Financial Statements

Gas Natural Atlántico, S. de R. L.

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

CONTENTS

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
Gas Natural Atlántico, S. de R. L.

Opinion

We have audited the financial statements of Gas Natural Atlántico, 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.

A member firm of Ernst & Young Global Limited

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

Gas Natural Atlántico, 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	$ 26,162	$ 18,118
5	Restricted cash	—	7,825
	Accounts receivable:		
6	Trade	41,449	44,206
7	Related parties	—	3
7	Affiliates	6,139	9,066
	Others	4	6
7	Loan receivable from related party	—	1,500
8	Inventories	30,739	23,776
	Prepaid income tax	1,019	—
	Prepaid expenses	3,930	6,836
	Total current assets	109,442	111,336
	Non-current assets		
	Accounts receivable:		
6	Trade	5,236	—
9	Property, plant and equipment, net	424,077	444,112
7	Loan and interest receivable from related party	69,011	—
	Restricted cash	291	211
10	Intangible assets, net	235	229
20	Deferred tax asset, net	16,021	7,013
15 & 22	Derivative instruments	—	17,981
13	Right-of-use assets	33,672	34,963
	Prepaid assets	1,435	204
	Total non-current assets	549,978	504,713
	TOTAL ASSETS	**$ 659,420**	**$ 616,049**

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

Notes		2020	2019
	LIABILITIES AND STOCKHOLDERS´ EQUITY		
	Current liabilities		
	Accounts payable:		
12	Suppliers	$ 14,802	$ 7,954
7 & 13	Affiliates	26,457	33,148
	Interest payable	—	284
20	Income tax payable, net	—	2,322
11 &13	Accrued expenses and other liabilities	2,087	3,128
14 & 22	Loans payable, net	—	15,000
7 & 22	Loans and interest payable to affiliate	24,891	—
	Total current liabilities	68,237	61,836
	Non-current liabilities		
	Seniority premium	240	144
13	Lease liability	40,990	40,990
7 & 22	Loans payable to affiliate, net	474,105	—
14 & 22	Loans payable, net	—	410,651
	Total non-current liabilities	515,335	451,785
	STOCKHOLDERS' EQUITY		
16	Authorized capital	117,100	117,100
	Additional paid-in-capital	88	87
	Accumulated deficit	(10,412)	(22,625)
15 & 22	Other comprehensive (loss) income	(30,902)	7,886
	Deemed tax	(26)	(20)
	Total stockholders' equity	75,848	102,428
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 659,420**	**$ 616,049**

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

Gas Natural Atlántico, 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		
7 & 21	Electricity sales	$ 232,241	$ 285,858
7	Natural gas sales	—	2,399
	Total revenue	232,241	288,257
	Operating costs and expenses		
7	Fuel consumption	64,527	140,787
7	Electricity purchases	39,753	18,706
7	Terminal fee	34,142	34,267
7	Fuel cost of sales	—	2,399
	Other costs of electricity sales	1,187	1,222
	Transmission costs	3,622	3,654
9, 10 & 15	Depreciation and amortization	21,508	21,381
7, 13 & 17	Operating, general and maintenance expense	27,263	30,439
	Total operating costs and expenses	192,002	252,855
	Operating income	40,239	35,402
	Other (expenses) income		
7, 13 & 18	Interest expense, net	(25,415)	(44,434)
19	Other expense, net	(1,816)	(3,927)
	Total other expenses, net	(27,231)	(48,361)
	Income (loss) before income tax	13,008	(12,959)
20	Income tax	795	(24)
	Net income (loss)	$ 12,213	$ (12,935)
	Net other comprehensive loss that will be reclassified to profit or loss in subsequent periods:		
15 & 22	Changes in the fair value of derivative instruments	(17,981)	5,042
20	Income tax	13,143	460
15	Realized derivative instruments, net	(33,950)	(6,890)
	Other comprehensive loss	(38,788)	(1,388)
	Total other comprehensive loss	**$ (26,575)**	**$ (14,323)**

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

Gas Natural Atlántico, 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 deficit	Other comprehensive income	Deemed tax	Total stockholders' equity
Balance as of January 1, 2019		$ 117,100	$ 79	$ (9,690)	$ 9,274	$ —	$ 116,763
Net loss		—	—	(12,935)	—	—	(12,935)
Changes in the fair value of derivative instruments	15 & 22	—	—	—	5,042	—	5,042
Deferred tax	20	—	—	—	460	—	460
Realized derivative instruments, net	15 & 22	—	—	—	(6,890)	—	(6,890)
Total other comprehensive loss		—	—	(12,935)	(1,388)	—	(14,323)
Shared based compensation		—	8	—	—	—	8
Deemed tax		—	—	—	—	(20)	(20)
Balance as of December 31, 2019		117,100	87	(22,625)	7,886	(20)	102,428
Net income		—	—	12,213	—	—	12,213
Changes in the fair value of derivative instruments	15 & 22	—	—	—	(17,981)	—	(17,981)
Deferred tax	20	—	—	—	13,143	—	13,143
Realized derivative instruments, net	15 & 22	—	—	—	(33,950)	—	(33,950)
Total other comprehensive loss		—	—	12,213	(38,788)	—	(26,575)
Shared based compensation		—	1	—	—	—	1
Deemed tax		—	—	—	—	(6)	(6)
Balance as of December 31, 2020		**$ 117,100**	**$ 88**	**$ (10,412)**	**$ (30,902)**	**$ (26)**	**$ 75,848**

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

Gas Natural Atlántico, 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)	$ 12,213	$ (12,935)
	Adjustment to reconcile net income (loss) to net cash provided by operating activities:		
9	Depreciation	21,419	21,359
13	Right-of-use asset amortization	1,291	11,209
10	Amortization of intangible assets	74	7
15	Amortization of realized derivative instrument	15	15
19	Loss on early extinguishment of debt	—	4,066
	Loss on disposal of property, plant and equipment	47	—
18	Interest income	(1,970)	(1,256)
14 & 18	Interest expense	20,321	24,545
18	Amortization of deferred financing cost	1,919	3,644
18	Write off of deferred financing costs	852	14,182
20	Income tax expense	795	(24)
	Share based compensation	1	8
	Cash flows before working capital movements	56,977	64,820
6	Decrease (increase) in accounts receivable	5,795	(13,660)
8	Increase in inventories	(6,841)	(21,453)
	Decrease in prepaid expenses	2,906	24,942
	Increase in other long term assets	(5,161)	—
13	Decrease in deferred income	—	(6,827)
12	Increase in accounts payable	461	4,293
11	Decrease in accrued expenses and other liabilities	(1,041)	(4,173)
	Increase in seniority premium	96	54
14	Increase in other long term liabilities	(35,714)	—
	Interest received	182	1,671
	Payments of income tax	—	(2,038)
	Net cash flows provided by operating activities	17,660	47,629

Carried forward... $ 17,660 $ 47,629

Gas Natural Atlántico, S. de R. L.
Statements of Cash Flows (continued)
For the years ended December 31, 2020 and 2019
(Expressed in thousands of dollars of the United States of America)

Note		2020	2019
	Brought forward...	**$ 17,660**	**$ 47,629**
	Cash flows from investing activities		
10	Acquisition of intangible assets	(80)	(156)
9	Acquisition of property, plant and equipment	(1,428)	(2,320)
	Advances payments for the acquisition of property, plant and equipment	(1,412)	(106)
	Loan collection from related party	1,500	—
7	Loans disbursement to related party	(67,335)	(1,500)
5	Restricted cash	7,745	(786)
	Net cash used in investing activities	(61,010)	(4,868)
	Cash flows from financing activities		
	Payment of interest	(18,139)	(31,965)
14	Proceeds from new line of credit	30,000	15,000
14	Payment of loans	(424,515)	(394,818)
14	Proceeds from loans	—	415,500
7	Payment of line of credit	(45,000)	—
7	Proceeds from affiliate loans	516,016	—
7	Payment of intercompany loans	—	(11,000)
14	Payment of financing costs	(6,645)	(7,554)
19	Premium payment of early extinguishment debt	—	(4,066)
9	Payment of financing for property, plant and equipment	(323)	(5,886)
	Net cash provided by (used in) financing activities	51,394	(24,789)
	Net increase in cash and cash equivalents	8,044	17,972
	Cash and cash equivalents at the beginning of the year	18,118	146
	Cash and cash equivalents at the end of the period	**$ 26,162**	**$ 18,118**
	Supplementary disclosure		
	Property, plant and equipment purchases not paid at end of the period	$ 1,991	$ 26,125

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

1. Organization and Nature of Operations

Gas Natural Atlántico, S. de R.L. (the Company) was incorporated on April 6, 2015, with its owners, AES Elsta, B.V., incorporated under the laws of the Netherlands, a 100% indirect subsidiary of The AES Corporation (the Corporation), a global energy company, based in Arlington, Virginia, (United States of America), with 75% participation and Deeplight Corporation, related party, incorporated under the laws of the British Virgin Islands, with 25% participation.

On December 3, 2015, during a shareholder's 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.

On April 8, 2019, as a consequence of a corporate restructuring, through a shareholder's meeting, the Company approved the 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 by the Corporation. As of December 31, 2019, AES Global Power Holdings, B.V., has 586,671 (50.1%) shares of the Company and Deeplight Holding, S.R.L. has 584,329 (49.9%) shares.

The Company´s objective is to establish, conduct, operate, maintain and manage power generation plants, based on natural gas, as well as the transmission and distribution facilities for the purchase and sale of capacity and energy generated with natural gas, and other related activities. On September 1, 2018, the Company began operations that consist of a 381 megawatts ("MW") power generation plant. The generation plant is in the Province of Colón, San Cristóbal, Telfers Avenue, Panama.

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

As of December 31, 2020 and 2019, 98.67% of the firm capacity of the Company's thermal power plant is contracted under various energy and capacity purchase - sale agreements with distribution companies. These agreements have a term of ten years from September 1, 2018. The surplus energy is sold in the spot market at the prices established therein.

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 Gas Natural Atlántico, 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.

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.

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income or 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.

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

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.

Investments in debt instruments recognized at fair value through OCI are subsequently measured at fair value. 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.

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 six: cash and cash equivalents; accounts receivable trade, accounts receivable related parties, accounts receivable affiliates, other accounts receivable and loan receivable from related party.

3. Summary Accounting Policies (continued)

Financial instruments (continued)

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.

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.

3. Summary Accounting Policies (continued)

Financial instruments (continued)

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 the financial assets and has transferred substantially all the risks and rewards of the asset to other entity. If the Company has not transferred and retained substantially all the risks and rewards of the transferred 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.

The Company derecognizes financial assets only when the contractual rights to receive through cash flows have expired; or when the Company has transferred the assets financial assets and substantially all the risks and benefits inherent to the ownership of the asset to another entity. If the Company does not transfer and retain substantially all risks and benefits of ownership of transferred financial assets, the Company continues recognizing the financial asset and also recognizes a liability according to a criterion that reflect the rights and obligations that have 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, which has a restricted availability. The nature of the restriction is originated according to a signed agreement, which establish a structured mechanism for the administration of the funds of the syndicated loan. This loan was canceled in August 2020 therefore the contract that dictated the cash restriction provisions has expired.

Inventory

The inventories, which mainly consist of gas, fuel, 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 give them its present location and condition. The cost of inventories is assigned using the weighted average cost method. The Company performs physical inventories and any difference is adjusted in the statement of comprehensive income.

3. Summary of Accounting Policies (continued)

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	20 to 38 years
Generation assets	5 to 38 years
Office furniture and equipment	3 to 15 years
Transportation equipment	3 to 5 years

The useful lives of the generation assets were determined based on their technical useful life, having as legal limitation the term of the lease of the land where the Company operates. The remaining period of the lease is 38 years from the date the generation assets were placed into operation. The residual value is considered only for those assets with an useful life of less than the concession term.

An item of property, plant and equipment is derecognized upon disposal or when the Company considers that no further economic 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 statement 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 expense in the statement 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 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 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 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 result of the year in which they are determined.

The Company evaluates at the end of each year if there is any indication that the impairment loss previously recognized for a non-financial asset, other than goodwill, has decreased or no longer exists. 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 result of the period.

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 an economic 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 recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying 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.

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, if 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, equipment and office 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.

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 is presented as a direct reduction from the face amount of the related debt. The Company recorded amortization expense of $1,919 and $3,644, 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 statement of comprehensive income of the year in which they are incurred.

Financial liabilities

Recognition and measurement

Financial liabilities (including loans and accounts payables) 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.

3. Summary of Accounting Policies (continued)

Financial liabilities (continued)

Recognition and measurement (continued)

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 statement 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 as well as through the amortization process.

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 statement 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. Provisions are determined on the basis of future cash flows discounted at a pre-tax rate that reflects the assessment of the value of money in current markets. The amount of the provisions recorded are assessed periodically and the necessary adjustments are recorded in the result of the year.

3. Summary of Accounting Policies (continued)

Revenue recognition and concentration

The company participated in the tender ETESA 01-15 and was awarded with three power purchase agreements, through these agreements the Company committed 92% of its installed capacity and related energy to Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET), Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI) y Elektra Noreste, S.A. (ENSA). Under requirements of the tender the agreements were structured the same. The Company owns a performance obligation on each of the agreements, since the energy and capacity were concluded to be a bundle that meets the series criteria and it occurs at a point in time, which is at month end when the energy delivered within the month is billed to the customer.

The Company also receives spot market revenues from sales of energy, 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 year ended December 31, 2020 and 2019, 88.6% and 75.5% of electricity sales, respectively, are derived from those agreements with EDEMET, EDECHI and ENSA.

Interest income

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

Income tax

Income tax for the year includes both current tax and deferred tax. The income tax is recognized in the statement 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 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 payments 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.

3. Summary of Accounting Policies (continued)

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 recognized asset or liability or an unrecognized 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 recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

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 12 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.

(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 does not expect to have any impact associated with new and amended 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	$ 3	$ 3
Bank deposits	26,159	18,115
	$ 26,162	**$ 18,118**

5. Restricted cash

On August 2, 2019, the Company entered into a syndicated loan with some senior Lenders and The Bank of Nova Scotia (Panamá), S.A., 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 $7,825. This loan was paid on august 2020, so as of December 31, 2020 there are no short-term restricted cash balances.

The long-therm 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. Accounts Receivable - Trade

As of December 31, 2020 and 2019, the balance of accounts receivable trade is detailed as follows:

		2020		2019
Spot and PPA electricity market agents	$	27,895	$	21,757
Other accounts receivable		13,554		22,449
Total	**$**	**41,449**	**$**	**44,206**

Accounts receivable generates interest according to the terms established in the energy sale contracts.

Other accounts receivables includes unbilled revenue.

A detail of the aging of accounts receivable, including those with delay in recovery but not impaired is detailed as follows:

		2020		2019
Amount current	$	41,039	$	43,996
Overdue 31 to 60 days		—		21
Overdue 61 to 90 days		43		88
Overdue 91 or more		367		101
Total	**$**	**41,449**	**$**	**44,206**

During 2020, the Government of Panama, through ASEP, issued the resolution AN No. 16095-Elec of May 21, 2020 in response to the Covid-19 pandemic. This resolution allowed distributors and other clients that were affected in their collections during the pandemic, to defer the amounts owed to the Company for the months of May, June and July in 36 monthly installments without interest. As of December 31, 2020, the Company has long-term accounts receivable trade derived from this resolution for $5,236.

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

7. Balances and Transactions with Affiliated and Related Parties

The balances and transactions with related parties as of December 31, 2020 and 2019, are as follows:

In the statements of financial position	**2020**	**2019**
Accounts receivables - related parties		
Gas Natural Atlántico II, S. de R.L.	**$ —**	**$ 3**
Prepaid expenses		
ASSA Compañía de Seguros, S.A.	$ 19	$ 4
Banco General, S.A.	—	19
Total Gas & Power Limited London (formerly Engie, S.A.)	1,270	3,262
	$ 1,289	**$ 3,285**
Loan receivable from related party		
Gas Natural Atlántico II, S. de R.L.	**$ 67,335**	**$ 1,500**
Interest receivable - related parties		
Gas Natural Atlántico II, S. de R.L.	**$ 1,676**	**$ —**
Loans payable, net		
Banco General, S.A.	**$ —**	**$ 57,236**
Interest payable		
Banco General, S.A.	**$ —**	**$ 16**

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

7. Balances and Transactions with Affiliated and Related Parties (continued)

In the statements of comprehensive income, the transactions with related parties during the years ended December 31, 2020 and 2019, are as follows:

In the statements of comprehensive income	**2020**	**2019**
Fuel consumption		
Total Gas & Power Limited London (formerly Engie, S.A.)	**$ 62,761**	**$ 124,111**
Operating, general and maintenance expense:		
ASSA Compañía de Seguros, S.A.	$ 4,355	$ 3,321
Petróleos Delta, S. A.	21	18
Banco General, S.A.	50	37
	$ 4,426	**$ 3,376**
Interest income		
Gas Natural Atlántico II, S. de R. L.	**$ 1,788**	**$ 3**
Interest expense		
Banco General, S.A.	**$ 1,137**	**$ 1,489**

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 $3,901, and $2,976 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.

As of December 31, 2020 and 2019, the Company held performance bonds with ASSA, for an amount of $36,767 to guarantee the obligations of the contracts signed with the distribution companies effective until August 30, 2021 with annual renewal until the end of the contract term.

The Company maintains a performance bond with ASSA, in favor of the ASEP for an amount of $762 to guarantee the obligations indicated in the final generation license as of August 31, 2020 until August 30, 2021; it must be renewed annually until the expiration of the generation license.

7. Balances and Transactions with Affiliated and Related Parties (continued)

Insurance (continued)

As of December 31, 2020, the Company maintains a payment guarantee with Banco General, S.A., in favor of Empresa de Transmisión Eléctrica, S.A. (ETESA) for an amount of $3,141 to guarantee energy purchases in the spot market; $20 for energy purchases in MER and $429 to guarantee transmission costs payments.

Loan receivable

On December 2019, the Company signed a loan agreement with Gas Natural Atlántico II, S.R.L. for a total of $3,000, with an initial disbursement $1,500. The loan is for a period of one year, accruing interest at annual rate of 6.50%. On August 14, 2020 this loan was totally collected.

On August 14, 2020, a loan agreement was signed with Gas Natural Atlántico II, S.R.L. for an amount of $66,435; the annual interest rate is 6.50%, maturing on December 31, 2023. Amortization of principal and accrued interest are payable at the end of the loan term.

On November 11, 2020, the Company signed a second loan agreement with Gas Natural Atlántico II S.R.L. for an amount of $900; The annual interest rate is 6.50%, the principal and interest are payable at the end of the contract on December 31, 2023.

As of December 31, 2020, the interest receivable derived from these loans amounts to $ 1,676.

Loan payable

On May 13, 2016, the Company acquired a syndicated loan for $394,818, with a group of banks, where Banco General, S.A. participated holding 3.43% of such loan. On August 2, 2019, the Company acquired a new syndicated loan for $415,500, with a group of banks where Banco General, S.A. also participated holding 14% of such loan in order to refinance all amounts outstanding under the syndicated loan of May 2016. On August 10, 2020 the Company signed a loan agreement with its affiliate AES Panama Generation Holdings S.R.L. for $516,016 and part of these funds were used to cancel the entire syndicated loan acquired in August 2019.

Fuel contracts

On February 25, 2016, the Company signed a contract for the purchase of liquefied natural gas (LNG) with Engie, S.A., effective from 2018 until February 2026. Subsequently, Engie, S.A. transferred its portfolio of LNG to Global LNG SAS, which in turn in August 2019, transferred the portfolio to Total Gas & Power Limited London.

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

7. Balances and Transactions with Affiliated and Related Parties (continued)

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

In the statements of financial position:	**2020**	**2019**
Accounts receivables - affiliate:		
Costa Norte LNG Terminal S. de R.L.	$ 5,934	$ 5,861
Compañía de Alumbrado Eléctrico de San Salvador, S.A. DE C.V.	5	—
AES Changuinola, S.R.L.	10	2
AES Panamá, S.R.L.	190	3,203
	$ 6,139	**$ 9,066**
Accounts payable - affiliate:		
Costa Norte LNG Terminal S. de R.L.	$ 23,726	$ 19,828
The AES Corporation	1	—
AES Engineering, LLC	67	—
AES Changuinola, S.R.L.	1	1
AES Andres DR, S.A.	—	12,751
AES Panamá, S.R.L.	2,662	97
AES Solutions, LLC	—	412
AES Latin América S.de R. L.	—	59
	$ 26,457	**$ 33,148**
Loans payable:		
AES Panamá Generation Holdings S.R.L.	**$ 507,001**	**$ —**
Interest payable:		
AES Panamá Generation Holdings S.R.L.	**$ 2,013**	**$ —**

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

7. Balances and Transactions with Affiliated and Related Parties (continued)

In the statements of comprehensive income, the transactions with affiliated during the years ended December 31, 2020 and 2019, are as follows:

In the statements of comprehensive income	**2020**	**2019**
Electricity sales:		
AES Panamá, S.R.L.	$ 7,006	$ 22,786
AES Changuinola, S.R.L.	15	19
	$ 7,021	**$ 22,805**
Natural gas sales:		
Costa Norte LNG Terminal S. de R.L.	$ —	$ 2,399
	$ —	**$ 2,399**
	2020	**2019**
Electricity purchases		
AES Panamá, S.R.L.	$ 7,214	$ 1,037
AES Changuinola, S.R.L.	4	1
	$ 7,218	**$ 1,038**
LNG purchases		
AES Andres DR, S.A.	**$ 1,621**	**$ 11,842**
Cost of sales LNG		
Costa Norte LNG Terminal S. de R.L.	**$ —**	**$ 2,399**
Terminal fee		
Costa Norte LNG Terminal S. de R.L.	**$ 34,142**	**$ 34,267**
Interest expense		
AES Panama Generation Holdings S.R.L.	$ 9,795	$ —
Costa Norte LNG Terminal S. de R.L.	—	91
	$ 9,795	**$ 91**
Operating, general and maintenance (management fee):		
AES Solutions, LLC	$ —	$ 369
AES Latin América S.de R. L.	690	345
	$ 690	**$ 714**

7. Balances and Transactions with Affiliated and Related Parties (continued)

Lease

On January 26, 2016, the Company signed a land sublease contract to be used for the construction, development and operation of a LNG power generation plant with Costa Norte LNG Terminal, S. de R.L. (CONO). This contract is effective as of August 27, 2015, with annual automatic renewal (Note 13).

Liquefied Natural Gas Terminal

On May 11, 2016, the Company signed a contract for the use of the LNG terminal with CONO, where CONO will provide ship docking services, download, receipt and temporary storage of LNG, regasification and delivery of LNG. This contract is valid until May 1, 2028 and may be extended by a period equal to or less than 10 years.

As of December 31, 2020, and 2019, accounts payable to CONO, related to this contract amounted to $23,726 and $19,828, respectively. For the years ended December 31, 2020, and 2019, expenses resulting from this contract were $34,142 and $34,267, respectively.

Sales and purchases of electricity

- On March 1, 2016, the Company signed with AES Panamá, S.R.L., a subsidiary of the Corporation, two framework contracts for the purchase and sale of firm capacity for a period of three years until March 1, 2019 with automatic extensions of each year, until notified.

Sales and purchases of LNG

- On August, 2019, the Company sold LNG to CONO, in a single transaction. For the year ended December 31, 2019, sales associated with this contract were $2,399 and fuel cost of sales of $2,399. During 2020 there were no LNG sales to CONO.

- On August 28, 2019, the Company signed a purchase agreement of LNG with AES Andres DR, S.A., a subsidiary of the Corporation, in a single transaction of 1,500,000 million British Thermal Unit (MMBTU), for an amount of $9,158, received on August 31, 2019.

- On September 27, 2019, the Company signed another purchase agreement of LNG with AES Andres DR, SA in a single transaction of 500,000 MMBTU, for an amount of $2,684, received on September 28, 2019.

- In March 2020, the Company signed a purchase agreement of LNG with AES Andres DR, S.A., in a single transaction of 578,843 MMBTU, for an amount of $1,621, received on March 31, 2020.

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

7. Balances and Transactions with Affiliated and Related Parties (continued)

Affiliated Companies Loans

- During 2018, the Company received two loans from CONO for a total of $12,000. The loans have a maturity date for one year, accruing interest at annual rate of 1% plus 1 month LIBOR. In December 2018, the Company made a partial payment of principal in the amount of $1,000. During 2019, the Company paid the remaining balance of $11,000. As of December 31, 2019, the interest expense associated with this loan was $91 and is presented as interest expense, net in the statement of comprehensive income.

- On August 10, 2020 the Company signed two loan contracts with AES Panama Generation Holding, S.R.L., for a total amount of $516,016. A detail of both loans is as follows:

    - Loan A is composed of $83,533, maturing on May 31, 2023, its interest rate is six month LIBOR plus a fixed 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 $432,483 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 from May 31, 2023.

The funds received from these loans were used to pay the loan of $415,500, 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 $852 was paid, and is presented as other expenses, net in the statement of comprehensive income.

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

	2020
Current portion	$ 22,878
Non-current portion	484,123
Total loans payable to affiliates	507,001
Interest payable	2,013
Deferred financing costs	(10,018)
Total loans payable to affiliates, net	**$ 498,996**

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

7. Balances and Transactions with Affiliated and Related Parties (continued)

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

		2020
Deferred financing cost not paid	$	1,295
Payment of financing cost		6,645
Transferred costs from canceled loan (Note 14)		2,977
Amortization of financing cost during the year		(899)
Total deferred financing cost at the end of the year	**$**	**10,018**

Management fee expenses

On March 31, 2016, the Company signed a consulting services contract with AES Engineering LLC, a subsidiary of the Corporation, for an estimated total amount of $3,000, due in February 2019 and it was not renewed.

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 $739.

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 beneficiary.

8. Inventory

As of December 31, 2020 and 2019, the following summarizes the inventory balances:

		2020		2019
Spare parts	$	3,154	$	2,528
Diesel inventory		1,739		1,785
Gas inventory		25,846		19,463
Total of inventories, net	**$**	**30,739**	**$**	**23,776**

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

9. Property, plant and equipment, net

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

	December 31, 2020					
	Buildings	Generation assets	Office furniture and equipment	Transportation equipment	Constructions in progress	Total
Cost:						
Begining balance	$ 7,526	$ 464,236	$ 472	$ 155	$ 334	$ 472,723
Additions	—	100	121	—	1,332	1,553
Reclasifications	—	437	—	—	(437)	—
Sales and disposal	—	(171)	(6)	—	—	(177)
Ending balance	7,526	464,602	587	155	1,229	474,099
Accumulated depreciation						
Begining balance	266	28,062	203	81	—	28,612
Depreciation	201	21,064	123	31	—	21,419
Sales and disposal	—	(6)	(3)	—	—	(9)
Ending balance	467	49,120	323	112	—	50,022
Net balance	**$ 7,059**	**$ 415,482**	**$ 264**	**$ 43**	**$ 1,229**	**$ 424,077**

	December 31, 2019					
	Buildings	Generation assets	Office furniture and equipment	Transportation equipment	Constructions in progress	Total
Cost:						
Begining balance	$ 7,334	$ 458,675	$ 391	$ 131	$ 110	$ 466,641
Additions	—	5,753	81	24	224	6,082
Reclasifications	192	(192)	—	—	—	—
Ending balance	7,526	464,236	472	155	334	472,723
Accumulated depreciation						
Begining balance	65	7,028	106	54	—	7,253
Depreciation	201	21,034	97	27	—	21,359
Ending balance	266	28,062	203	81	—	28,612
Net balance	**$ 7,260**	**$ 436,174**	**$ 269**	**$ 74**	**$ 334**	**$ 444,112**

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

10. Intangible assets, net

The intangible assets are the following:

	2020			2019		
	Costs	Accumulated amortization	Carrying amount	Costs	Accumulated amortization	Carrying amount
Licenses and software	$ 244	$ (84)	$ 160	$ 44	$ (10)	$ 34
Construction in progress - software	75	—	75	195	—	195
Total	**$ 319**	**$ (84)**	**$ 235**	**$ 239**	**$ (10)**	**$ 229**

The movement of intangible assets is detailed bellow:

	Licenses and software
Balances as of January 1, 2019	$ 80
Additions	156
Amortization	(7)
Balances as of December 31, 2019	229
Additions	80
Amortization	(74)
Balances as of December 31, 2020	**$ 235**

11. Accrued expenses and other liabilities

As of December 31, 2020, and 2019 the following summarizes the accrued expenses and other liabilities balances:

	2020	2019
Operating & maintenance agreement	$ —	$ 1,058
Interest lease liability (Note 13)	1,133	699
Accrued benefits	99	678
Labor accruals	855	433
Other taxes payable	—	205
Other accruals	—	55
	$ 2,087	**$ 3,128**

As of December 31, 2019, the Company has a balance of $1,058, related to unpaid invoices of spare parts for maintenance, related to the operating & maintenance agreement with General Electric International, Inc (Note 21).

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

12. Accounts payable to suppliers

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

	2020	2019
Suppliers	$ 12,446	$ 6,971
Other accounts payables	2,356	983
	$ 14,802	**$ 7,954**

The a ccounts payable to suppliers mainly includes liabilities generated by energy purchases.

13. Lease

In August 2015, Costa Norte LNG Terminal, S. de R.L. entered into a lease agreement with Panama Ports Company, S.A. (Lessor). The agreement is for the lease of a land space for the construction and operation of a LNG power plant, an LNG terminal and an LNG storage tank. The term of the Agreement expires on January 31, 2022 with an automatic renewal for an additional 25 year period, subject to the term of the Concession Agreement ceded by the Panamanian Government to the Lessor.

On January 26, 2016, the Company entered into a sub-lease agreement with Costa Norte LNG Terminal, S. de R.L. with the purpose to 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 land-lease.

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

Below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Land	Generation assets	Total
As of January 1, 2019	$ 36,254	$ 9,918	$ 46,172
Amortization expense	(1,291)	(9,918)	(11,209)
As at December 31, 2019	**34,963**	—	**34,963**
Amortization expense	(1,291)	—	(1,291)
As at December 31, 2020	**$ 33,672**	**$ —**	**$ 33,672**

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

13. Lease (continued)

The carrying amounts of the lease liabilities and the movements made during the years ended December 31, 2020 and 2019 are detailed below:

	2020	2019
As of January 1,	$ 41,689	$ 52,779
Accretion of interest	3,158	3,319
Payments	(2,724)	(14,409)
As of December 31,	**$ 42,123**	**$ 41,689**
Current (Note 11)	$ (1,133)	$ (699)
Non-current	$ (40,990)	$ (40,990)

The maturity analysis of lease liabilities is disclosed in Note 23.

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

	2020	2019
Amortization expense of right-of-use assets (included in operating, general and maintenance expense)	$ 1,291	$ 11,209
Interest expense on lease liabilities (included in interest expense, net)	3,158	3,319
Expense relating to leases of low-value assets (included in operating, general and maintenance expense)	2	2
Variable lease payments (included in other costs of electricity sales)	—	149
Total amount recognized in the statement of comprehensive income	**$ 4,451**	**$ 14,679**

14. Loans payable, net

Line of credit

On February 22, 2019, the Company obtained a disbursement for $15,000 under a credit line with Banco Aliado, S.A. (former Banco Panamá, S.A.) for working capital. This credit facility is for $31,500, and collectively with CONO, and as of December 2019, the balance of this credit line is $15,000 and is presented as loans payable, net, in current liabilities, in the statements of financial position. It was fully repaid on January 24, 2020. Additionally, on March 24, 2020, a new disbursement for $15,000 was obtained under this credit line, which was fully paid on October 2, 2020.

14. Loans payable, net (continued)

Line of credit (continued)

On October 2, 2020, the Company obtained a disbursement of $15,000 under a credit line with Bac International Bank, Inc., for working capital. This credit facility is for a limit of $ 15,000 and partial withdrawals may be made. This disbursement was fully paid on December 3, 2020.

Loan payable, net

On May 13, 2016, the Company acquired a syndicated loan for a total of $394,818 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. This loan was canceled in August 2019 with the new syndicated loan.

On July 22, 2016, the Company signed a mortgage agreement on its personal property and liquefied natural gas inventory, with Banistmo Investment Corporation, SA as trustee, in order to guarantee the obligations acquired in the syndicated loan. This contract was valid until December 31, 2019.

On August 2, 2019, the Company acquired a syndicated loan for up to $415,500, with a group of banks and The Bank of Nova Scotia (Panama), as an administrative agent, in order to refinance all amounts outstanding under the syndicated loan of May 13, 2016. Due to early extinguishment of prior debt, the Company paid a penalty of $4,066, presented in the statement of comprehensive income as other expenses, net and recognized a write off of deferred financing cost by $14,182, presented as interest expense, net in the statement of comprehensive income.

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% during 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 $516,016. The funds received through these loans were used to pay the $415,500 loan mentioned before.

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

14. Loans payable, net (continued)

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

	2020	2019
Current loan payable	$ —	$ 15,000
Current loan payable, net	**$ —**	**$ 15,000**
Non-current loan payable	$ —	$ 415,500
Deferred financing costs	—	(4,849)
Non-current loan payable, net	**$ —**	**$ 410,651**

	2020	2019
Deferred financing costs at the beginning of the year	$ 4,849	$ 15,121
Writte off - extinguishment of debt	(852)	(14,182)
Payment of new financing costs	—	7,554
Transferred costs to other debt	(2,977)	—
Amortization of financing cost during the year	(1,020)	(3,644)
Total deferred financing cost at the end of the year	**$ —**	**$ 4,849**

The Company determined that the canceled debt meets the criteria to be accounted, proportionally, as debt extinction and modification. As a result, financial costs of $852 were recorded under the concept of debt extinction and discarded with an impact on the statement of comprehensive income, the rest of $2,977, were recorded under the concept of debt modification, and remain in the statement of financial position as part of costs of the debt obtained on August 10, 2020 and will be amortized during the term thereof.

For the years ended December 31, 2020 and 2019, deferred financing costs have been amortized for $1,020 and $3,644, respectively. The amortization of these deferred financial costs is in the interest expense, net in the statement of comprehensive income.

For the years ended December 31, 2020 and 2019, interest expense associated with the loans was $19,869 and $24,304, respectively.

15. 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.

15. Derivative Financial Instrument (continued)

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

During the construction period, the interest received and paid derived from the swap, were recorded net of amortization as realized derivative instruments, net 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 $7,056, 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, $15 has been amortized for both periods, that has been included in depreciation and amortization in the statements of comprehensive income, and $453 and $151 respectively has been recorded as interest expenses in the statements of comprehensive income.

On August 14, 2019, the Company, collectively with Costa Norte LNG Terminal, S. de R.L., entered into three rate swap transactions, with Citibank, N.A. with the objective of covering 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 loss.

As a result of the debt refinancing (note 14), on August 10, 2020, the Company canceled the hedging instruments contracted jointly with CONO. The settlement cost of these instruments was $34 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.

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

15. Derivative Financial Instrument (continued)

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

	2020	2019
Derivative asset		
Current	$ —	$ —
Non-current	—	17,981
	$ —	**$ 17,981**

16. Authorized capital

As of December 31, 2020 and 2019, the authorized share capital is $150,000, of which $117,100 has been subscribed and paid, represented by 1,171,000 shares with a per share nominal value of $100.

17. Operating, General and Maintenance Expense

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

	2020	2019
Right-of-use asset amortization (Note 13)	$ 1,291	$ 11,209
Insurance	3,949	3,183
Salaries and other benefits	3,792	3,516
Operating lease costs	175	3,201
Contract services	4,149	2,709
Professional fees	417	1,561
Others	4,145	2,799
Compliance fulfillment	7,192	—
Maintenance services	1,113	1,083
Management fee	690	715
Basic services	265	382
Other taxes	60	60
Advertising expenses	23	19
Expenses related to leases of low value and short term contracts (Note 13)	2	2
	$ 27,263	**$ 30,439**

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

18. Interest expense, net

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

	2020	2019
Interest expense - financial	$ (21,456)	$ (24,545)
Interest expense - lease	(3,158)	(3,319)
Subtotal	(24,614)	(27,864)
Deferred financing costs	(1,919)	(3,644)
Write off of deferred financing costs due to early extinguishment debt (Note 14)	(852)	(14,182)
Interest income - financial	1,970	1,256
Subtotal	1,970	1,256
Total	**$ (25,415)**	**$ (44,434)**

19. Other expenses, net

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

	2020	2019
Loss on early extinguishment of debt	$ —	$ (4,066)
Other (expenses) income, net	(1,816)	139
Total other (expense), net	**$ (1,816)**	**$ (3,927)**

20. Income tax

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

	2020	2019
Current	$ (3,341)	$ 3,341
Deferred	4,136	(3,365)
	$ 795	**$ (24)**

In Panama, in accordance with article 699 of the Fiscal Code, modified by article 9 of law 8 of March 15, 2010, effective from 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%.

20. 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).

As of December 31, 2020, the company did not determine the results for the year, therefore the current income tax is $0; 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.

In accordance with the established in Article 710 of the current Tax Code, taxpayers must make their advance payments of income tax based on the determination of the estimated return of the previous year divided into three items to be paid quarterly in the months of June , September and December.

For the 2020 period, no estimated income tax payments were made for the loss obtained in the previous year and The Company have approval of non-application of the CAIR. For the year 2019, estimated income tax payments were made for a total of $1,019 based on the results obtained in 2018.

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)

20. Income tax (continued)

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

	2020	2019
Deferred tax assets:		
Organization expenses	$ 686	$ 4,124
Net operating loss carry forward	2,517	3,076
Lease	1,645	1,682
Accumulated depreciation	1,802	1,901
Derivative - OCI	10,514	—
Total deferred tax assets	**17,164**	**10,783**
Deferred tax liabilities:		
Labor provisions	(17)	—
Non deductible amortization - lease capitalized	(1,033)	(1,088)
Salvage value of property, plant and equipment	(93)	(53)
Derivative - OCI	—	(2,629)
Total deferred tax liability	**(1,143)**	**(3,770)**
Total deferred tax asset, net	**$ 16,021**	**$ 7,013**

Organization Costs

For the years ended December 31, 2020 and 2019, the net deferred tax asset is mainly composed of the following items: Organization costs and tax losses pending of amortization.

Under income tax regulations, organizational and pre-operation expenses can be deducted in the year in which they are incurred or over a period of 5 years.

During the construction of the LNG power plant, the Company incurred costs and expenses that did not qualify for capitalization and were recognized in the statement of comprehensive income in the year in which they incurred. An amount of $20,152 for tax purposes was considerate as organizational costs and deferred. During the year ended December 31, 2020, the Company maintained a remaining balance of organization cost of $2,744, that can be used until 2023.

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 in no more than 20% of said loss with a limit of 50% of the taxable income of each year.

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

20. Income tax (continued)

The net operating loss carryforward to be deducted during the next 5 years is as follows:

Year	Amounts
2021	$ 2,517
2022	2,517
2023	2,517
2024	2,517
Total	**$ 10,068**

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, 2019.

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.

This four percent (4%) rate is called the "Deemed Tax" and is considered an advance on the dividend tax. During the years ended December 31, 2019 and 2018, the Company did not pay deemed tax because it did not paid dividends.

Transfer Pricing Law

During 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 the operations carried out with related parties will not have a significant impact on the provision of income tax for the year 2020.

20. Income tax (continued)

Through Executive Decree No. 46 of 2019, the obligation to present the Country by Country report is established for companies that are residents for tax purposes in Panama and that belong to a multinational group.

21. Commitments and Contingencies

Fuel contracts

On February 25, 2016, the Company signed a contract for the purchase of LNG with Total Gas & Power Limited London (formerly Engie, S.A.), effective from 2018 until February 2026.

Power Purchase Agreement (PPA)

On August 31, 2015, the Company participated in the ETESA long-term bidding process 01-15 and on September 28, 2015 ETESA notified the award of the main offer submitted by the Company for the supply of 350MW of power.

On October 29, 2015, the Company signed the power purchase agreements associated with the three distribution companies as a result of the award (EDEMET 16-15, EDECHI 17-15 and ELEKTRA 04-15) to start supply from May 1, 2018 for a period of 10 years.

Subsequently, on May 11, 2016, amendment No. 1 was signed adapting the interconnection point, and on April 12, 2017, amendment No. 2 was signed changing the supply period from September 1, 2018 to August 31, 2028.

Credit facilities

On February 22, 2019, the Company entered into a line of credit with Banco Aliado, S.A. (former Banco Panama, S.A.) collectively with CONO by $31,500. For this credit line, the Company obtained a disbursement for $15,000 for working capital. This credit facility was fully repaid on January 24, 2020. Additionally, on March 24, 2020, a new disbursement for $ 15,000 was obtained under this credit line, which was fully paid on October 2, 2020.

On February 21, 2020, the Company contracted a letter of credit for $ 25,000 with The Bank of Nova Scotia to support the purchase of LNG in favor of Total Gas and Power Limited, the expiration of this letter of credit is on February 25, 2021 .

The Company contracted a letter of credit for $5,552 with Banco General, S.A. to guarantee energy purchases in occasional market and MER and transmission costs payments in favor of Empresa de Transmisión Eléctrica, S.A. (ETESA). The maturity date of this line of credit is on December 31, 2021.

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

21. Commitments and Contingencies (continued)

Services

On June 2, 2016, the Company signed an operating & maintenance agreement for the generation plant with General Electric International, Inc. for an estimated total amount of $44,000, through June 2041. As of December 31, 2020, the Company has received spare parts totaling $5,524 related to this contract, This spare parts are fully paid and the advance payments derived from this contract is presented as prepaid assets in the statements of financial position for $1,106.

22. Fair Value of Financial Instruments

The Company established a process to determine fair value of financial instruments. 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, 2020 and 2019, are detailed below:

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Current derivative instruments	$ —	$ —	$ —	$ —
Non-current derivative instruments	—	—	17,981	17,981
	$ —	**$ —**	**$ 17,981**	**$ 17,981**

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Current loan payable, net				
Current loans, net	$ —	$ —	$ 15,000	$ 15,000
Current loans and interest payable to affiliate	$ 22,878	$ 24,800	—	—
Non-current loans, net	—	—	410,651	410,651
Non-current loans payable to affiliate, net	484,123	524,789	—	—
	$ 507,001	**$ 549,589**	**$ 425,651**	**$ 425,651**

22. 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, related parties and affiliates, due to their short maturity nature, is considered equal to their fair value.

- The fair values for the loans payable estimated as of December 31, 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 are 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.

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

22. Fair Value of Financial Instruments (continued)

The classification of the derivative is presented below:

		2020			2019		
		Derivative instrument Asset		Other comprehensive income	Derivative instrument Asset		Other comprehensive income
Derivative Instrument	Clasification	Current	Non - current		Current	Non - current	
SWAP	Financial instrument Asset and Liability recognized with change in other comprehensive income	$ —	$ —	$ (17,981)	$ —	$ 17,981	$ 5,042
	Total derivative instruments- level 2	**$ —**	**$ —**	**$ (17,981)**	$ —	$ 17,981	$ 5,042

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

23. Risk and Capital Management

Risk Management

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

- Market risk
- Fuel price 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, which is also responsible for the development and monitoring of the Company's risk management policies.

23. Risk and Capital Management (Continued)

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 the financial instruments. The objective of market risk management is to manage and control exposures to market risk within acceptable parameters, while optimizing risk performance.

The price of energy in the occasional market varies depending on the dry or rainy season and the extreme climatic conditions that may occur in the geography regions where the hydroelectric plants operate, the fuel prices of the international market and availability of thermal power and energy demand of the country.

The Company maintains contracts with the distribution companies and affiliates, for capacity and energy supply. For 2019, the Company maintains 98.67% of its firm contracted capacity and it is estimated that this percentage of contracting will be at these levels for future periods. In this way, the administration minimizes the impact of changing sales prices in the occasional market. However, at any time, in the months of low contributions, the Company could resort to the purchase of energy in the occasional market at prices higher than the prices established in the current sales contracts, but this condition will depend on the prices of the fuels used for generation (LNG).

Considering the prior evaluation and approval of the administration, the Company only invests in savings accounts with fixed interest rates.

On March 11, 2020, the World Health Organization raised the emergency situation of public health caused by the outbreak of the coronavirus (COVID-19) to an international pandemic. The rapidly evolving events, on a national and international scale, supposes a health crisis without precedents, which will impact the macroeconomic environment and business performance. To face the economic and social impact of COVID-19, among other measures, the Government of Panama has proceeded to the approval of a series of extraordinary urgent measures, to address the COVID-19 Pandemic. In response to the COVID-19 pandemic, we implemented changes we determined were in the best interest of our employees, as well as the best interests of communities in which we operate. This includes employees working from home in the to the extent possible, while additional security measures are implemented foremployees continuing critical work on the site.

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

23. Risk and Capital Management (continued)

Fuel price risk

The Company maintains contracts for the sale of energy and capacity with distribution companies, and affiliated companies, with the purpose of minimizing exposure to the risk of price changes in the occasional market.

The fuel used by the Company's generating units is LNG. High fuel prices can increase the cost of generation and therefore financial conditions and operating results. The Company administration monitors the risk through proper planning of fuel purchases with short-term suppliers.

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.

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 indicates 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 a Management and Collection Bank that the CND runs, 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 risk. The maximum exposure to credit risk is represented by the balance of accounts receivable included in the statements of financial position.

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 long-term assets with short-term liabilities.

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

23. Risk and Capital Management (continued)

Risk Management (continued)

Liquidity risk (continued)

The 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.

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 summarizes the maturity profile of the financial liabilities based on contractual undiscounted payments as 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 affiliates	$ —	$ 22,878	$ 85,675	$ 398,448	$ 507,001
Accounts payable - supplier	14,802	—	—	—	14,802
Accounts payable - affiliates	—	26,457	—	—	26,457
Accrued interest	—	—	—	—	—
Accrued expenses and other liabilities	1,388	699	—	—	2,087
Other liabilities	—	—	—	40,990	40,990
	$ 16,190	**$ 50,034**	**$ 85,675**	**$ 439,438**	**$ 591,337**

	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	$ 15,000	$ —	$ 410,651	$ —	$ 425,651
Accounts payable - supplier	7,954	—	—	—	7,954
Accounts payable - affiliates	—	33,148	—	—	33,148
Accrued interest	—	284	—	—	284
Accrued expenses and other liabilities	2,429	699	—	—	3,128
Other liabilities	—	—	—	40,990	40,990
	$ 25,383	**$ 34,131**	**$ 410,651**	**$ 40,990**	**$ 511,155**

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

23. Risk and Capital Management (continued)

Risk 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 a result of the volatility of the LIBOR rate on the cash flows associated with this loan (Note 7).

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.

24. Changes in liabilities of financing activities

The changes in liabilities of financing activities are as follow:

2020

	Balance as of January 1, 2020	Cash flow received	Cash flow payments	Deferred financing cost	Write off of deferred financing cost	Accretion of interest	Non cash movements	Balance as of December 31, 2020
Loans payable, net	$ 425,651	$ 546,016	$(476,160)	$ 1,919	$ 852	$ —	$ 718	$ 498,996
Other liabilities	41,689	—	(2,724)	—	—	3,158		42,123
	$ 467,340	**$ 546,016**	**$(478,884)**	**$ 1,919**	**$ 852**	**$ 3,158**	**$ 718**	**$ 541,119**

2019

	Balance as of January 1, 2019	Cash flow received	Cash flow payments	Deferred financing cost	Write off of deferred financing cost	Accretion of interest	Non cash movements	Balance as of December 31, 2019
Loans payable, net	$ 390,697	$ 430,500	$(413,372)	$ 3,644	$ 14,182	$ —	$ —	$ 425,651
Other liabilities	—	—	(14,409)	—	—	3,319	52,779	41,689
	$ 390,697	**$ 430,500**	**$(427,781)**	**$ 3,644**	**$ 14,182**	**$ 3,319**	**$ 52,779**	**$ 467,340**

25. Subsequent Events

On March 25, 2021, the Company signed a loan contract receivable with Gas Natural Atlántico II, S.R.L. for an amount of $600, the annual interest rate is 6.50%, its maturity is December 31, 2023, both the principal and the accumulated interest are payable at the end of the loan term.

****