Financial Statements

Costa Norte LNG Terminal, S. de R. L.

As of December 31, 2020 and 2019
with Independent Auditor´s Report

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Independent Auditor's Report

To the Shareholders of
Costa Norte LNG Terminal, S. de R. L.

Opinion

We have audited the financial statements of Costa Norte LNG Terminal, S. de 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.

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.

Ernst & Young.

Panama, Republic of Panama
April 12, 2021

Costa Norte LNG Terminal, S. de 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 equivalents	$ 12,561	$ 10,059
5	Restricted cash	—	3,814
	Accounts receivable:		
	Trade	752	—
6	Affiliates	23,788	19,882
	Others	16	776
10	Trade receivables - sublease	2,805	2,644
	Inventories	680	544
	Prepaid expenses	1,104	646
	Total current assets	41,706	38,365
	Non-current assets		
7	Terminal and equipment, net	465,417	469,891
5	Restricted cash	239	200
16	Deferred tax asset, net	8,963	2,044
12 & 13	Derivative instrument	—	8,443
10	Trade receivables - sublease	39,053	38,783
10	Right-of-use asset, net	84,237	87,219
	Other assets	612	2,606
	Total non-current assets	598,521	609,186
	TOTAL ASSETS	**$ 640,227**	**$ 647,551**

Costa Norte LNG Terminal, S. de 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:		
8	Suppliers	$ 1,601	$ 9,069
6	Affiliates	6,418	6,917
	Interest payable	—	54
16	Income tax payable, net	868	235
9	Accrued expenses and other liabilities	4,803	4,197
11 & 13	Loans and interest payable to affiliate	3,340	—
	Total current liabilities	17,030	20,472
	Non-current liabilities		
	Seniority premium	126	39
10	Other liabilities	142,987	142,987
6	Loans payable to affiliate, net	203,913	—
11 & 13	Loan payable, net	—	191,941
	Total non-current liabilities	347,026	334,967
	STOCKHOLDERS' EQUITY		
14	Authorized capital	285,700	285,700
	Additional paid-in-capital	85	84
	Retained earnings	6,269	4,177
	Deemed Tax	(30)	(30)
12	Other comprehensive (loss) income	(15,853)	2,181
	Total stockholders' equity	276,171	292,112
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 640,227**	**$ 647,551**

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

Costa Norte LNG Terminal, S. de 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
	Revenue		
6	Terminal services	$ 43,198	$ 37,617
	Operating costs and expenses		
15 y 10	Operating, general and maintenance expense	8,061	10,099
7 y 12	Depreciation and amortization	15,341	11,592
	Total operating costs and expenses	23,402	21,691
	Operating income	19,796	15,926
	Other income (expenses)		
18	Interest expense, net	(17,529)	(18,578)
19	Other expense, net	(293)	(2,098)
	Total of other (expense) income, net	(17,822)	(20,676)
	Income (loss) before income tax expense (benefit)	1,974	(4,750)
16	Income tax expense (benefit)	118	605
	Net income (loss)	$ 2,092	$ (5,355)
	Net other comprehensive (loss) income that will be reclassified to profit or loss in subsequent periods:		
12	Realized derivative instrument, net	(15,759)	(5,085)
13	Changes in the fair value of financial instruments	(8,443)	4,208
16	Deferred tax	6,168	333
	Other comprehensive (loss) income	(18,034)	(544)
	Total other comprehensive (loss) income	**$ (15,942)**	**$ (5,899)**

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

Costa Norte LNG Terminal, S. de 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 Income	Deemed tax	Other comprehensive income	Total shareholders' equity
Balance as of January 1, 2019		$ 265,700	$ 79	$ 8,322	$ —	$ 2,725	$ 276,826
Net loss		—	—	(4,145)	—	—	(4,145)
Realized derivative instrument, net	12	—	—	—	—	(5,085)	(5,085)
Changes in fair value of financial instruments	12 & 13	—	—	—	—	4,208	4,208
Deferred tax	16	—	—	—	—	333	333
Total of other comprehensive loss		—	—	(4,145)	—	(544)	(4,689)
Capital contribution	6 & 14	20,000	—	—	—	—	20,000
Shared based compensation		—	5	—	—	—	5
Deemed tax		—	—	—	(30)	—	(30)
Balance as of December 31, 2019		285,700	$ 84	$ 4,177	$ (30)	$ 2,181	$ 292,112
Net income		—	—	2,092	—	—	2,092
Realized derivative instrument, net	12	—	—	—	—	(15,759)	(15,759)
Changes in fair value of financial	12 & 13	—	—	—	—	(8,443)	(8,443)
Deferred tax	16	—	—	—	—	6,168	6,168
Total of other comprehensive income		—	—	2,092	—	(18,034)	(15,942)
Shared based compensation		—	1	—	—	—	1
Balance as of December 31, 2020		**$ 285,700**	**$ 85**	**$ 6,269**	**$ (30)**	**$ (15,853)**	**$ 276,171**

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

Costa Norte LNG Terminal, S. de 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)	$ 2,092	$ (4,145)
	Adjustment to reconcile net income (loss) before income tax to net cash provided by operating activities:		
7 & 12	Depreciation	15,334	11,590
	Amortization	7	2
11 & 18	Loss on early extinguishment of debt	—	2,178
10	Right-of-use asset amortization	2,982	3,212
17	Interest income	(49)	(364)
17	Interest expense	8,967	10,695
17	Amortization of deferred financial costs	904	1,072
17	Write-off of deferred financing costs	436	7,088
16	Income tax expenses	(118)	(605)
	Share-based compensation	1	5
	Cash flows before working capital movements	30,556	30,728
	(Increase) decrease in accounts receivable	(3,577)	2,034
	Increase in inventories	(136)	(394)
16	Increase in income tax, net	—	(673)
	(Increase) decrease in prepaid expense	(458)	193
	Decrease (Increase) other long-term assets	84	(1,478)
8	(Decrease) in accounts payable	(3,925)	(2,560)
	(Decrease) increase in accrued expenses and other liabilities	(15,365)	3,232
	Increase (decrease) in seniority premium	87	(47)
	Interest received	49	—
	Net cash flows provided by (used in) operating activities	7,315	31,035
	Cash flows from investing activities		
	Advances for the acquisition of terminal equipment	(427)	(2,338)
7	Acquisition of terminal equipment	(6,580)	(44,667)
5	Restricted cash	3,775	(2,752)
6	Collection of intercompany loan receivable	—	11,000
	Net cash used in investing activities	(3,232)	(38,757)
	Carried forward	**$ (3,232)**	**$ (38,757)**

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

Note		2020	2019
	Brought forward	**$ (3,232)**	**$ (38,757)**
	Cash flows from financing activities		
	Interest Payments	(7,835)	(8,058)
	Payment of loans to affiliates	(985)	—
11	Payment of loans	(194,500)	(183,683)
11	Proceeds from new loans	211,986	250,292
18	Premium payment of early extinguishment debt	—	(2,178)
11	Payment of financing costs	(3,414)	(3,890)
	Payment of financing for terminal equipment	(6,833)	(54,985)
	Capital contribution	—	20,000
	Net cash provided from financing activities	(1,581)	17,498
	Net increase in cash	2,502	9,776
	Cash and cash equivalents at the beginning of the year	10,059	283
	Cash and cash equivalents at the end of the year	**$ 12,561**	**$ 10,059**
	Supplementary disclosure		
	Terminal equipment purchases not paid at year end	$ 1,710	$ 8,214
	Interest paid capitalized in terminal equipment	$ 415	$ 7,689

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

1. Organization and Nature of Operations

Costa Norte LNG Terminal, S. de R. L. (the "Company"), was incorporated on September 14, 2015, with its owners, AES Elsta, B.V., a 100% indirect subsidiary of The AES Corporation (the Corporation) a global energy company, based in Arlington, Virginia, (United States of America), incorporated under the laws of the Netherlands, with 75% participation and Deeplight Corporation, a related party, incorporated under the laws of the British Virgin Islands, with 25% participation.

On December 3, 2015, during a partners meeting, a reduction of the ownership by AES Elsta, B.V. to 50.1% and an increase of the participation of Deeplight Corporation to 49.9% was approved.

On April 25, 2016, during a partners meeting, the participation of Deeplight Corporation was contributed towards Deeplight Holding, S.R.L., as part of a corporate restructuring.

As a consequence of a corporate restructuring on April 8, 2019, through a shareholders' meeting, the Company approved to assign of 100% of the 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 in 100% by the Corporation. As of December 31, 2020, AES Global Power Holdings, B.V, has 1,431,357 (50.1%) shares of the Company and Deeplight Holding, S.R.L. has 1,425,643 (49.9%) shares.

The Company´s objective is to operate and manage gas terminals and wholesale liquefied natural gas (LNG). On August 20, 2019, the Company began operations of a Liquified Natural Gas (LNG) reception terminal, with its respective storage tank. On September 1, 2018, the Company partially started its operations by partially activating phase 1 of the LNG terminal. The project is in the Province of Colon, County of San Cristóbal, Telfers Avenue, Panama, Republic of Panama.

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 Costa Norte LNG Terminal, S. de R.L. 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 April 12, 2021.

Basis for measurement

The financial statements have been prepared based on a historical cost basis, 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 judgements, 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 and the valuation of deferred income taxes.

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. Account receivables 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.

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.

Interest income, calculated using the effective interest method, exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. When the assets are derecognized, the gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

Investments in equity instruments recognized at fair value through OCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss, unless the dividend represents a recovery of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and they are not reclassified to profit or loss.

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. This measurement category includes all derivative financial instruments.

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 aggregation considered by the administration to perform the evaluation of the business model are five: cash and cash equivalents, accounts receivable affiliates, other accounts receivable, trade receivable - sublease and loan receivable from affiliate.

The Company´s business model refers 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.

3. Summary of Accounting Policies (continued)

Impairment of financial assets (continued)

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.

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, 2019 and 2018, 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 an obligation to pay the received cash flow in full without material delay to a third party under a pass-through arrangemet and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the 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 passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. 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 and bank deposits.

Restricted cash

Restricted cash includes cash and cash equivalents, which have restricted availability. The nature and restrictions includes restrictions imposed by signed agreements, which are established with the purpose of managing funds according to the financing agreements.

3. Summary of Accounting Policies (continued)

Inventory

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 is assigned using the weighted average cost method. The Company performs physical inventories and any difference is adjusted in the statements of comprehensive income.

Terminal (LNG facility, dock, pipeline) and equipment

The LNG, dock, pipeline and equipment facility are recorded at historical acquisition cost less accumulated depreciation and accumulated impairment losses, if any.

When the 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 terminal 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
LNG Facility, dock and pipeline	5 to 37 years
Office furniture and equipment	3 to 5 years
Transportation equipment	3 to 5 years

The useful lives of the assets of the LNG Facility, dock and pipeline, was determined based on their technical use life, having as legal limitation the term of the lease contract for the land where the Company operates. The remaining period of the lease is 38 years from the date the LNG Facility, dock and pipeline were put into operation during phase 1. The residual value is considered only for those assets with a useful life of less than the concession term. The residual value assigned to these assets of the Company is 3.75%.

A component of the LNG facility, dock, pipeline and equipment is derecognized upon disposal or when the Company considers that no further benefits will be received from the asset in the future. 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.

3. Summary of Accounting Policies (continued)

Major and minor maintenance

Disbursements for major maintenance represent the reconditioning of the LNG facility 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 expense in the statements of comprehensive income.

Construction in progress

Construction progress are comprised of payments, engineering costs, insurance, salaries, interest and other costs directly relating to the construction stage of the facilities of a terminal for the reception of liquefied natural gas, with its respective storage tank. Construction in progress balances are stated at cost and transferred to terminal dock facility 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 to 10 years

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 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 units 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 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.

3. Summary of Accounting Policies (continued)

Leases

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 consideration. The Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the assets.

Right-of-use asset

The Company recognizes right-of-use asset at the commencement date of the lease. Right-of-use asset are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability.

The cost of right-of-use asset includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use asset are amortized on a straight line basis over the shorter of the lease term and the estimated useful life of the asset, as follows:

- Land 28 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflect the exercise of a purchase option, amortization is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, of the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

3. Summary of Accounting Policies (continued)

Lease liabilities (continued)

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

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 lease term.

Sub-leases

When the Company is an intermediate lessor under sub-leases, it accounts for its interests in the principal-lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use arising from the principal-lease, not with reference to the underlying asset.

Amounts due from lessees under finance lease are recorded as receivable at the amount of the Company’s net investment in the lease. Finance lease income is allocated to accounting periods as to reflect a constant period rate of return on the Company’s net investment in 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. The total net balance of deferred financing costs are presented as a direct reduction from the face amount of the related debt. The Company recorded amortization expense of $904 and $1,072, net of capitalization, for the years ended December 31, 2020 and 2019 respectively.

3. Summary of Accounting Policies (continued)

Deferred financing costs (continued)

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 results.

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.

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 expires. 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.

3. Summary of Accounting Policies (continued)

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.

Revenue recognition and concentration

The revenues from the services of the LNG terminal are recorded on the basis of the physical and contractual delivery of these services, valued at the specified rates in the respective contracts or at the rates prevailing in the market. For the years ended December 31, 2020 and 2019, 100% of the revenues were derived from the contract with Gas Natural Atlántico, S. de R. L., a subsidiary of the Corporation, and Total Gas & Power Limited London.

Interest income

Interest income corresponds to interest earned on bank deposits and derivative instruments calculated at the applicable effective interest rate.

Income tax

The 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 statements of financial position. The deferred income tax is calculated based on the liability method, considering the temporary differences between the book value 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 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.

3. Summary of Accounting Policies (continued)

Income tax (continued)

On August 4, 2017, the Company obtained the endorsement of the Operation and Administration Contract for a Fuel Free Zone, which has the benefit of exemption from certain taxes, fees, dues, rights and other tax contributions due to the introduction, export or re-export of certain crude oil and its derivatives, as well as inputs, raw materials, supplements or additives, machinery, equipment, materials, spare parts, containers, receptacles, equipment and other goods provided they enter the Petroleum Free Zones to be used in relation to the activities of storage and sale of natural gas within the Fuel Free Zone.

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.

Derivative instruments

The Company uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. The derivatives instruments in the statements of financial position are measured at fair value, regardless of their purpose or end. The accounting of the derivative varies depending on whether the derivative is considered a hedge for accounting purposes, or if the derivative instrument is a fair value or cash flow hedge.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.
- Hedges of a net investment in a foreign operation.

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

3. Summary of Accounting Policies (continued)

Derivative instruments (continued)

Derivatives are initially recognized at fair value on the date the contract is recorded and are subsequently valued at fair value on each date of the statements of financial position. The resulting gain or loss is recognized immediately, unless the derivative is designated as a hedging instrument in which case the recognition of gains and losses over time will depend on the nature of the hedging relationship.

The derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument goes beyond twelve months and is not expected to be realized or settled in less than this time. Other derivatives are presented as current assets or current liabilities, since the maturity is less than 12 months.

Changes in accounting policies

The Company did not recognize account impacts associated with the adoption of new accounting standards.

4. Cash and cash equivalents

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

	2020	2019
Bank deposits	$ 12,554	$ 10,052
Petty cash	7	7
	$ 12,561	**$ 10,059**

5. Restricted cash

On August 2, 2019, the Company entered into a syndicated loan with some senior Lenders and the Bank of Nova Scotia, acting as administrative agent. The loan proceeds were used to repay the Company's outstanding principal, accrued interest and other fees associated with the syndicated loan obtained on May 2016. As required under the terms of the loan, the Company entered into a cash management agreement which sets the mechanism for the use and classification of the loan proceeds. As of December 31, 2019, the balance of current restricted cash derived from this loan agreement is $3,814. This loan was fully paid in August 2020 (note 11), so as of December 31, 2020 there are no short-term restricted cash balances.

Long-term restricted cash corresponds to the accumulated balance of unemployment funds according to labor regulations in the Republic of Panama.

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

6. Balances and Transactions with Affiliates and Related Parties

Related parties:

The following is a detail of the transactions held with related parties during the years ended December 31, 2020 and 2019, shown in the statements of comprehensive income:

	2020	2019
In the statements of comprehensive income		
Operating, general and maintenance expenses:		
ASSA Compañía de Seguros, S.A.	$ 1,794	$ 468
Petróleos Delta, S. A.	9	2
	1,803	**470**
Other expenses, net:		
Banco General, S.A.	**$ 513**	**$ 711**
Terminal services:		
Total Gas & Power Limited, London	**$ 9,056**	**$ 3,227**

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 $1,794 and $468 for the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020, and 2019, the Company maintains a performance guarantee with ASSA, to secure its commitments under the operation and administration contract of Fuel Free Zone effective until May 31, 2021 for an amount of $30,000.

Affiliates

The balances with affiliates as of December 31, 2020 and 2019, presented in the statements of comprehensive income are as follows:

	2020	2019
Terminal services:		
Gas Natural Atlantico, S. de R.L.	**$ 34,142**	**$ 34,267**

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

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

Use of the LNG Terminal

On May 11, 2016, the Company signed a Terminal Use Agreement with Gas Natural Atlántico, S. de R. L. (GANA), the Company will provide services for ship docking, unloading, receiving and temporary storage of LNG, regasification and delivery of LNG. This contract is valid until May 1, 2028 with option to be extended based on the terms agreed by both parties.

As of December 31, 2020 and 2019, the accounts receivable from GANA, related to this contract amount to $23,726 and $19,828, respectively.

Use, operation and coordination of the LNG Terminal

On May 5, 2017, the Company signed a contract with Colón LNG Marketing, S. de R.L. and Total Gas & Power Limited London for the use of the LNG terminal owned by CONO. Additionally, this contract governs the commercialization of LNG or re-gasified gas with the effective clients at such date or future clients of the terminal. The contract is for a 10-year period upon May 1, 2019. As of December 31, 2019, revenues from this contract are $10,267 and $3,227, respectively, presented as terminal service in the statements of comprehensive income.

As of December 31, 2020 and 2019, the balances with affiliates in the statements of financial position are detailed below:

In the statements of financial position	**2020**	**2019**
Accounts receivable affiliates:		
Gas Natural Atlántico, S. de R. L	$ 23,726	$ 19,828
AES Panamá S.R.L.	59	54
AES Changuinola S.R.L.	3	—
	$ 23,788	**$ 19,882**
Loans payable		
AES Panamá Generation Holdings S.R.L.	**$ 211,002**	**$ —**
Interest payable		
AES Panamá Generation Holdings S.R.L.	**$ 840**	**$ —**

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

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

Accounts payable affiliates:	2020	2019
Gas Natural Atlántico, S. de R. L	$ 5,934	$ 5,861
The AES Corporation	119	—
AES Panama Generation Holdings	66	—
AES Changuinola S.R.L.	1	—
AES Panamá S.R.L.	298	1
AES Solutions, LLC	—	1,017
AES Latin América S. de R.L.	—	25
AES Andres DR, S.A.	—	8
Dominican Power Partners	—	5
	$ 6,418	**$ 6,917**

Loans receivable to affiliate

During 2018, the Company granted loans to GANA for an aggregate amount of $12,000, the loans had a one year term, bearing interest based on an annual rate of 1% plus 1-month LIBOR. During 2019, this loan was fully paid by GANA through various payments. As of December 31, 2019, the interests income associated with these loans were $91, respectively and it is included in the statements of comprehensive income as interest expense, net.

Affiliated Companies Loans

On August 10, 2020, the Company signed two loan agreements with AES Panama Generation Holding, S.R.L., for a total amount of $211,986. A detail of both loans is as follows:

- Loan A is composed of $9,127, maturing on May 31, 2023, its interest rate is LIBOR 6-months plus a fix margin of 4.25%. Capital payments are required in each month of May and November within the contractual term of the loan from November 30, 2020.

- Loan B is composed of $202,859 maturing on May 31, 2030, its interest rate is a fixed rate of 5.13%. Principal payments and interest payments are required in each month of May and November within the contractual term of the loan starting on May 31, 2023.

The funds received from these loans were used to pay the loan of $194,500, which resulted from the financing for the construction of the natural gas-based power generation plant. As a result of the early cancellation of this loan, a penalty of $436 was paid, it is presented in other expenses, net in the statement of comprehensive income. The interest expense related to this debt is $4,083, included in interest expense, net.

A detail of the loans payable to affiliates as of December 31, 2020 is as follows:

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

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

Affiliated Companies Loans (continued)

		2020
Current portion	$	2,500
Non-current portion		208,502
Total loans payable to affiliates		211,002
Interest payable		840
Deferred financing costs		(4,589)
Total loans payable to affiliates, net	**$**	**207,253**

A detail of the movement of financial costs associated with this debt is as follows:

		2020
Deferred financing cost not paid	$	73
Payment of financing cost		3,414
Transferred costs from canceled loan (Note 14)		1,525
Amortization of financing cost during the year		(423)
Total deferred financing cost at the end of the year	**$**	**4,589**

Expense Reimbursement

On August 2, 2016, the Company signed an expense reimbursement agreement with the Corporation, effective from October 1, 2015, for a total amount of $4,700. The contract expired on May 31, 2019.

On August 2, 2016, the Company signed an expense reimbursement contract with AES Panamá S.R.L., a subsidiary of the Corporation, effective from January 1, 2016, for a maximum total amount of $300, effective until the substantial completion of the LNG terminal. On April 10, 2017, the amendment No. 1 was signed through which the total amount of the contract is modified to $ 603. The contract was in effective until August 20, 2019, date which the LNG terminal entered into service.

Administrative services

On March 31, 2016, the Company signed a consulting services contract with AES Engineering LLC, a subsidiary of the Corporation, for an amount of $3,000. The contract expired on February 2019.

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

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

On June 24, 2016, the Company signed an administration services contract with AES Solutions LLC, a subsidiary of the Corporation, being effective from such date until September 2028 for an annual amount of $317.

On June 17, 2019, the Company signed a new management contract with AES Solution LLC and AES Latin America S. de R.L. and from the effective date of this new contract, AES Solution LLC transfers all the obligations and rights of the contract to AES Latin America S. de R.L. being thus the benefits of the services between CONO and AES Latin America S. de R.L.

7. Terminal and equipment, net

The terminal and equipment, net is detailed as follows:

	December 31, 2020				
	LNG Facility, dock and pipeline	Furniture and Equipment	Vehicles	Construction in progress	Total
Cost:					
Beginning balance	$ 472,653	$ 143	$ 235	$ 11,650	484,681
Additions	6	39	—	10,815	10,860
Reclasifications	21,598	93	—	(21,691)	—
Ending balance	494,257	275	235	774	495,541
					—
Depreciation:					
Beginning balance	14,661	61	68	—	14,790
Depreciation expense	15,246	41	47	—	15,334
Ending balance	29,907	102	115	—	30,124
Net balance	**$ 464,350**	**$ 173**	**$ 120**	**$ 774**	**$ 465,417**

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

7. Terminal and equipment, net (continued)

	December 31, 2019				
	LNG Facility, dock and pipeline	Office furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:					
Beginning balance	$ 258,643	$ 77	$ 119	$ 171,687	$ 430,526
Additions	34	48	116	53,957	54,155
Reclasifications	213,976	18	—	(213,994)	—
Ending balance	472,653	143	235	11,650	484,681
Accumulated depreciation:					
Beginning balance	3,129	33	38	—	3,200
Depreciation	11,532	28	30	—	11,590
Ending balance	14,661	61	68	—	14,790
Net balance	**$ 457,992**	**$ 82**	**$ 167**	**$ 11,650**	**$ 469,891**

In December 2020, was authorized to place into service the truck terminal, as result $21,104 were transferred from construction in progress to the liquefied natural gas facility, dock and pipeline. The depreciation expense recorded in 2020 associated with this asset is $8.

On August 20, 2019, the remaining portion of the LNG terminal and the LNG storage tank were placed into service and a balance of $213,980 was transferred from construction in progress to LNG Facility, dock and pipeline.

For the years ended December 31, 2020 and 2019, interest and deferred financing costs of $591 and $8,745, respectively, have been capitalized.

8. Accounts payable to suppliers

As of December 31, 2020 and 2019, the main accounts payable includes:

	2020	2019
Suppliers	$ 1,451	$ 8,878
Other accounts payable	150	191
	$ 1,601	**$ 9,069**

Accounts payable with suppliers mainly consists in outstanding invoices with Posco Engineering & Construction Co. Ltd (POSCO) from the contract for the design, supply and construction of the LNG facility, dock and pipeline.

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

9. Accrued expenses and other liabilities

As of December 31, 2020 and 2019, the accrued expenses and other liabilities balances are as follows:

	2020	2019
Accrued benefits	$ 313	$ 993
Other tax payables	231	350
Labor accruals	224	292
Other accruals	83	125
Lease liability (Note 10)	3,952	2,437
	$ 4,803	**$ 4,197**

10. Lease

As Lessee:

On August 27, 2015, AES Bocas del Toro Hydro, S.A, entered into a lease agreement with Panama Ports Company, S.A., which established the terms and conditions of the land lease located on Telfers Avenue, Province of Colon, Republic of Panama (the principal-lease). Subsequently, on January 18, 2016, Panama Ports Company, S.A, approved the retroactive assignment of this contract to the Company.

The purpose of the lease is for the construction of a natural gas storage tank and a terminal. The term of the contract is until January 31, 2022, the date on which the concession of Panama Ports Company, S.A. expires. This concession has an automatic renewal for an additional period of 25 years.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019 and recognizes right-of-use assets and a lease liability measured at the present value of lease payments to be made over the lease term related to this lease.

Land lease:

Below is the carrying amounts of the right-of-use asset recognized and the movements during the period:

	2020	2019
Balance at the beginning of the period	$ 87,219	$ 90,431
Amortization expense	(2,982)	(3,212)
Balance at the end of the period	**$ 84,237**	**$ 87,219**

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

10. Lease (continued)

Below are the carrying amounts of lease liabilities (in accrued expenses and other liabilities - short term and other liabilities - long term).

	2020	2019
Balance at the beginning of the preiod	$ 145,424	$ 143,752
Accretion of interest	11,017	10,897
Payments	(9,502)	(9,225)
Balance at the end of the period	**$ 146,939**	**$ 145,424**
Lease liability current (Note 9)	**$ (3,952)**	**$ (2,437)**
Lease liability non-current	**$ (142,987)**	**$ (142,987)**

The maturity analysis of lease liabilities are disclosed in Note 20.

The following are the amounts recognized in the 2019 statement of comprehensive income:

	2020	2019
Amortization expense of right-of-use asset (included in operating, general and maintenance expense)	$ 2,982	$ 3,212
Interest expense on lease liabilities (included in interest expense, net)	11,017	10,897
Expense relating to short-term leases (included in cost of sales)	—	320
Total amount recognized in statements of comprehensive income	**$ 13,999**	**$ 14,429**

As Lessor:

On January 26, 2016, the Company entered into a sub-lease agreement with Gas Natural Atlantico, S, de R.L. with the purpose of lease a land space of 8.8 hectares, for the construction, development and operation of a LNG power generation plant. The term of the sub-lease is the same agreed for the principal-Lease.

The Company concluded that under IFRS 16 sub-lease shall be accounted as a finance lease because its term is for the whole contractual remaining period of the principal-Lease. As of December 31, 2020 and 2019, interest income related to the sublease is $3,155 and $3,121, respectively, and is presented in the statements of comprehensive income.

The following table sets out a maturity analysis of receivables, showing the un-discounted lease payments to be received after the reporting date.

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

10. Lease (continued)

		2020
Less than one year	$	2,805
One to two years		2,890
Two to three years		2,976
Three to four years		3,066
Four to expiration date		96,925
Total of undiscounted lease payments		108,662
Unearned income		(66,804)
Net investment as of December 31, 2019	**$**	**41,858**
Lease assets current	**$**	**2,805**
Lease assets non-current	**$**	**39,053**

10. Lease (continued)

When the Company is an intermediate lessor under sub-leases, it accounts for its interests in the principal-Lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use arising from the principal-lease, not with reference to the underlying asset.

11. Loans payables, net

On May 13, 2016, the Company acquired a syndicated loan for a total of $138,105 with a group of banks and The Bank of Nova Scotia (Panama), S.A. as an administrative agent, in order to finance the project described in Note 1. During the years ended December 31, 2019, the disbursements received from this loan amount in $55,792. This loan was fully prepaid during August 2019, with the new syndicated loan.

On July 22, 2016, the Company signed a mortgage contract on its movable property and its inventory of liquefied natural gas, with Banistmo Investment Corporation, S.A. as a fiduciary entity, with the objective of guaranteeing the obligations acquired in the syndicated loan. This contract was effective as of December 31, 2019.

On August 2, 2019, the Company acquired a syndicated loan for up to $194,500, with a group of banks and The Bank of Nova Scotia (Panama), S.A. as an administrative agent, in order to refinance all amounts outstanding under the syndicated loan of May 2016. Due to early extinguishment of previous debt, the Company paid a penalty of $2,178, presented in the statements of comprehensive income as other expenses, net and recognized a write-off of deferred financing cost by $7,088, presented as interest expense, net in the statements of comprehensive income.

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

11. Loans payables, net (continued)

This loan is for a 2 year period bearing an interest rate of 3 month LIBOR plus a margin that increases from 2% to 3.75% throughout the term of the loan. The interest payments are required on a quarterly basis and principal payment is required at loan maturity date.

On August 10, 2020, the Company signed two loan agreements with AES Panama Generation Holding, S.R.L., (an entity 100% owned by the AES Corporation) for an aggregate total of $211,986. The funds received through these loans were used to pay the $194,500 loan mentioned before. As a result of the early cancellation of this loan, a penalty of $436 was paid, which is presented as other expenses, net in the statement of comprehensive income.

As of December 31, 2020 and 2019, loan balances payable, net of deferred financing costs are detailed below:

		2020		2019
Current loan	$	—	$	194,500
Deferred financing costs, net		—		(2,559)
Current loan payable, net	**$**	—	$	191,941

		2020		2019
Deferred financing costs at the beginning of the year	$	2,559	$	7,430
Writte off - extinguishment of debt		(436)		(7,088)
Payment of financing costs		—		3,890
Capitalized financing costs		—		624
Amortization of financing cost during the year		(598)		(2,297)
Transferred costs to other debt		(1,525)		—
Total deferred financing cost at the end of the year	**$**	—	**$**	**2,559**

The Company determined that the prepaid debt conceptually meets the criteria to be accounted, proportionally, as extinction and modification of debt. As a result deferred financial costs for $436 were accounted under the concept of debt extinction and discarded with impact on the statements of comprehensive income, the rest $1,525, were accounted under the concept of debt modification, they will remain in the balance sheet as part of the issuance costs of the debt obtained on August 10, 2020 and are amortized during the term thereof.

For the years ended December 31, 2020 and 2019, deferred financing costs have been amortized for $598 and $2,297, respectively, of which $117 and $624, have been capitalized, respectively. The amortization of these deferred financial costs is in the interest expense, net in the statements of comprehensive income.

11. Loans payables, net (continued)

As of December 31, 2020 and 2019, commissions for commitments associated with the loan had been recorded for the amounts of $67 and $30, respectively. For the years ended December 31, 2020 and 2019, interest expenses associated with the loan for $4,471 and $10,549 respectively, of which $339 and $7,688 respectively, were capitalized during the periods of 2020 and 2019. Both expenses are included in interest expense, net in the statements of comprehensive income.

12. Derivative Financial Instrument

The Company mitigates its exposure to economic risk associated with interest rate volatility through derivative financial instruments. The Company, maintained a derivative for the exchange of variable interest rate for fixed interest rate.

On October 18, 2016, the Company executed an interest rate swap with a maturity date on March 15, 2034. This instrument was intended to cover the Company's exposure to the interest rate volatility on the aggregate amount of disbursements that the Company received up to December 2018 for the financing of its project. The derivative exchanged a 6-months LIBOR rate for a fixed interest rate of 1.988% until its expiration.

During the construction period, the Company recorded the interests received and paid from the swap as realized derivative instruments, as other comprehensive income in the statements of changes in stockholders' equity.

As of December 31, 2019, simultaneously with the extinguishment of the syndicated loan, the Company early terminated the swap agreements executed to hedge the variable portion of interest rate agreed under such debt. The Company incurred in liquidation costs of $5,386, which are recorded net of amortization as realized derivative instrument in the statements of changes in stockholders' equity. This balance will be amortized until 2034, maturity date of the prior debt.

For the years ended December 31, 2020 and 2019, the Company has been amortized $7 and $2 respectively, included in depreciation and amortization and $115 in interest expenses, net in the statements of comprehensive income as of December 31, 2019.

On August 14, 2019, the Company, collectively with Gas Natural Atlantico, S. de R.L., entered into three rate swap transactions, with Citibank, N.A. with the purpose of cover the Company's exposure to interest rate volatility by exchanging a 3-month LIBOR for a fixed interest rate of 1.5080%. The commencement date of the rate swap transactions is from June 30, 2021, for a period of 10 years.

The derivatives has been designated as a cash flow hedge instrument, therefore the unrealized portion is presented in the Company's financial statements as other accumulated comprehensive income.

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

12. Derivative Financial Instrument (continued)

As a result of the debt refinancing (note 11), on August 10, 2020, the Company canceled the hedging instruments contracted jointly with CONO. The settlement cost of these instruments was $16 million, which are presented in the statement of financial position as other comprehensive losses, this balance will be amortized in a straight line over a period of 10 years, from June 30, 2021.

As of December 31, 2020 and 2019, the classification of the derivative asset is as follows:

	2020	2019
Derivative asset		
Current	$ —	$ —
Non-current	—	8,443
	$ —	**$ 8,443**

13. Fair Value of Financial Instruments

The Company established a process for determine fair value of financial statements. The fair value determination considers the market quotes 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.

The estimate fair value of financial instruments as of December 31, 2019 and 2018, are detailed below:

	2020		2019	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Current derivative instruments	$ —	$ —	$ —	$ —
Non-current derivative instruments	—	—	8,443	8,443
	$ —	**$ —**	**$ 8,443**	**$ 8,443**

	2020		2019	
	Book Value	Fair Value	Book Value	Fair Value
Financial Liabilities				
Current loan payable, net	$ 206,413	$ 223,752	$ —	$ —
Non-current loan payable, net	—	—	191,941	191,941
	$ 206,413	**$ 223,752**	**$ 191,941**	**$ 191,941**

13. Fair Value of Financial Instruments (continued)

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

- The carrying amount of certain financial assets, including cash and cash 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.

- The fair value of the loans payable estimated as of 2020, and 2019, are based on information available at the date of the statements of financial position. The Company is not aware of any factors that may significantly affect the fair value estimate as of that date. These loans were contracted at variable rate, therefore, the Company considers that the fair value approximates to the carrying amount.

- Derivative instruments recognized at fair value in the statements of financial position. The assumption used in the calculation of the fair value used by the Company for derivatives falls on Level 2 of the hierarchy.

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.

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.

The classification of the derivative is presented below:

		2020			
		Derivative Asset		Derivative Liabilities	Other comprehensive loss
Derivative instrument	Clasification	Current	Non current	Current	
SWAP	Financial assets and liabilities at fair value with changes in other comprehensive income	$ —	$ —	$ —	$ 8,443
	Total of derivative Level 2	**$ —**	**$ —**	**$ —**	**$ 8,443**

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

13. Fair Value of Financial Instruments (continued)

Hierarchy of fair value of reasonable financial instruments (continued)

		2019			
		Derivative Asset		Derivative Liabilities	Other comprehensive income
Derivative instrument	Clasification	Current	Non current	Current	
SWAP	Financial assets and liabilities at fair value with changes in other comprehensive income	$ —	$ 8,443	$ —	$ 4,208
	Total of derivative Level 2	**$ —**	**$ 8,443**	**$ —**	**$ 4,208**

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

14. Authorized capital

On August 6, 2018, the Company increased its authorized share capital to $300,000, of which $285,700 has been subscribed and paid, represented by 2,857,000 shares with a nominal value per share of $100.

During the period ended December 31, 2019, the Company received capital contributions of $20,000.

15. Operating, General and Maintenance Expenses

For the years ended December 31, 2020 and 2019, the operating, general and maintenance expenses are as follows:

	2019	2019
Right-of-use asset amortization (Note 10)	$ 2,982	$ 3,212
Contract services	928	2,645
Professional fees	625	677
Salaries and other benefits	664	1,300
Expenses related to leases of low value and short term contracts (Note 10)	—	320
Insurance	1,868	765
Others	328	202
Administrative expenses	232	396
Other taxes	60	87
Maintenance expenses	367	199
Advertising expenses	—	107
Training and travel expenses	7	189
	$ 8,061	**$ 10,099**

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

16. Income tax

Income tax for the year includes both current and deferred tax. Income tax is recognized in the statements of comprehensive income of the current year, except for taxes related to elements directly linked to the equity, in which case they will be recognized in the statements of change in shareholders` equity.

Current income tax refers to the estimated tax payable on the taxable income for the year, using the rate in effect at the date of the statements of comprehensive income and any other adjustments to the tax payable from previous years.

Deferred income tax is calculated based on the liability method, considering the temporary differences in assets and liabilities reported for financial purposes and the amounts used for tax purposes.

The value resulting from these differences will be recognized as a deferred tax asset or liability in the statements of financial position and is based on the manner in which the temporary differences are made in the respective fiscal year, using the rate of income tax in force at the date of the corresponding tax year.

Deferred income tax assets are recognized to the extent that sufficient taxable profits are likely to be available in the future, against which temporary differences can be used.

On August 4, 2017, the Company obtained the approval of the Operation and Administration Agreement of a Fuel Free Zone, which is benefited by the exemption from taxes, fees, tax rates, duties and other tax contributions on the occasion of the introduction , export or re-export of crude oil and its derivatives, as well as any supplies, raw materials, supplements or additives, machinery, equipment, materials, spare parts, containers, containers, equipment and other goods whenever they enter the Free Zone to be used in connection with the storage and sale of natural gas within the Fuel Free Zone.

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

	2020	2019
Current	$ 632	$ 584
Deferred	(750)	(1,189)
	$ (118)	**$ (605)**

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%.

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

16. Income tax (continued)

Additionally, corporations whose annual taxable income exceeds $1,500 shall calculate their income tax by applying the corresponding tax rate resulting to be the 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% (Alternative Method of Calculating Income Tax - CAIR).

As of December 31, 2020, the Company determined its current income tax under the basis of the traditional method, additionally the Company was granted with the approval to not apply the CAIR for the periods ended 2019, 2020 and 2021, as result of that the accrued income tax corresponding to the 2019 was reversed.

The provisions of article 710 of the current Tax Code establishes that taxpayers must make advance payments based on the determination of the estimated statement divided into three installments to be paid quarterly in the months of June, September and December.

For the year ended on December 31, 2020 no income tax payments were made, due to both, the tax losses resulting from 2019 and the approval of not applying CAIR, as aforementioned. For the year ended December 31, 2019, the Company paid advance tax payments for an amount of $321 which were made based on the results obtained in the previous year.

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. As of December 31, 2020 and 2019, the deferred income tax asset, net was composed of the following items:

	2020	2019
Deferred tax assets:		
Lease	$ 5,192	$ 2,581
Net operating loss carry forward	60	1,765
Accumulated depreciation	893	928
Total	6,145	5,274
Deferred tax liabilities:		
Accelerated depreciation	(872)	(872)
Labor provisions	(183)	—
Non deductible amortization - sub lease capitalized	(1,549)	(1,612)
Salvage value of fixed assets	(4)	(19)
Valuation	(15)	—
Derivative - OCI	5,441	(727)
Total	2,818	(3,230)
Total deferred tax asset, net	**$ 8,963**	**$ 2,044**

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

16. Income tax (continued)

For the years ended December 31, 2020 and 2019, the net deferred income tax asset is mainly composed of the following items: Land lease contract with Panama Ports, SA, which is considered a financial lease and a sublease of land with its related party Gas Natural Atlántico, SRL.

Lease

The Company, as lessee, adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application at January 1, 2019 , base on this, the deferred tax asset was adjusted considering the final balances as of December 31, 2020.

Sub-lease

The Company entered into a sub-lease agreement with Gas Natural Atlantico, S, de R.L. with the purpose of lease a land space of 8.8 hectares, for the construction, development and operation of a LNG power generation plant. The Company concluded that under IFRS 16 the sub-lease shall be accounted as a finance lease because its term, the deferred tax was modified considering the balances at December 31, 2020.

Net operating Loss Carry Forward

In accordance with Article 698- A of the Tax Code, the loss of current operations reflected by the Company may be deducted proportionally during the next 5 years; in no more than 20% of said loss with a limit of 50% of the taxable income of each year.

As of December 31, 2020, the Company maintains a loss carryforward of $240 that will be amortized as follows:

Year		**Amount**
2021	$	60
2022		60
2023		60
2024		60
Total	$	240

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 of the year, an advance of the dividend tax of four percent (4%) on the net gain must be paid until declaring dividends on these earnings.

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

16. Income tax (continued)

This four percent (4%) rate is called the "Deemed Tax" and is considered an advance on the dividend tax. The Company has not pay deemed tax since it has not generated taxable income.

Transfer Pricing Law

During the year ended in December 31, 2020, transfer pricing regulations remain in force. They cover any transaction the taxpayer carries out with related parties that are tax residents of other jurisdictions, provided that such transactions have an effect such as income, cost or deductions in determining the tax base for income tax purposes, in the fiscal period in which the transaction is carried out.

Taxpayers must comply annually, with the obligation to submit a transfer pricing report (report 930) 6 months after the closing date of the fiscal period. In addition, they must have a study containing the information and analysis supporting whether its transactions with related parties are in accordance with the provisions established in the fiscal code. The Company estimates that transactions carried out with related parties will not have a significant impact on the provision of income tax for 2019.

17. Interest expense, net

The interest expense, net for the years ended December 31, 2020 and 2019, was as follow:

	2020	2019
Interest expense - financial	$ (8,967)	$ (10,695)
Capitalized interest	591	7,689
Interest expense - lease (Note 10)	(11,017)	(10,897)
Subtotal	(19,393)	(13,903)
Deferred financing costs	(904)	(1,072)
Write-off of deferred financing costs due to early extinguishment of debt (Note 11)	(436)	(7,088)
Interest income - lease (Note 10)	3,155	3,121
Interest income - financial	49	364
Subtotal	**3,204**	**3,485**
Total	**$ (17,529)**	**$ (18,578)**

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

18. Other Income (expense), net

For the years ended December 31, 2020 and 2019, other expenses, net was as follows:

	2020	2019
Loss on early extinguishment of debt	$ —	$ (2,178)
Bank charges	(523)	—
Reversal of accruals	430	—
Loss on asset write-off	(200)	—
Others	—	80
Total other expense, net	**$ (293)**	**$ (2,098)**

19. Commitments and Contingencies

Letter of credit

On February 22, 2019, the Company entered into a line of credit with Banco Aliado, S.A. (formerly Banco Panamá, S.A.) which will provide of up to $16,500 to guarantee the payments of the land lease agreement signed between the Company and Panama Ports Company, S.A. through a letter of credit. The original term of this facility was extended from August 2, 2020 to October 31, 2021.

20. Risk and Capital Management

Risk Management

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

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

This note presents information about the Company's exposures to each of the above risks, the objectives of the Company, the policies and procedures to measure and manage the risk and the management 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. administration is also responsible for the development and monitoring of the Company's risk management policies.

20. Risk and Capital Management (continued)

Risk Management (continued)

Market risk

Market risk is the risk that changes in the market prices of gas sales as well as interest rates affect the Company's income or the value of 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 the other hand, considering the previous evaluation and the approval of the administration, the Company only invests in savings accounts with fixed rates.

The COVID-19 pandemic has severely affected global economic activity, including electricity and energy consumption, causing significant volatility and negative pressure on financial markets. For the year ended December 31, 2020, the COVID-19 pandemic has had an impact on the demand for electric power and, as a result, on the Company's financial results and operations. The magnitude and duration of the COVID-19 pandemic is unknown at this time and may have material and adverse effects on our results of operations, financial condition and cash flows in future periods. In response to the COVID-19 pandemic, we implemented significant 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.

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.

At the date 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.

Liquidity risk

It consist 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 long-term assets with short-term liabilities.

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

20. Risk and Capital Management (continued)

Liquidity risk (continued)

The 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.

To project the expected cash flows, the Company considers the collection date of its financial instruments and the planned disbursements based on the due date of the obligations.

The table below summarises the maturity profile of the financial liabilities based on contractual undiscounted payments as December 31, 2019 and 2018:

	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, net	$ —	$ 1,250	$ 19,664	$ 190,087	$ 211,001
Accounts payable - supplier	1,601	—	—	—	1,601
Accounts payable -affiliaties		6,418			6,418
Accrued interest	—	840	—	—	840
Accrued expenses and other liabilities	851	3,952	—	—	4,803
Other liabilities	—	—	—	142,987	142,987
	$ 2,452	**$ 12,460**	**$ 19,664**	**$ 333,074**	**$ 367,650**

	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, net	$ —	$ —	$ 191,941	$ —	$ 191,941
Accounts payable - supplier	9,069	—	—	—	9,069
Accounts payable -affiliaties		6,917			6,917
Accrued interest	—	54	—	—	54
Accrued expenses and other liabilities	1,760	2,437	—	—	4,197
Other liabilities	—	—	—	142,987	142,987
	$ 10,829	**$ 9,408**	**$ 191,941**	**$ 142,987**	**$ 355,165**

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

20. Risk and Capital Management (continued)

Interest rate risk

The Company is not significantly exposed to fluctuations in interest rates since it maintains a loan with an affiliate, in which the long-term B tranche has a fixed rate. On the other hand, tranche A is 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 impacts on its financial statements as result of volatility of the LIBOR rate on the cash flows associated with this loan (Note 6).

Capital management

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

21. Changes in liabilities of financing activities

The changes in liabilities of financing activities are as follow:

2020

	As of January 1, 2020	Cash flow received	Cash flow payments	Deferred financing cost	Write-off of financing cost	Accretion of interest	Non-cash movements	As of December 31, 2020
Loan payable, net	$ 191,941	$ 211,986	$ (194,500)	$ (6,132)	$ 436	$ —	$ 182	$ 203,913
Other liabilities	145,424	—	(9,502)	—	—	11,017	—	146,939
	$ 337,365	$ 211,986	$ (204,002)	$ (6,132)	$ 436	$ 11,017	$ 182	$ 350,852

2019

	As of January 1, 2019	Cash flow received	Cash flow payments	Deferred financing cost	Write-off of financing cost	Accretion of interest	Non-cash movements	As of December 31, 2019
Loan payable, net	$ 120,461	$ 250,292	$ (187,573)	$ 1,673	$ 7,088	$ —	$ —	$ 191,941
Other liabilities	—	—	(9,225)	—	—	10,897	143,752	145,424
	$ 120,461	$ 250,292	$ (196,798)	$ 1,673	$ 7,088	$ 10,897	$ 143,752	$ 337,365

22. Subsequent Events

Subsequent events were evaluated by Management until April 12, 2021, date on which the financial statements were authorized by Management for issuance.

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