest amounts to $878 and is recorded in the statement of financial position under Loan and interest receivable - affiliate.

Loan payable with affiliate

On August 10, 2020, the Company signed a loan agreement with its affiliate AES Panama Generation Holding, S.R.L. for $231.7 million at a fixed rate of 4.63% and the principal will be paid upon maturity on May 31, 2030. The funds received were used to partially cancel series B of the bonds for $170.7 million, which mature on November 25, 2023. As a result of the early cancellation, a penalty of $6.5 million was paid, which is recorded in the statements of comprehensive income under other (expenses) income, net.

As of December 31, 2020, the loan payable with affiliate, net of deferred financial costs is presented below:

	2020
Loan with affiliate	$ 231,689
Deferred financing costs	(3,528)
Total loan payable with affiliate	**$ 228,161**

As of December 31, 2020, this loan has accrued interest for $4,048 (Note 14) and $833 remains to be paid, which are recorded in the statement of financial position under accounts payable - affiliated companies.

5. Balance and Transactions with Affiliated Companies (continued)

Energy Sales and Purchases

On March 9, 2007, the Company signed a reservation contract No. 01-07 with AES Panama, S.R.L. for the firm purchase and sale of power and energy, which, after having been modified by several amendments, became administered as a physical contract as of January 1, 2014, valid until the year 2030.

As a result of the signed amendments, as of January 2014, the existence of an operating lease was determined for the portion corresponding to the capacity of $615 per month, increasing to $1,491 as of 2016 and $1,521 as of June 1, 2018 until the year 2030.

For the years ended December 31, 2020 and 2019, the total lease revenue amounted to $17,914, $17,876, respectively, which are presented under revenues as leases in the statement of comprehensive income As of December 31, 2020, and 2019, the difference between the income of the year and the amount determined on a straight-line basis, is recorded in the statements of financial position in the item of deferred assets for $30,865 and $22,763, respectively. (Note 11).

On June 30, 2015, the Company signed with AES Panamá, S.R.L. a capacity reserve contract for a period of 5 years, beginning July 1, 2015. On August 16, 2017, amendment No. 1 was signed, increasing the amount of capacity contracted as of October 1, 2017 until June 30, 2020. This contract was not renewed.

Management fee expenses

On January 1, 2020, AES Changuinola, S.R.L., signed a corporate global service agreement with AES Big Sky, L.L.C. through which the Company will receive digital services and technical assistance, human resources services, operations and commercial activities. This contract is valid for five years, after this date, unless terminated earlier in accordance with the termination clause of the contract. The agreement will be automatically renewed for successive periods of one year, unless either party notifies the other in writing, at least ninety days before the expiration of the period in force at that time, of its intention not to renew. For the year ended of December 31, 2020, the fees for this concept were $545. This amount is recorded under the heading of operating, general and maintenance expenses in the statement of comprehensive income.

For the years ended December 31, 2020 and 2019, the Company recorded the amount of $792, each year, for administrative services, which were billed by AES Panamá, S.R.L., an affiliated company, with whom it maintains an administration contract. In January 2017, this contract was modified and established a change in the methodology for calculating the fees, using as a basis the costs incurred plus 5%. These amounts are recorded in the statements of comprehensive income in operating, general and maintenance expense.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

5. Balance and Transactions with Affiliated Companies (continued)

Management fee expenses (continued)

The Company maintains a technical assistance agreement with AES Servicios América S.R.L., a subsidiary of the Corporation. For the years ended December 31, 2020 and 2019, the fees were $4 and $51, respectively. This amount is recorded under the heading of operating, general and maintenance expenses in the statements of comprehensive income.

In June 2017, AES Changuinola, S.R.L. signed a human resources services agreement with AES Servicios América, S.R.L. which consists of payroll supervision, validation of calculations and coordination of all activities carried out by the hired external payroll advisor. For the years ended December 31, 2020 and 2019, the fees for this concept were $17 for both years. This amount is recorded under the heading of operating, general and maintenance expenses in the statements of comprehensive income.

The transactions with affiliates for the years ended December 31, 2020 and 2019 in the statements of comprehensive income, are as follows:

In the statements of comprehensive income:	**2020**	**2019**
Electricity sales:		
AES Panamá, S.R.L.	$ 71,571	$ 9,597
Gas Natural Atlántico S. de R.L.	4	1
	$ 71,575	**$ 9,598**
Leases:		
AES Panamá, S.R.L.	$ 17,914	$ 17,876
	$ 17,914	**$ 17,876**
Electricity purchases		
AES Panamá, S.R.L.	$ 1,877	$ 3,723
Gas Natural Atlántico S. de R.L.	15	15
	$ 1,892	**$ 3,738**
Operating, general and maintenance expense (Management fee):		
AES Panamá, S.R.L.	$ 792	$ 792
AES Servicios América S.R.L.,	21	68
AES Big Sky, L.L.C.	545	—
	$ 1,358	**$ 860**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

5. Balance and Transactions with Affiliated Companies (continued)

In the statements of comprehensive income:	**2019**	**2018**
Operating, general and maintenance expense (Insurance):		
ASSA Compañía de Seguros, S. A	$ 4,745	$ 2,819
	$ 4,745	**$ 2,819**
Interest expense, net (deferred financing costs)		
AES Panama Generation Holdings S.R.L.	$ 4,048	$ —
	$ 4,048	**$ —**

Dividends

For the years ended December 31, 2020 and 2019, the Company did not distribute dividends.

Insurance

The Company maintains an all risk insurance policy with ASSA Compañía de Seguros, S. A. ("ASSA"). This insurance company, in turn, diversifies the risk by reinsuring with a group of insurance companies among which includes a related party of the Company, AES Global Insurance Corporation. The policy taken with ASSA covers all operational risks including machinery breakdown and business interruption. For this contract, the Company has recorded insurance expense of $4,745 and $2,819, for the years ended December 31, 2020 and 2019, respectively. These amounts are classified as operating, general and maintenance expense in the statements of comprehensive income. In early 2019, the Company confirmed loss of water in specific tunnel sections of the hydroelectric power plant. As a result, about one third of the tunnel, 1.6 kilometers, required upgraded lining to ensure long-term performance of the facility. The upgrade to the lining was completed and the affected units were placed back in service in January 2020.

As of December 31, 2019, the Company registered $39.9 million collected from the insurance company related to the above mentioned event. This amount corresponds to property damage which is recorded under other (expenses) income in the statements of comprehensive income.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

6. Other Accounts Receivable

As of December 31, 2020 and 2019, other accounts receivable is presented below :

		2020		2019
Other accounts receivable, current				
Taxes receivable	$	207	$	207
Interest receivable		115		—
Other accounts receivable		38		57
Officials and employees		11		9
Total other accounts receivable, current	**$**	**371**	**$**	**273**
Other accounts receivable, non-current				
Rate adjustment refund		**4,079**		—
Total other accounts receivable, non-current	**$**	**4,079**	**$**	**—**

Rate Adjustment Refund

On September 27, 2017, ASEP issued Resolution AN No. 11667 - Elec, authorizing ETESA to defer the rate refund of years 2, 3 and 4 to the Market Agents of the tariff period from July 2013 to June 2017, as a result of the review of Charges for Use and Connection of the Transmission System (CUSPT) and of the Integrated Operation Service (SOI), so that it becomes effective as of July 2021, for a period of 8 years.

ASEP through Resolution AN No.11872 modified the repayment periods to 5 years for adjustments to CUSPT and to 2 years for adjustments to SOI, both to be effective from July 2021.

Through this Resolution, ETESA is ordered to confirm the refund amounts. ETESA through note ETE-DGC-GC-050-2018 confirms said amounts applicable to the rate adjustment to AES Changuinola, S.R.L., for the sum of $4,104 plus accrued interest. As of December 31, 2019, the sum of $4,104 plus interest of $254, were recorded as accounts receivable - trade, in the statements of financial position due to the fact that the Company received a letter of intention to pay in 2020, however product of the pandemic COVID-19, the payment was not carried out and the payment plan is maintained as of July 2021 as established in the ASEP Resolution No. AN 11872. As of December 31, 2020, the interest amounted to $428 , thus totaling the amount owed to $4,532, of which $453, corresponding to installments receivable from July to December 2021, are recorded as accounts receivable from customers and $4,079 as other non-current accounts receivable, in the statements of financial position .

(Expressed in thousands of dollars of the United States of America, except for the stock information)

7. Property, Plant and Equipment, net

Property, Plant and Equipment, net, is detailed as follows:

	December 31, 2020					
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Construction in progress	Total
Cost:						
Beginning balance	$ 136	$ 322,551	$ 269,885	$ 1,917	$ 69,993	$ 664,482
Additions	—	—	38	79	6,175	6,292
Reclassifications	—	—	74,820	22	(74,823)	19
Sales and disposals	—	—	(66)	—	—	(66)
Ending balance	136	322,551	344,677	2,018	1,345	670,727
Accumulated depreciation:						
Beginning balance	—	60,024	73,009	1,574	—	134,607
Depreciation	—	7,264	10,933	159	—	18,356
Sales and disposals	—	—	(20)	—	—	(20)
Ending balance	—	67,288	83,922	1,733	—	152,943
Net balance	**$ 136**	**$ 255,263**	**$ 260,755**	**$ 285**	**$ 1,345**	**$ 517,784**

	December 31, 2019					
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Construction in progress	Total
Cost:						
Beginning balance	$ 136	$ 322,551	$ 282,552	$ 2,135	$ 3,347	$ 610,721
Additions	—	—	—	65	67,200	67,265
Reclassifications	—	—	466	33	(554)	(55)
Sales and disposals	—	—	(13,133)	(316)	—	(13,449)
Ending balance	136	322,551	269,885	1,917	69,993	664,482
Accumulated depreciation:						
Beginning balance	—	52,760	65,982	1,707	—	120,449
Depreciation	—	7,264	8,936	183	—	16,383
Reclassifications	—	—	—	—	—	—
Sales and disposals	—	—	(1,909)	(316)	—	(2,225)
Ending balance	—	60,024	73,009	1,574	—	134,607
Net balance	**$ 136**	**$ 262,527**	**$ 196,876**	**$ 343**	**$ 69,993**	**$ 529,875**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

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

For the year ended December 31, 2020, the reclassifications and adjustments correspond mainly to the capitalization of the project for updating the tunnel lining.

For the year ended December 31, 2019, the balance of the construction in progress and the sales and discards of the generation equipment corresponded to the project for updating the tunnel lining and to the withdrawal of the same.

8. Intangible assets, net

The concession CHAN 75, is valid for 50 years, which is amortized annually in the amount of $58.

In August 2012, the Company recognized an impairment of $1,588 related to the concession contracts of Chan 140 and Chan 220 because of the cancellation of both concessions by ASEP. The Company recognized for this decision an impairment of $ 1,588.

As of December 31, 2020 and 2019, the following table summarizes the balances of intangible assets:

	2020			
	Cost	Impairment	Accumulated amortization	Carrying amount
Concessions	$ 4,837	$ (1,588)	$ (1,071)	$ 2,178
Software and licenses	1,251	—	(974)	277
Total	**$ 6,088**	**$ (1,588)**	**$ (2,045)**	**$ 2,455**

	2019			
	Cost	Impairment	Accumulated amortization	Carrying amount
Concessions	$ 4,837	$ (1,588)	$ (1,012)	$ 2,237
Software and licenses	1,240	—	(755)	485
Construction in progress - Software	102	—	—	102
Total	**$ 6,179**	**$ (1,588)**	**$ (1,767)**	**$ 2,824**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

8. Intangible assets, net (continued)

The movement of intangible assets is shown below:

	Concessions	Software and licenses	Construction in progress - Software	Total
Balances as of December 31, 2017	$ 2,353	$ 211	$ 6	$ 2,570
Additions	—	—	114	114
Amortization	(58)	(224)	—	(282)
Reclassification	—	588	(533)	55
Balances as of December 31, 2019	2,237	486	101	2,824
Additions	—	—	28	28
Amortization	(59)	(219)	—	(278)
Reclassification	—	10	(129)	(119)
Balances as of December 31, 2020	**$ 2,178**	**$ 277**	**$ —**	**$ 2,455**

9. Accounts payable to suppliers

As of December 31, 2020 and 2019, accounts payable and other liabilities are detailed as follows:

	2019	2018
Suppliers	$ 2,528	$ 25,235
Total	**$ 2,528**	**$ 25,235**

As of December 31, 2019, accounts payable to suppliers mainly included liabilities generated by the design, supply and construction contract for the tunnel lining.

10. Financial debt, net

Line of credit

As of December 31, 2020, the Company maintains a syndicated credit facility for $15,333 issued for general corporate use. On December 18, 2019, the Company took an advance from the syndicated revolving line with Banco General, S.A and Banco Nacional de Panamá for $8 million and on April 1, 2020 it took a second advance for $7.3 million, thus totaling $15.3

10. Financial debt, net (continued)

Line of credit (continued)

million that are presented in the statements of financial position as loans payable, within current liabilities. The interest rate on this line of credit is LIBOR plus a 3.5% margin, and the maximum repayment term for the disbursement is March 31, 2021.

Bonds payable, net

On November 25, 2013, the Company issued corporate bonds for a total of $420,000 with a maturity of 10 years (November 25, 2023). The resources obtained from the issuance of the bonds were used to pay the syndicated loan acquired on March 30, 2007 for $397,425 (Series A for $32.6 million and Series B for $364.8 million).

Bonds payable were issued in accordance with the provisions of the issuance contract executed between AES Changuinola, S.R.L. and BG TRUST, INC., as fiduciary, for a total of $420,000 which are made up of 2 tranches.

- The first tranche (Series A) is made up of $200,000 at a fixed rate of 6.25% interest and a semiannual amortization, according to the schedule established in the agreement for the first tranche (Series A). Interest and principal payments are made every June 25 and December 25. As of December 31, 2020, the balance of tranche A amounts to $90 million, of which $20 million are included in the statements of financial position under current bonds payable .

- The second tranche (Series B) was made up of $220,000 with a fixed rate of 6.75% and the principal would be paid upon maturity on November 25, 2023, however, on August 10 with the funds received from the loan with AES Panama Generation Holding , S.R.L. $170.7 million were paid, leaving $49.3 million pending payment of tranche B, which are included in the statements of financial position in current bonds payable because the Company decided to make a voluntary repayment on January 8, 2021 according to note to the Panama Stock Exchange, dated December 8, 2020.

Relevant covenants and restrictions of the bonds are detailed below:

- Maintain a historical EBITDA debt index at the end of each quarter < 5.5x
- Maintain a debt service coverage ratio greater than 1.0x
- Limitation of indebtedness: for the Company to enter into an allowable indebtedness, it needs to maintain an EBITDA debt ratio of less than 5.5x.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

10. Financial debt, net (continued)

Bonds payable, net (continued)

- Restricted payment limitation: Maintain the established EBITDA debt index and a debt service coverage index greater than 1.2x, that a case of default has not occurred and that the "Debt Service Reserve" account maintains the funds deposited and available to cover the next interest payment plus capital.

As of December 31, 2020 and 2019, the Company is in compliance with all of its covenants.

The debt contract states that the Company must maintain a "Debt Service Reserve" account or a "letter of credit" to ensure the next payment of interest plus principal. As of December 31, 2020 and 2019, the Company does not maintain restricted cash, since it obtained a letter of credit with an expiration date on June 30, 2021 for an amount of $12,797, with the consent of the banks, thus replacing the requirement to maintain the Debt Service Reserve account and freeing the restricted cash.

As of December 31, 2020 and 2019, the balance of bonds payable, net of deferred financing costs, is detailed below:

	2020	2019
Bonds	$ 139,329	$ 330,000
Deferred financing costs, net	(226)	(603)
Total bonds payable, net	139,103	329,397
Less:		
Current bonds payable	69,329	20,000
Current deferred financing costs	(78)	—
Current bonds payable, net	69,251	20,000
Non-current bonds payable, net	**$ 69,852**	**$ 309,397**

The maturities of the bonds payable for the following three years are detailed as follows:

	Tranch A	Tranch B
2021	$ 20,000	$ 49,329
2022	20,000	—
2023	50,000	—
	$ 90,000	$ 49,329

(Expressed in thousands of dollars of the United States of America, except for the stock information)

11. Lease

In August 2013, the energy sale contract with AES Panamá, S.R.L. was amended so that AES Panamá, S.R.L. as of January 2014, pays the Company for all its generated energy, its firm capacity and the construction premium factor. As per the amendment the Company is only required to provide the energy generated by its power, there is no requirement for the Company to acquire energy in the spot market. Under commercial terms, the sale contract is defined as a physical contract.

This feature ensures that it is unlikely that another entity, other than AES Panamá, S.R.L., may purchase energy generated by the Company. According to the structure of the contract, Management determined that this, in substance, is a lease according to IFRIC 4 and should be accounted for as an operating lease according to paragraph 10 of IAS17 until 2018. In 2019, with the implementation of IFRS 16, since the Company is a lessor, it continues to account for the contract as an operating lease.

The minimum lease payments are determined based on the capacity factor and capacity prices established in the sale contract.

The minimum lease payments determined during the life of the contract are accounted for on a straight-line basis and the difference between the straight-line basis and the billing is accounted for as a deferred asset on the Company's statements of financial position.

For the years ended December 31, 2020 and 2019, $17,914 and $17,876 have been recorded for this item, respectively, under lease revenue, in the statements of comprehensive income and the difference between the revenue for the year and the amount determined on the straight-line basis, is recorded in the statements of financial position in the item of deferred assets non-current for $30,865 and $22,763, respectively.

The total minimum future revenues from leases, derived from the non-cancellable operating lease agreement as of December 31, 2020, will be accounted for in the following periods:

	2020	2019
Within one year	$ 18,257	$ 18,257
After one year and up to five years	91,286	91,286
After five years	73,029	95,850
Total future lease revenue	**$ 182,572**	**$ 205,393**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

12. Authorized capital

As of December 31, 2020 and 2019, the authorized capital is $270,385 for both years, which is represented by 500 participation shares for both years, with a nominal value of $540,771.08 each, which are duly authorized, issued and paid.

13. Operating, general and maintenance expense

For the years ended December 31, 2020, 2019 and 2018, the operating, general and maintenance expense are as follow:

	2020	2019
Insurance	$ 4,862	$ 3,065
Salaries, and other benefits	3,252	2,553
Service and maintenance contracts	2,379	2,679
Others	2,216	2,553
Management fee	1,358	860
Basic services	368	253
Other market related fee	240	894
Advisory and professional fees	34	7,618
	$ 14,709	**$ 20,475**

14. Interest expense, net

Interest expense, net for the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Interest expense -financial	$ (18,139)	$ (22,917)
Interest expense with affiliate -financial	(4,048)	—
Capitalized interest	38	1,651
Commitment commission	(96)	(163)
Subtotal	$ (22,245)	$ (21,429)
Deferred financing costs	(218)	(154)
Write-off of deferred financing costs due early extinguishment of debt	(406)	—
Interest income - commercial	$ 173	$ 397
Interest income - financial	346	781
Subtotal	519	1,178
Total	**$ (22,350)**	**$ (20,405)**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

15. Other income, net

For the years ended December 31, 2020 and 2019, other income, net consists of the following:

	2020	2019
Loss on retirement of property, plant and equipment	$ (46)	$ (11,225)
Loss on early extinguishment of debt	(6,485)	—
Insurance proceeds for damage property	—	39,957
Gain on sale of scrap	—	36
Loss due legal dispute	(10,600)	—
Other	28	(92)
	$ (17,103)	**$ 28,676**

- During 2020, as a result of the early cancellation of part of tranche B of the bonds, a penalty of $6,485 was paid.
- The loss resulting from a legal dispute is due to the fact that in 2017, the Company initiated an arbitration against the Contractor that carried out the construction of the tunnel, due to a substantial loss of water in specific sectors of the tunnel of the Hydroelectric Power Plant, the Company sought to recover your repair costs and lost income. In September 2020, the Court granted the Contractor's motion to dismiss, closing the case brought by AES Changuinola and requiring AES Changuinola to pay the Contractor's legal costs. In October 2020, pursuant to an agreement between the parties, AES Changuinola paid $10.6 million in legal costs to the contractor.
- For 2019, the loss on retirement of of property, plant and equipment is related to the write off of the tunnel and the insurance proceeds for damage property corresponds to recoveries for property damage related to the tunnel lining.

16. Income Tax

For the years ended December 31, 2020 and 2019, income tax expense was as follows:

	2020	2019
Current	$ (229)	$ 338
Deferred	6,343	2,822
	$ 6,114	**$ 3,160**

In Panama, in accordance with article 699 of the Fiscal Code, modified by article 9 of law 8 of March 15, 2010, effective as of January 1, 2010, the income tax for corporations engaged in electricity generation and electric power distribution will be calculated using an income tax rate of 25%.

16. Income Tax (continued)

Additionally, corporations whose taxable income exceeds $1,500 annually will calculate the income tax by applying the corresponding tax rate to the one that is higher between:

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

During the year ended December 31, 2020, the Company generated net operating income and the current income tax has been determined under the traditional method; Additionally, the company obtained approval for the non-application of the CAIR for the periods 2019, 2020 and 2021, so the current tax provisioned in fiscal year 2019 was reversed.

The provisions of article 710 of the current tax code stated that taxpayers will file an estimated income tax return that they will obtain in the year following the one covered by the sworn tax return which must not be less than the income tax indicated in the tax return from the previous year. In this sense, taxpayers must pay their anticipated income tax payments based on the determination of the estimated tax return divided in three installments to be paid quarterly in the months of June, September and December.

For the year 2020, no estimated income tax payments were made for the tax loss generated in 2019. For the 2019 period, no estimated income tax payments were made due to the fact that the administration of the Company had budgeted that the Company would generate tax loss.

According to the tax regulations, income tax returns of the Company are subject to review by the tax authorities for the last three fiscal years including the year ended December 31, 2020.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

16. Income Tax (continued)

As of December 31, 2020 and 2019, the deferred income tax is composed by the following items:

	2020	2019
Deferred tax asset:		
Net operating loss carryforward	$ 2,761	$ 3,451
Labor provisions	214	345
Capitalized income	802	834
Discounted interest on non-current liabilities	889	919
Clean energy credit, net	3,755	6,404
Decelerated depreciation	16,182	16,929
Total deferred tax asset	24,603	28,882
Deferred tax liability:		
Non-deductible depreciation of assets affected by the clean energy credit	5,960	5,802
Lease	1,077	1,118
Cumulative loss in comprehensive income	7,644	5,696
Total	14,681	12,616
Total deferred tax liabilities, net	**$ 9,922**	**$ 16,266**

Decelerated Depreciation

Since 2014, the Company has applied decelerated depreciation using the method of ascending sum of digits, one of the methods allowed in the income tax regulation. The application of this method was calculated for a group of Company assets related to the hydroelectric plant. For the other assets, the straight-line method was applied.

Clean energy credit recognition

According to paragraphs 2 and 3 of Law No. 45 of 2004, hydroelectric plants were able to apply for a tax credit of up to 25% of their total investment amount. This tax credit may be applied up to 50% of the tax payable each year for the next 10 years after the beginning of operations.

Based on the budget projections made by the administration, the Company requested an amount of $26,975 equivalent to 5.13% of the direct investment in the CHAN -75 hydroelectric power plant, which was considered as new and renewable energy source. It is important to mention that the depreciation of the amount applied for as a tax credit cannot be deducted as an expense.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

16. Income Tax (continued)

On January 7, 2015, ASEP, as the regulatory body, issued resolution No. 101-2015 where the Company's tax credit application was approved after reviewing the documentation provided, that resolution recognized an incentive for an initial amount of $26,975 but with the possibility to extend the incentive up to $131,371 based on the total amount of the investment.

As of December 31, 2020, the Company used $113 of the credit, leaving a remaining balance of $12,646. In 2019, no credits were used for this concept.

Net Operating Loss Carry Forward

In accordance with Article 698- A of the Tax Code, the net operating loss carryforward by the Company may be deducted proportionally during the next 5 years; this deduction may not reduce the taxable income of said years by more than 50%.

As of December 31, 2020, the net operating loss carryforward to be deducted during the next 5 years is as follows:

Year	Amount
2021	$ 2,761
2022	2,761
2023	2,761
2024	2,761
Total	$ 11,044

Lease

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore the deferred tax associated with this lease did not have any impact during the implementation.

Tax on dividends

Shareholders pay an income tax of ten percent (10%), which is withheld from the dividends they receive. If no dividends are distributed, or the total distribution is less than forty percent (40%) of the taxable net income, an advance of the dividend tax of four percent (4%) until these dividends are finally declared. This rate of four percent (4%) is called "Deemed Tax" and is considered an advance on the tax on dividends. For the years ended December 31, 2020 and 2019, the Company did not pay dividend tax.

16. Income Tax (continued)

Transfer Pricing Law

During 2020, transfer pricing regulations remain in force. They apply to any operation that the taxpayer carries out with related parties that are tax residents of other jurisdictions, provided that said operations have an effect as income, cost or deductions in the determination of the taxable base for income tax purposes, in the fiscal period in which the operation is carried out.

Taxpayers must comply annually with the obligation to submit a transfer pricing report (report 930) six months after the closing date of the fiscal period.

Additionally, they must have a study that contains the information and the supporting analysis of the transactions with related parties in accordance with the provisions established in the Tax Code. The Company estimates that the operations carried out with related parties will not have a significant impact on the provision of income tax for the year 2020.

17. Commitments and Contingencies

Energy Contract Purchases - Sales

As of December 31, 2020, the Company maintains a reserve contract with AES Panamá S.R.L., for the purchase - sale of firm capacity and energy as described in Note 5.

On June 30, 2015, the Company signed with AES Panamá, S.R.L. a capacity reserve contract for a period of 5 years, beginning July 1, 2015. On August 16, 2017, amendment No. 1 was signed, increasing the amount of contracted capacity as of October 1, 2017 until June 30, 2020. This contract was not renewed.

Letter of Credit

The Company maintains a stand-by letter of credit for an amount of $12,797, to ensure the next interest payment plus capital of the financing, due on June 30, 2021.

17. Commitments and Contingencies (continued)

Other commitments

- On May 25, 2007, the Company signed a Partial Administration Concession contract in the Palo Seco Protected Forest with the National Environment Authority where the Authority granted the Company a Partial Administration Concession on a piece of land with an area of 6,215 hectares. On November 26, 2015, an addendum to this contract was signed to modify the piece of land under administration to 5,302 hectares + 4,148 square meters. From the construction phase until 2015, the Company made an annual payment of $550 per year for the concession; additionally, it contributed the sum of $200 in kind to cover management expenses of the Palo Seco Protected Forest. As of 2016, these amounts changed to a payment of $693 per year for the concession and $254 to support the execution of the management plan for the Palo Seco Protected Forest. This concession is valid for 20 years. On December 30, 2015, the Comptroller General of the Republic of Panama endorsed an addendum to the concession contract of the Palo Seco Protected Forest, whereby the Company can make cash payment of each commitment directly to the Ministry of Environment through the Protected Areas and Wildlife Fund, thus eliminating the in-kind payment mechanism.

- The Company maintains a compliance bond in the amount of $342 in favor of the Ministry of the Environment / Comptroller General of the Republic for the Partial Administration Concession Contract of the Palo Seco Protected Forest.

- The Company has acquired 50-year concession contracts that grant certain rights, including the generation and sale of electricity produced by hydroelectric plants and water rights for the use of the Changuinola River. The Company is obligated to manage, operate and maintain the plants during the term of the contracts. Said term may be renewed for an additional 50 years subject to the prior approval of the ASEP.

  The most important terms of the concession contracts signed between the Company and the ASEP are detailed below:

  - The ASEP granted the Company a concession for the generation of hydroelectric power by exploiting the hydroelectric potential located on the Changuinola River.

  - The Company is authorized to provide the public electricity generation service, which includes the operation and maintenance of the power generation plants, with their respective connection lines to the transmission networks and transformation equipment, to produce and sell in the national electricity system and make international energy sales.

  - The term of validity of each one of the concessions granted has a duration of 50 years. It can be extended for a period of up to 50 years, upon request to ASEP.

17. Commitments and Contingencies (continued)

Other commitments (continued)

- The Company will have the right to own, operate and maintain the assets of the complexes and make improvements on them. Prior approval will be required in cases where the Company increases the capacity of any of the plants by 15% or more at the same site.

- The Company will have the free availability of its own assets and the assets of the complexes.

- The Company will have the rights to property and rights of way or passage, within the hydroelectric complexes, being able to carry out all the necessary activities for the generation and sale of hydroelectric power. Likewise, the Company will also have the right of way or access to the areas of the hydroelectric complexes currently enabled and in use.

- The Company may request the forced acquisition of real estate and the establishment of easements in its favor as stipulated by Law No. 6 and its regulations.

- The Company maintains compliance bonds in the amount of $505 in favor of the National Authority of Public Services / Comptroller General of the Republic of Panama for the concession of the exploitation of the hydroelectric potential of the CHAN I Hydroelectric Power Plant (CHAN -75), which guarantees the generation of electrical energy.

Contingencies

The Company is involved in certain legal processes in the normal course of business. It is the opinion of the Company and the Company's lawyers that none of the pending claims will have adverse effects on the results of its operations, financial position or cash flows.

The Company may be exposed to environmental costs in the ordinary course of business. Liabilities are recorded when environmental impact studies indicate that corrective measures are mandatory, and costs can be reasonably estimated.

Liability estimates are based on current available facts, existing technology and existing laws and regulations, considering the probable effects of inflation and other social and economic factors and includes estimates of associated legal costs. As of December 31, 2020 and 2019, there are no known environmental contingencies.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

17. Commitments and Contingencies (continued)

Contingencies (continued)

In February 2013, the sanctioning administrative process was presented to the Comisión Sustanciadora of the Autoridad Nacional de los Servicios Públicos against AES Changuinola, S.R.L. alleging non-compliance with market rules during a blackout that occurred on February 25, 2013. Through Resolution AN No.11009-CS of March 6, 2017, the Autoridad Nacional del Ambiente resolves the sanctioning administrative procedure and sanctions AES Changuinola, SRL with a fine of $250, which is recorded in the statement of financial position under accounts payable to suppliers.

18. Net income (loss) per share

Net (income) loss per share was calculated as follows:

		2020		2019
Basic calculation of income per share:				
Net income (loss)	$	4,905	$	(9,240)
Total shares/shares outstanding		500		500
Net income (loss) per share /share	**$**	**9.81**	**$**	**(18.48)**

19. Fair Value of Financial Instruments

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

(Expressed in thousands of dollars of the United States of America, except for the stock information)

19. Fair Value of Financial Instruments (continued)

The estimated fair values for the financial instruments as of December 31, 2020 and 2019 are detailed below:

	2020		2019	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Other accounts receivable non-current	$ 4,079	$ 4,079	$ —	$ —
Financial Liability				
Loan payable	$ 15,333	$ 15,333	$ 8,000	$ 8,000
Loan payable - affiliate	$ 228,161	$ 247,623	$ —	$ —
Bonds payable, net	$ 139,103	$ 140,453	$ 329,397	$ 340,450

The following methods and assumptions were used to estimate fair values:

- The carrying amount of certain financial assets, including cash and equivalents, accounts receivable, and certain financial liabilities including accounts payable, to suppliers and affiliates, due to their short maturity nature, is considered equal to their fair value.

- For bonds payable and loan payable with affiliate companies that are arranged at fixed interest rates and expose the Company to fair value interest rate risk, Management estimates the fair value of the Company's borrowings by discounting their future cash flows at market rates and is classified at Level 2 in the hierarchy of fair value.

- The fair value for the loan payable estimated as of December 31, 2020 is based on the information available as of the date of the statement of financial position. The Company is not aware of any factors that could significantly affect the estimate of fair value at that date. This loan was contracted at a variable rate, therefore, the Company considers that its fair value approximates to the carrying amount.

Hierarchy of fair value of reasonable financial instruments

All assets and liabilities measured at fair value or on which the Company makes fair value disclosures are classified within the fair value hierarchy. Such classification is based on the lower level of information used to determine such value and which is significant for the determination of fair value as a whole.

19. Fair Value of Financial Instruments (continued)

Hierarchy of fair value of reasonable financial instruments (continued)

The fair value hierarchy consists of the following three levels:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2020 and 2019, the Company has not made reclassifications between hierarchy levels.

20. Risk and Capital Management

Risk Management

The Company has exposure to the following risks in the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk

This note presents information about the Company's exposures to each of the aforementioned risks, the objectives of the Company, the policies and procedures to measure and manage the risk and the administration of the Company's capital. The financial statements also include additional quantitative disclosures.

The administration is responsible for establishing and monitoring the frame of reference of the Company's risk management. The administration, which is responsible for the development and monitoring of the Company's risk management policies.

20. Risk and Capital Management (continued)

Risk Management (continued)

Credit risk

The Company has exposure to credit risk on the financial assets held.

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

Company administration has financial instruments with a minimum risk of loss due to the fact that the transactions carried out in the Panama electricity market maintain the principle of guarantee of payment, both for the contract market and the spot market.

In the case of the contract market, payment guarantee bonds are maintained, while for the spot market, all transactions are managed by the National Dispatch Center (CND) through a collection system via an Administration and Collection Bank.

To guarantee payment, the CND tells each market agent the amount of the payment guarantee ("Bank letter") that it must keep in force to guarantee timely payment according to a payment schedule sent by the CND together with the Document of Economic Transactions, and generally ranges within 30 days.

Due to the above and commercial rules, the credit risk of spot market transactions is minimal, since they are managed by an Administration and Collection Bank run by the CND, and where each market agent must maintain a payment guarantee that backs up energy transactions.

At the dates of the statements of financial position there are no significant concentrations of credit. The maximum exposure to credit risk is represented by the balance of accounts receivable included in the statements of financial position.

Revenue from electricity sales in contracts is recognized when the contracted energy is delivered to the customer in accordance with the monthly capacity and energy settlements, based on the prices established in the reserve contract that it maintains with AES Panamá, S.R.L., also the reservation contract establishes the purchase of the generated energy not contracted valued at the spot market price.

The Company also receives income from the spot market from sales of auxiliary services. For the years ended December 31, 2020 and 2019, 99% of the revenues are derived from the contract with AES Panamá, S.R.L.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

20. Risk and Capital Management (continued)

Risk Management (continued)

Liquidity risk

It consists of the risk that the Company cannot fulfill all its obligations due to, among others, the deterioration of the quality of the client portfolio, the excessive concentration of liabilities, the lack of liquidity of the assets, or the financing of current assets with current liabilities.

Company administration monitors liquidity risk through a planning of cash flows to ensure compliance with the commitments. Monitoring consists of preparing a projected report of expected cash flows and planned disbursements, which is reviewed monthly.

The table below summarizes the maturity profile of the financial liabilities based on contractual undiscounted payments as of December 31, 2020 and 2019:

	Less than 3 months	From 3 to 12 Months	From 1 to 5 Years	More than 5 Years	Total
As of December 31, 2020					
Loan payable	$ —	$ 15,333	$ —	$ —	$ 15,333
Bonds payable, net	49,329	20,000	69,774	—	139,103
Interest payable	—	183	—	—	183
Commercial accounts payable	2,528	—	8	—	2,536
Accounts payable with affiliates	—	1,111	—	—	1,111
Loan payable - affiliate, net	—	—	—	228,161	228,161
Contingencies and commitments	—	—	311	—	311
Accrued expenses and other liabilities	2,399	—	—	—	2,399
	$ 54,256	**$ 36,627**	**$ 70,093**	**$ 228,161**	**$ 389,137**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

20. Risk and Capital Management (continued)

Risk Management (continued)

Liquidity risk (continued)

	Less than 3 months	*From 3 to 12 Months*	*From 1 to 5 Years*	*More than 5 Years*	*Total*
As of December 31, 2019					
Loan payable	$ —	$ —	$ 8,000	$ —	$ 8,000
Bonds payable, net	—	20,000	90,000	219,397	329,397
Interest payable	—	249	—	—	249
Commercial accounts payable	25,235	—	8	—	25,243
Accounts payable with affiliates	—	1,106	—	—	1,106
Contingencies and commitments	—	—	311	—	311
Accrued expenses and other liabilities	2,437	—	—	—	2,437
	$ 27,672	**$ 21,355**	**$ 98,319**	**$ 219,397**	**$ 366,743**

Market risk

Market risk is the risk that changes in the market prices of energy sales as well as interest rates, affect the Company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control exposures to market risk within acceptable parameters, while optimizing risk performance.

On March 11, 2020, the World Health Organization raised the public health emergency situation caused by the outbreak of the coronavirus (COVID-19) to an international pandemic. The rapid evolution of events, on a national and international scale, represents an unprecedented health crisis, which will impact the macroeconomic environment and the evolution of business. To face the economic and social impact of COVID-19, among other measures, the Government of Panama has approved a series of extraordinary urgent measures to address the COVID-19 Pandemic. In response to the COVID-19 pandemic, we implemented changes that we determined were in the best interest of our employees, as well as the communities in which we operate. This includes employees working from home to the extent possible, while additional security measures are in place for employees continuing critical work on site.

Due to the above, the Company has not had and does not expect any negative impact on its financial situation.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

20. Risk and Capital Management (continued)

Risk Management (continued)

Interest rate risk

The Company is not exposed to fluctuations in the interest rates of non-current bonds, as it maintains a fixed interest rate for bonds issued. Credit lines are exposed to fluctuations in the LIBOR rate, this is an international reference rate that fluctuates based on interbank market conditions. The Company does not expect significant problems in its financial statements as a result of the volatility of the LIBOR rate on the cash flows associated with the credit line (Note 10).

Capital management

The Company manages its capital by maintaining a healthy financial structure, optimizing debt balances, minimizing risks to creditors and maximizing return for shareholders.

21. Changes in liabilities from financing activities

Changes in liabilities from financing activities are detailed below:

	2020				
	Balance as of January 1, 2020	**Payments**	**Deferred financing costs**	**Other**	**Balance as of December 31, 2020**
Loan payable current	**$ —**	**$ 7,333**	**$ —**	**$ 8,000**	**$ 15,333**
Bonds payable current	**$ 20,000**	**$ (20,000)**	**$ (78)**	**$ 69,329**	**$ 69,251**
Loan payable non-current	**$ 8,000**	**$ —**	**$ —**	**$ (8,000)**	**$ —**
Loan payable - affiliate non-current	**$ —**	**$ 231,689**	**$ (3,528)**	**$ —**	**$ 228,161**
Bonds payable non-current	**$ 309,397**	**$ (170,671)**	**$ 455**	**$ (69,329)**	**$ 69,852**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

21. Changes in liabilities from financing activities (continued)

	2019				
	Balance as of January 1, 2019	Payments	Deferred financing costs	Other	Balance as of December 31, 2019
Bonds payable current	$ 20,000	$ (20,000)	$ —	$ 20,000	$ 20,000
Loan payable non-current	$ —	$ 8,000	$ —	$ —	$ 8,000
Bonds payable non-current	$ 329,233	$ —	$ 164	$ (20,000)	$ 309,397

22. Subsequent Events

Subsequent events were evaluated by Management until March 31, 2021, date on which the financial statements were authorized by Management for issuance.

On January 5, 2021, the Company received $19 million from the revolving line of credit with The Bank of Nova Scotia. For this purpose, a promissory note was signed, which accrues interest paid quarterly at a LIBOR rate plus a 3.2% margin (minimum rate of 3.35%). The funds received will be used mainly to make the payment of the revolving line syndicated with Banco General, S. A. and Banco Nacional de Panamá for $15.3 million.

On January 8, 2021, the Company canceled the remaining portion of the second tranche of the bond (Series B) for $49.3 million, which are included in the statement of financial position in current bonds payable as of December 31, 2020.

****