Unaudited interim condensed financial statements

AES Panama Generation Holdings, S.R.L.

As of March 31, 2020

AES Panama Generation Holdings, S.R.L.
Statements of Financial Position
As of March 31, 2020

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

ASSETS		
Other account receivable		100
Total assets	**$**	**100**
LIABILITIES AND STOCKHOLDERS´ EQUITY		
Stockholders´equity		
Authorized capital		100
Total liabilities and stockholders´ equity	**$**	**100**

Yessenia I.Quintero
CPA 8686

1. Organization and Nature of Operations

AES Panama Generation Holdings, S.R.L. (the Company) was incorporated on March 20, 2020 under the laws of the Republic of Panama, with its owners AES EDC Holding, LLC, established under the laws of Delaware, United State of America, with 50% of participation (50,000 shares) and AES Foreing Energy Holdings, LLC., established under the laws of Delaware, United State of America, with 50% of participation (50,000 shares) boths companies indirectly owned 100% by the AES Corporation.

The objects of the Company are: Direction, administration and/or support of operations, strategic planning services, business development, personnel training, operation control and/or logistic, technical assistance, technical support, logistics and marketing, development and research, financial and/or administrative assistance, electronic processing of any activity and technical services to clients that have acquired certain products.

The main offices of the Company are locted in Panama Pacifico, Arraijan, Republic of Panama, but the Company may have branches or offices in any part of the world, as established by the Administrators.

Unaudited interim condensed financial statements

AES Panamá, S.R.L.

As of March 31, 2020 and December 31, 2019 and for the three month periods ended March 31, 2020 and 2019

CONTENT

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

Notes		2020 (Unaudited)	2019 (Audited)
	ASSETS		
	Current Assets		
4	Cash and cash equivalents	$ 56,551	$ 29,608
	Accounts receivable:		
	Trade	7,146	5,859
5	Related parties	60,027	64,393
5	Affiliates	3,813	3,374
	Others	260	213
	Inventories, net	6,570	5,720
	Prepaid income tax, net	6,877	13,016
	Prepaid expenses	5,579	1,798
	Total current assets	146,823	123,981
	Non-current assets		
6	Property, plant and equipment, net	475,163	482,155
	Intangible assets, net	3,630	4,514
	Advances to suppliers	1,839	1,880
7	Investment in affiliate	49,098	48,634
3	Restricted cash	2,605	2,540
8	Right-of-use asset, net	124,122	124,735
9	Other assets	72,028	28
	Total non-current assets	728,485	664,486
	TOTAL ASSETS	**$ 875,308**	**$ 788,467**

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

Notes		**2020** (Unaudited)	**2019** (Audited)
	LIABILITIES AND STOCKHOLDERS' EQUITY		
	Current liabilities		
	Accounts payable:		
	Suppliers	$ 8,916	$ 16,332
5	Related parties	4,653	9,264
5	Affiliates	16,985	8,860
	Interest payable	6,161	466
	Accrued expenses and other liabilities	16,740	16,292
	Total current liabilities	53,455	51,214
	Non-current liabilities		
	Seniority premium	702	646
	Accounts payable	741	741
9 & 16	Loan payable, net	70,003	—
9 & 16	Bonds payable, net	373,436	373,274
15	Deferred income tax, net	71,240	81,360
10	Derivatives	31,173	—
	Asset retirement obligation	1,500	1,500
8	Other liabilities	144,380	142,430
	Total non-current liabilities	693,175	599,951
	STOCKHOLDERS' EQUITY		
	Authorized capital	115,365	115,365
	Additional paid-in-capital	14,555	14,535
	Retained earnings	21,732	9,646
	Deemed tax	(161)	(161)
	Other comprehensive loss	(22,813)	(2,083)
	Total stockholders' equity	128,678	137,302
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 875,308**	**$ 788,467**

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

AES Panamá, S.R.L.
Unaudited Interim Condensed Statements of Comprehensive Income
For the three months ended March 31, 2020 and 2019
(Expressed in thousands of dollars of the United States of America)

Notes		2020	2019
		(Unaudited)	
	Revenue		
5	Electricity sales	$ 81,775	$ 83,877
	Operating costs and expenses		
5	Electricity purchases	31,833	45,365
	Other costs of electricity sales	2,442	8,509
5	Transmission costs	1,534	1,870
5, 8 & 12	Operating, general and maintenance expense	12,913	12,451
	Depreciation and amortization	8,412	9,410
	Total operating costs and expenses	57,134	77,605
	Operating income	24,641	6,272
	Other (expenses) income		
8 &13	Interest expense, net	(8,429)	(8,001)
	Accretion expense	—	(16)
14	Other income, net	341	484
7	Equity earnings (loss) in investment in affiliate	445	(2,567)
	Total other expenses, net	(7,643)	(10,100)
	Income (loss) before income tax expense	16,998	(3,828)
15	Income tax expense	4,912	378
	Net income (loss)	$ 12,086	$ (4,206)
	Net other comprehensive loss that will be reclassified to profit or loss in subsequent periods:		
10	Changes in the fair value of derivative instruments	(29,642)	—
	Deferred tax	8,893	—
	Other comprehensive loss of derivative instruments	(20,749)	—
	Amortization of other comprehensive income of affiliate	19	20
	Other comprehensive (loss) income	(20,730)	20
	Total other comprehensive loss	**$ (8,644)**	**$ (4,186)**

The accompanying notes are an integral part of these unaudited interim condensed financial statements

AES Panamá, S.R.L.
Unaudited Interim Condensed Statements of Changes in Stockholders' Equity
For the three months ended March 31, 2020 and 2019
(Expressed in thousands of dollars of the United States of America)

	Notes	**Authorized capital**	**Additional paid-in-capital**	**Retained earnings**	**Deemed tax**	**Other comprehensive loss**	**Total shareholders' equity**
Balance as of January 1, 2019		$ 141,139	$ 14,464	$ 4,314	$ (161)	$ (2,161)	$ 157,595
Net loss		—	—	(4,206)	—	—	(4,206)
Other comprehensive income of affiliate		—	—	—	—	20	20
Total other comprehensive income		—	—	(4,206)	—	20	(4,186)
Share based compensation		—	14	—	—	—	14
Balance as of March 31, 2019 (unaudited)		**$ 141,139**	**$ 14,478**	**$ 108**	**$ (161)**	**$ (2,141)**	**$ 153,423**
Balance as of January 1, 2020		$ 115,365	$ 14,535	$ 9,646	$ (161)	$ (2,083)	$ 137,302
Net income		—	—	12,086	—	—	12,086
Changes in the fair value of derivative instruments	10	—	—	—	—	(29,642)	(29,642)
Other comprehensive income of affiliate		—	—	—	—	19	19
Deferred tax		—	—	—	—	8,893	8,893
Total other comprehensive income		—	—	12,086	—	(20,730)	(8,644)
Share based compensation		—	20	—	—	—	20
Balance as of March 31, 2020 (unaudited)		**$ 115,365**	**$ 14,555**	**$ 21,732**	**$ (161)**	**$ (22,813)**	**$ 128,678**

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

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

Notes			2020		2019
	Cash flows from operating activities		(Unaudited)		
	Net income (loss)	$	12,086	$	(4,206)
	Adjustments to reconcile net income to net cash (used in) provided by operating activities:				
6	Depreciation		7,177		8,345
8	Right-of-use asset amortization		3,247		3,257
	Amortization		1,232		1,062
	Amortization of other comprehensive income		3		3
16	Loss on realized/unrealized derivatives		73		—
14	Loss on retirement of property, plant and equipment		14		126
	Accretion expenses		—		16
	Interest income		(144)		(236)
	Interest expense		8,411		8,214
9	Amortization of deferred financing costs		283		260
9	Amortization of bond premium		(121)		(114)
5	Amortization of account receivable discount		—		(123)
7	Equity (earnings) loss in investment in affiliate		(445)		2,567
15	Income tax expense		4,913		378
	Share-based compensation		20		14
	Cash flows before working capital movements		36,749		19,563
	Changes in operating assets and liabilities:				
	Decrease in accounts receivable		2,602		3,267
	(Increase) decrease in inventories		(850)		1,579
	Increase in prepaid expenses		(3,775)		(501)
5 & 8	Increase in other long-term assets		(71,387)		—
	(Decrease) increase in accounts payable		(3,072)		6,738
	Decrease in accrued expenses and other liabilities		(2,358)		(4,882)
	Increase in seniority premium		56		54
12	Increase in other long-term liabilities		(824)		747
	Interest received		135		233
	Net cash (used in) provided by operating activities		(42,724)		26,798
	Carried forward….	$	(42,724)	$	26,798

AES Panamá, S.R.L.
Unaudited Interim Condensed Statements of Cash Flow (Continued)
For the three months ended March 31, 2020 and 2019
(Expressed in thousands of dollars of the United States of America)

		2020	2019
		(Unaudited)	
	Brought forward…	$ (42,724)	$ 26,798
	Cash flows from investing activities		
	Advance payments for the acquisition of property, plant and equipment	—	(71)
6	Acquisition of property, plant and equipment	(1,332)	(2,761)
	Acquisition of intangible assets	(3)	(110)
	Restricted cash	(65)	(85)
	Net cash used in investing activities	(1,400)	(3,027)
	Cash flows from financing activities		
	Payment of loan	—	(6,000)
9	Proceeds from new loans	72,000	—
	Payments of lease liabilities	(383)	(237)
6	Payment of financing for property, plant and equipment	—	(376)
	Payment of financing costs	(550)	—
	Net cash provided by (used in) financing activities	71,067	(6,613)
	Net increase in cash and cash equivalents	26,943	17,158
	Cash and cash equivalents at the beginning of the year	29,608	15,841
	Cash and cash equivalents at the end of the period	**$ 56,551**	**$ 32,999**
	Supplementary disclosure		
	Property, plant and equipment purchases not paid at the end of the period	$ 812	$ 419

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

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

1. Organization and Nature of Operations

AES Panamá, S.R.L. (the Company) was incorporated on October 26, 1999 as a result of the merger of Empresa de Generación Eléctrica Chiriquí, S. A. (Chiriquí) and Empresa de Generación Eléctrica Bayano, S. A. (Bayano). Chiriquí and Bayano were incorporated as companies on January 19, 1998 in connection with the privatization and restructuring of the Panamanian energy industry.

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

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 unaudited interim condensed financial statements of the three months ended March 31, 2020 and 2019 have been prepared in accordance with the IAS 34 Interim Financial Reporting.

The unaudited interim condensed financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2019.

3. Summary of Accounting Policies

The accounting policies adopted in the preparation of the unaudited interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2019.

4. Cash and cash equivalents

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

	2020	2019
Petty cash	$ 10	$ 10
Bank deposits	43,502	13,552
Time deposits	13,039	16,046
	$ 56,551	**$ 29,608**

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

4. Cash and cash equivalents (continued)

The average interest rate for time deposits with maturities of less than 3 months is 1.24% and 1.58% for the three months ended March 31, 2020 and December 31, 2019, respectively.

5. Balances and Transactions with Affiliates and Related Parties

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

In the unaudited interim condensed statements of financial position:	**2020**	**2019**
Accounts receivable-related parties short-term:		
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	$ 26,789	$ 29,425
Elektra Noreste, S.A. (ENSA)	13,436	14,945
Empresa de Transmisión Eléctrica, S.A. (ETESA)	3,083	3,149
Ministerio de Economía y Finanzas	9,580	9,580
Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI)	5,253	5,846
Caja de Seguro Social	1,572	1,126
Bahía Las Minas, Corp.	17	8
Enel Fortuna, S.A.	117	103
Electropaulo Metropolitana Electricidade de Sao Paulo S.A.	62	62
Contraloría General de la República	85	127
Autoridad del Canal de Panamá	33	22
	$ 60,027	**$ 64,393**
Accounts payable:		
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	$ 1,597	$ 1,065
Enel Fortuna, S. A.	641	4,422
Autoridad del Canal de Panamá	733	186
Empresa de Transmisión Eléctrica, S.A. (ETESA)	66	219
Elektra Noreste, S.A. (ENSA)	766	2,104
Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI)	81	157
Empresa de Generación Eléctrica, S.A. (EGESA)	17	51
Electropaulo Metropolitana Electricidade de Sao Paulo S.A.	22	22
Bahía Las Minas, Corp.	730	1,038
	$ 4,653	**$ 9,264**

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

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

In the unaudited interim condensed statements of comprehensive income, the transactions with related parties during the three months ended March 31, 2020, and 2019, are as follows:

In the unaudited interim condensed statements of comprehensive income:	**2020**	**2019**
Electricity sales:		
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	$ 40,805	$ 45,549
Elektra Noreste, S.A. (ENSA)	20,744	22,054
Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI)	7,981	8,638
Bahía Las Minas, Corp.	21	—
Empresa de Transmisión Eléctrica, S.A. (ETESA)	—	856
Caja de Seguro Social	651	734
Enel Fortuna, S.A.	164	37
Contraloría General de la República	94	83
Autoridad del Canal de Panamá	36	1
	$ 70,496	**$ 77,952**
Transmission costs:		
Empresa de Transmisión Eléctrica, S.A. (ETESA)	$ 1,530	$ 1,849
Bahía Las Minas, Corp.	4	21
	$ 1,534	**$ 1,870**
Electricity purchases:		
Enel Fortuna, S.A.	$ 1,693	$ 2,446
Autoridad del Canal de Panamá	3,079	2,896
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	2,425	9,244
Bahía Las Minas, Corp.	317	4,004
Empresa de Transmisión Eléctrica, S.A. (ETESA)	1,137	23
Elektra Noreste, S.A. (ENSA)	—	1,738
Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI)	—	1,676
Empresa de Generación Eléctrica (EGESA)	19	12
	$ 8,670	**$ 22,039**
Other costs of electricity sales: (variable transmission costs)		
Empresa de Transmisión Eléctrica, S.A. (ETESA)	$ 556	$ 199
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	296	193
	$ 852	**$ 392**

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

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

In the unaudited interim condensed statements of comprehensive income:	**2020**	**2019**
Interest expense, net		
Ministerio de Economía y Finanzas (amortization of compensatory fund)	$ —	$ (123)
	$ —	**$ (123)**

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

In the unaudited interim condensed statements of financial position:	**2020**	**2019**
Accounts receivable affiliates:		
AES Global Power Holdings B.V.	$ 1,455	$ 1,455
AES Changuinola, S.R.L.	1,276	1,075
Global Energy Holdings C.V.	189	189
AES Tietê Energia S.A.	177	177
AES Argentina Generacion S.A.	134	134
Gas Natural Atlántico S. de R.L.	310	97
AES Latin America S. de R.L.	48	30
The AES Corporation	14	14
Other affliliates	210	203
	$ 3,813	**$ 3,374**
Accounts payable affiliates:		
Gas Natural Atlántico S. de R.L.	$ 2,936	$ 3,203
AES Changuinola, S.R.L.	8,559	1,939
AES Latin America S. de R.L.	5,275	3,517
The AES Corporation	4	16
Other affliliates	211	185
	$ 16,985	**$ 8,860**

The transactions with affiliates for the three months ended March 31, 2020 and 2019 in the unaudited interim condensed statements of comprehensive income, are as follows:

In the unaudited interim condensed statements of comprehensive income:	**2020**	**2019**
Electricity Sales:		
AES Changuinola, S.R.L.	$ 931	$ 919
Gas Natural Atlántico S. de R.L.	242	673
AES CLESA y Cía, S. en C. de C.V.	6	—
	$ 1,179	**$ 1,592**

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

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

In the unaudited interim condensed statements of comprehensive income:	**2020**	**2019**
Electricity purchases:		
AES Changuinola, S.R.L.	$ 13,590	$ 2,119
Gas Natural Atlántico S. de R.L.	4,689	8,464
AES CLESA y Cía, S. en C. de C.V.	30	—
	$ 18,309	**$ 10,583**
Operating, general and maintenance expense (Management fee):		
AES Solutions LLC	$ —	$ 1,758
AES Latin America S. de R.L.	1,758	—
AES Servicios América S.R.L.	31	44
	$ 1,789	**$ 1,802**
Other (expense) income, net (Administrative services income):		
AES Changuinola, S.R.L.	$ 198	$ 198
	$ 198	**$ 198**

6. Property, Plant and Equipment, net

The activity in property, plant and equipment, net, for the three months ended March 31, 2020 and 2019 is detailed as follows:

	March 31, 2020						
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:							
Balance at January 1, 2020	$ 5,938	$ 249,250	$ 712,691	$ 7,624	$ 2,297	$ 8,471	$ 986,271
Additions	—	—	—	12	—	559	571
Reclassifications and adjustments	—	38	641	—	—	(1,051)	(372)
Sales and disposals	—	—	(34)	—	—	—	(34)
Balance at March 31, 2020	5,938	249,288	713,298	7,636	2,297	7,979	986,436
Accumulated depreciation:							
Balance at January 1, 2020	—	129,780	365,803	6,706	1,827	—	504,116
Depreciation	—	762	6,261	107	47	—	7,177
Sales and disposals	—	—	(20)	—	—	—	(20)
Balance at March 31, 2020	—	130,542	372,044	6,813	1,874	—	511,273
Net balance	**$ 5,938**	**$ 118,746**	**$ 341,254**	**$ 823**	**$ 423**	**$ 7,979**	**$ 475,163**

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

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

	March 31, 2019						
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:							
Balance at January 1, 2019	$ 5,702	$ 249,250	$ 708,757	$ 8,064	$ 2,222	$ 9,533	$ 983,528
Additions	—	—	—	13	—	499	512
Reclassifications and adjustments	—	—	1,638	4	—	(1,642)	—
Sales and disposals	—	—	(220)	—	—	—	(220)
Balance at March 31, 2019	5,702	249,250	710,175	8,081	2,222	8,390	983,820
Accumulated depreciation:							
Balance at January 1, 2019	—	126,657	337,729	6,827	1,664	—	472,877
Depreciation	—	779	7,376	125	65	—	8,345
Sales and disposals	—	—	(94)	—	—	—	(94)
Balance at March 31, 2019	—	127,436	345,011	6,952	1,729	—	481,128
Net balance	**$ 5,702**	**$ 121,814**	**$ 365,164**	**$ 1,129**	**$ 493**	**$ 8,390**	**$ 502,692**

For the three months ended March 31, 2020 and 2019, the Company capitalized interest of $99 and $112, respectively and deferred financing costs of $5 each period.

7. Investment in affiliate

The Company has a 20% interest in its affiliate AES Changuinola, S.R.L., which owns an hydroelectric plant with an installed capacity of 223 megawatts in the Province of Bocas del Toro.

As of March 31, 2020 and December 31, 2019, the investment in affiliate is shown below:

		% of equity participation			
Affiliate	Commercial activity	**2020**	**2019**	**2020**	**2019**
AES Changuinola, S.R.L.	Electricity generation	20%	20%	$ 49,098	$48,634

For the three months ended March 31, 2020								
Affiliate	Assets	Liabilities	Equity	Revenue	LTC and deemed tax	Net Income	Other comprehensive Income	Equity participation
AES Changuinola, S.R.L.	$ 615,985	$ 370,496	$ 245,489	$ 18,133	$ 15,909	$ 2,224	$ 97	$ 445

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

7. Investment in affiliate (continued)

As of December 31, 2019 and the three months ended March 31, 2019 Affiliate	Assets	Liabilities	Equity	Revenue	LTC and deemed tax	Net Loss	Other comprehensive Income	Equity participation
AES Changuinola, S.R.L.	$ 610,093	$ 366,925	$ 243,168	$ 6,628	$ 19,462	$ (12,834)	$ 97	$ (2,567)

For the three months ended March 31, 2020 and 2019, the Company has recorded in relation to its 20% share in earnings of AES Changuinola, S.R.L., an income of $445 and a loss of $(2,567), respectively. These amounts are presented as equity earnings (loss) in investment in affiliate in the unaudited interim condensed statements of comprehensive income for the three months ended March 31, 2020 and 2019.

The investment is recorded in the unaudited interim condensed statements of financial position in the category of investment in affiliate.

8. Lease

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

	Land	Building	Electricity Generation facilities	Total
As of January 1, 2019	$ 1,334	$ 2,457	$ 133,940	$ 137,731
Amortization expense	(1,231)	(603)	(11,162)	(12,996)
As at December 31, 2019	$ 103	$ 1,854	$ 122,778	$ 124,735
Additions	2,250	—	384	2,634
Amortization expense	(265)	(151)	(2,831)	(3,247)
As of March 31, 2020	**$ 2,088**	**$ 1,703**	**$ 120,331**	**$ 124,122**

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

8. Lease (continued)

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

	2020	2019
Balance as of January 1	$ 151,224	$ 144,644
Additions	2,544	—
Accretion of interest	2,742	10,384
Payments	(2,628)	(3,804)
Balance at the end of the period	**$ 153,882**	**$ 151,224**
Current	**$ (9,502)**	**$ (8,794)**
Non-current	**$ (144,380)**	**$ (142,430)**

The following are the amounts recognized for the three months ended March 31, 2020 and 2019, included in the unaudited interim condensed statement of comprehensive income:

	2020	2019
Amortization expense of right-of-use assets (included in operating, general and maintenance expense)	$ 3,247	$ 3,257
Interest expense on lease liabilities (included in interest expense, net)	2,742	2,559
Variable lease payments (included in other cost of electricity sales)	—	30
Total amount recognized in the unaudited interim condensed statement of comprehensive income	**$ 5,989**	**$ 5,846**

The balances of right-of-used assets and lease liabilities correspond to the following contracts:

- Land: The Company has a lease contract with Refinería Panamá, S.R.L. for the land located in Bahía Las Mina, Province of Colón in Panamá which was used by the Company for the ground based equipment needed for installation and connection of the electric power generation Barge Estrella del Mar I. This lease was effective for five years starting in March 2015, the date of commercial operation of the Barge Estrella del Mar I. In January 2020, the lease was extended to June 2020.

- Land: The Company has two lease contracts for the installation and operation of photovoltaic panels and any infrastructure and equipment that is necessary or convenient for the expansion of solar power generation plants. A lease contract with Hacienda El Hato, S.A. for the land located in Pesé, Province of Herrera in Panamá has been executed for thirty five years and the other contract with Grupo Vásquez Castillo, S.A. for the land located in Pocrí, Province of Los Santos in Panamá has been executed for thirty years. Both leases starting in March 2020.

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

9. Financial debts, net

Bonds payable, net

On June 18, 2015, the Company issued new bonds for $300,000. This new debt was subscribed and distributed by Banco General, S.A. and Deutsche Bank Securities Inc. issued under rule 144A/ Regulation S of the New York Stock Exchange in the local and international market with a due date of June 25, 2022 and an annual interest rate of 6.00% with a single payment upon maturity, and semiannual interests payments. In October 2016, the Company re-opened the 2022 bonds, issuing an additional $75,000, under the same terms and conditions as the original issuance.

Net deferred financing costs related to this financing total $2,725 and $3,008 as of March 31, 2020 and December 31, 2019, respectively.

The 2022 bonds were issued in accordance with the provisions of the Note Issuance Facility signed by AES Panamá, S.R.L. and Deutsche Bank Trust Company Americas, as trustee.

Relevant commitments and restrictions of the bonds payable are detailed below:

a. The Company has to maintain a "Debt Service Reserve Account" with the funds deposited and available to secure the semiannual interest payments.
b. Audited financial statements must be presented no later than 120 days after the close of the fiscal period.

As of March 31, 2020, the Company is in compliance with all of its covenants.

As part of the agreements established in the debt, the Company is obliged to secure the next interest payment, during the term of the agreement, by a letter of credit or cash. The Company decided to secure it by a letter of credit of $11.3 million.

As of March 31, 2020 and December 31, 2019, bonds payable, were as follows:

	2020	2019
Bonds	$ 375,000	$ 375,000
Unamortized premium	1,161	1,282
Deferred financing cost, net	(2,725)	(3,008)
Total bonds payable,net	**$ 373,436**	**$ 373,274**

Amortization of the premium and deferred financial cost is included in interest expense, net in the accompanying unaudited interim condensed statements of comprehensive income.

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

9. Financial debts, net (continued)

Loan payable, net

On March 20, 2020, the Company signed a syndicated non-ratifying line of credit agreement with Banco General, S.A. and The Bank of Nova Scotia for $72 million for the acquisition of the Unión Eólica Penonomé I (UEP I) wind farm project in the province of Cocle, Republic of Panama with a capacity of 55MW. The interest rate of this credit line is LIBOR plus a margin of 3.5% per year or a minimum rate of 5% per year, if applicable; payable every three months and the repayment term of the disbursement is March 24, 2022. The total amount was received on March 24, 2020.

On March 23, 2020, the Company signed a Waiver and Amendment to the syndicated non-ratifying line of credit, waiving the obligation to sign the Purchase and Sale Agreement prior to the disbursement of the loan. Also, including the following conditions after such initial disbursement for $72 million occurs:

- The disbursement for $72 million will be deposited in an account of the Company with Banco General, which will then be debited prior to issuing the payment promise letter.
- Banco General will issue a payment promise letter to the sellers of the project. Such payment promise letter will have a validity of 30 days, which can be extended by discretion of Banco General. In the case that the payment promise letter is not issued or not paid to the seller, the Company agrees to return the funds within 5 days to Banco General to pay-off the syndicated non-ratifying line of credit.
- In the case that the Company does not return the funds, Banco General will take the funds in escrow to pay-off the syndicated non-ratifying line of credit.

On March 25, 2020, the Company transferred $72 million to Banco General to be kept in escrow pending that issuance of the payment promise letter in favor of the sellers of the Project. This amount is included in the unaudited condensed interim statements of financial position as other assets. On April 28, 2020 Banco General issued the payment promise letter to the seller.

As of March 31, 2020, loan payable, was as follows:

		2020
Loan	$	72,000
Discount		(1,458)
Deferred financing cost, net		(539)
Total bonds payable,net	**$**	**70,003**

Amortization of deferred financing cost is included in interest expense, net in the accompanying unaudited interim condensed statements of comprehensive income.

As part of the agreements established in the debt, the Company is obliged to present audited financial statements no later than 120 days after the close of the fiscal period.

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

10. Derivatives

As of March 31, 2020, the derivative liabilities are as follows:

		2020
Non-current derivative instruments	$	29,642
Non-current embedded derivatives		1,531
Total derivative liabilities	**$**	**31,173**

The Company entered into the following hedging agreements as part of their risk management strategy to cover the potential refinancing risk of the $375 million notes due in 2022.

10. Derivatives (continued)

Transaction	Trade date	Notional Amount ($ million)	Bank	Effective date	Term (years)	Description
Rate Swap	Feb-6-20	$125	The Bank of Nova Scotia	Jun-30-21	10	The Company exchanged a fixed interest rate of 1.6759% to a floating rate LIBOR 3-month
Rate Swap	Feb-7-20	$125	Citibank, N.A.	Jun-30-21	10	The Company exchanged a fixed interest rate of 1.5905% to a floating rate LIBOR 3-month
Rate Swap	Feb-10-20	$125	JPMorgan Chase Bank N.A.	Jun-30-21	10	The Company exchanged a fixed interest rate of 1.5643% to a floating rate LIBOR 3-month

The derivatives, whose fair value is $29,642, have been designated as cash flow hedge instruments. Therefore, the unrealized portion is presented in the Company's unaudited interim condensed financial statements as other accumulated comprehensive income.

Embedded derivative

The syndicated line of credit agreement mentioned in Note 9 computes interest at LIBOR rate plus a margin of 3.5% per year or a minimum rate of 5% per year, if determined applicable. Due to the low levels of the LIBOR rate, at the date of acquisition of the loan, the interest rate was determined with the minimum rate.

The Company determined that the minimum contract rate was "in the money", at the date of acquisition of the loan. According to the application guide appendix B of the International Financial Reporting Standard 9 (Financial Instruments), an embedded option-based derivative (such as an embedded put, call, cap, floor or swaption), must be separated from its host contract and accounted at fair value on each reporting date. Therefore, as of March 31, 2020, the Company recognized an embedded derivative liability for $1,531, which is presented in the unaudited interim condensed statements of financial position in the caption derivatives.

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

11. Commitments and Contingencies

Commitments

Credit lines

As of March 31, 2020, the Company has authorized credit lines with different banking institutions for $51,000, of which $19,421 are used for issuance of letter of credits.

12. Operating, General and Maintenance Expense

The operating, general and maintenance expense for the three months period ended March 31, 2020 and 2019, are as follows:

	2020	2019
Salaries and other benefits	$ 3,840	$ 3,416
Right-of-use asset amortization (Note 8)	3,247	3,257
Management fee	1,789	1,802
Service and maintenance contracts	653	1,215
Insurance	1,401	1,187
Other market related fees	525	643
Basic services	452	140
Advisory and professional fees	434	131
Others	319	365
Taxes and surcharges	253	295
	$ 12,913	**$ 12,451**

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

13. Interest expense, net

The interest expense, net for the three months period ended March 31, 2020 and 2019, was as follows:

	2020	2019
Interest expense - financial	$ (5,669)	$ (5,655)
Interest expense - lease	(2,742)	(2,559)
Interest expense - amortization of accounts receivable discount	—	123
Subtotal	(8,411)	(8,091)
Amortization of deferred financing costs	(283)	(260)
Amortization of bond premium	121	114
Interest income - commercial	21	87
Interest income - financial	123	149
Subtotal	144	236
Total	**$ (8,429)**	**$ (8,001)**

14. Other income, net

For the three months period ended March 31, 2020 and 2019, other income, net was as follows:

	2020	2019
Administrative services income	$ 198	$ 198
Rental income	68	68
Other income	104	631
Other expenses	(15)	(287)
Loss on retirement of property, plant and equipment	(14)	(126)
	$ 341	**$ 484**

15. Income Tax

For the three months period ended March 31, 2020 and 2019, income tax expense was as follows:

	2020	2019
Current	$ 6,140	$ 210
Deferred	(1,228)	168
	$ 4,912	**$ 378**

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

16. Fair Value of Financial Instruments

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

The estimate fair value of financial instruments as of March 31, 2020 and December 31, 2019 are detailed below:

	2020		2019	
	Book Value	Fair Value	Book Value	Fair Value
Financial Liability				
Loan payable, net	$ 70,003	$ 70,003	$ —	$ —
Bonds payable, net	373,436	357,864	373,274	384,771
Non-current embedded derivatives	1,531	1,531	—	—
Non-current derivative instruments	29,642	29,642	—	—
	$ 474,612	$ 459,040	$ 373,274	$ 384,771

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

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

- The fair values for the loans payable estimated as of March 31, 2020, 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 its carrying amount.

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

- 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 under Level 2 of the hierarchy.

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

16. Fair Value of Financial Instruments (continued)

Hierarchy of fair value of financial instruments

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

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

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

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

The classification of the derivative is presented below as of March 31, 2020:

		2020		
		Derivative Liabilities		
Derivative instrument	Classification	Current	Non current	Other comprehensive loss
SWAP	Financial liabilities at fair value with changes in other comprehensive income	$ —	$ 29,642	$ (29,642)
Embedded derivative	Loan agreement - contract rate "in the money"	—	1,531	(73)
	Total of derivative Level 2	**$ —**	**$ 31,173**	**$ (29,715)**

As of March 31, 2020, the Company has not made reclassifications between hierarchy levels.

17. Risk and Capital Management

Risk Management

AES Panamá, S.R.L. issued debt in the form of international notes which have a single payment at maturity for $375 million which the Company plans to refinance.

Since the LIBOR rate is an international reference rate that fluctuates based on interbank market conditions. The Company is exposed to the impact of the volatility of the LIBOR rate changes on its obligations at floating rates, the Company entered into three hedging agreements as part of their Risk Management Strategy to cover the potential refinancing risk of the $375M notes due in 2022 (Note 10).

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

17. Risk and Capital Management (continued)

On March 20, 2020, the Company signed a syndicated non-ratifying loan agreement for $72 million at an interest rate of LIBOR plus a 3.5% annual margin. Said financing is based on variable international reference rates, which allows the creditor to increase or decrease the interest rate according to its fund cost. Therefore, the Company is exposed to changes in market interest rates that affect the floating rate obligations and / or impact the costs of its creditors (Note 9 & 10).

Liquidity risk

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

	Less than 3 months	*From 3 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*Total*
As of March 31, 2020					
Loan payable, net	$ —	$ —	$ 70,003	$ —	$ 70,003
Bonds payable, net	—	—	373,436	—	373,436
Interest payable	—	6,161	—	—	6,161
Accounts payable	30,554	—	741	—	31,295
Asset retirement obligations	—	—	1,500	—	1,500
Accrued expenses and other liabilities	7,434	9,306	—	—	16,740
Other liabilities	—	—	43,743	100,637	144,380
	$ 37,988	**$ 15,467**	**$ 489,423**	**$ 100,637**	**$ 643,515**

18. Subsequent Events

Subsequent events were evaluated by the administration until August 5, 2020, the date on which unaudited interim condensed financial statements were authorized by the Controller for its issuance.

Loan payable

On April 20, 2020, the Company received a disbursement by $22.9 million from the credit line with The Bank of Nova Scotia. The interest rate of this line of credit is LIBOR plus a margin of 4% with a minimum of 5.5%, and the repayment term of the disbursement is October 20, 2020.

18. Subsequent Events (continued)

Acquisition of the UEP I wind farm project

On April 28, 2020, AES Panamá, S.R.L and AES Changuinola, S.R.L. signed a Purchase and sale agreement for the purchase 100% of the Unión Eólica Penonomé I (UEP I) wind farm project located in the province of Coclé, Republic of Panama.

The Company issued payment promise letters in favor of the sellers of the Project as collateral for said transaction for a total amount of $79,748. The payment letters were collected by the seller during May 2020.

On June 12, 2020, the Company was notified by AES Changuinola, S.R.L. its voluntarily renounces of the participation of UEP.

On June 19, 2020, through a public deed the merger between AES Panamá, S.R.L. and Unión Eólica Penonomé (UEPI) was approved, subsisting AES Panamá, S.R.L.

Dividends

On July 3, 2020, the Company declared dividends of $25 million, which was paid on July 16, 2020.

Barge Estrella del Mar

On June 30, 2020, the PPA related to Estrella del Mar 1 power barge expired and on July 14, 2020, the Panamanian regulator authorized the Estrella del Mar 1 power barge to be disconnected from the grid and canceled its generation license effective August 1, 2020. As of March 31, 2020, the net book value of the barge was US$49.1 million. The barge was part of the Company's fleet of generating facilities that form one cash generating unit due to the manner in which these assets are contracted and used, therefore the expiration of the PPA on June 30, 2020 and any initiative by the Company to gain approval to disconnect it from the grid did not represent indicators of impairment that required an adjustment to the unaudited interim condensed financial statements as of March 31, 2020. AES Panamá, S.R.L. is currently considering options for selling the asset.

Contingency

Related to the legal process between AES Panamá, S.R.L., Ganadera Guerra, S.A. and Constructora Tymsa, S.A, in August, 2020, the parties signed a settlement agreement and filed it with the court for acceptance. If the settlement agreement is accepted by the court, among other things, the relevant land will be transferred to AES Panama, S.R.L. and the lawsuits will be dismissed.

18. Subsequent Events (continued)

COVID-19

Last March 11, 2020 the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The quick evolution of the events, nationally and internationally, represents an unprecedented health crisis that will have macroeconomic and business effects. To face the economic and social impacts of COVID-19, among other measures the government of Panama has declared a state of national emergency, a state of public calamity and natural disaster, through resolution No.11 on March 13, 2020, and through the executive order No.489 on March 16, 2020, the Ministry of Health establishes additional sanitary measures to reduce, mitigate and control of the coronavirus COVID-19 disease pandemic in the country. The government also published other decrees during the month of March 2020, to establish sanitary control in epidemic areas and a curfew imposed throughout the country.

On May 11, 2020, though the resolution No.405 the Ministry of Health established the guidelines of the return to normality of the companies post Covid-19.

On March 31, 2020, Cabinet Resolution No.19 mandated the Distribution Companies to provide discounts on energy bills to certain consumers and provided for the funding of a tariff stabilization fund (Fondo de Estabilización Tarifaria) through which the Panamanian government is expected to compensate the Distribution Companies for discounts provided to consumers.

On May 4, 2020, Law 152 mandated a moratorium on payment of certain basic services, including electricity, cellular phone, internet for a period of 4 months for people and small business that met certain criteria. During this period, a service provider cannot disconnect service for users any cannot apply and late fees or interest.

The effects of COVID-19 on the Economy in 2020:

The COVID-19 pandemic has taken a substantial toll on the Panamanian Economy. The Panamanian government has enacted measures to ease the economic effect the pandemic has on the economy, including a prohibition on shutting off electricity services for non-payment and mandating the Distribution Companies to provide discounts to certain customers on their electricity bill. The discounts are to be funded through a tariff stabilization fund (*Fondo de Estabilización Tarifaria)* which has not yet been funded. This has caused the Distribution Companies to make only partial payments of the Company invoices under the PPA during April, May and June.

18. Subsequent Events (continued)

COVID-19 (continued)

The COVID-19 pandemic has also caused a downturn in consumer demand for certain goods and services as well as the temporary closure of businesses and industries. This has adversely affected the financial condition of some of the large customers of the Company and lowered its overall demand for electricity. Although payments have been timely made, there is no guarantee that the large customers of the Company will be able to continue making payments under the PPAs. Although no official data has been published, the Company expects that electricity demand will fall which could also lower the average price for energy in the spot market which is largely mitigated by the Company's Purchase Power Agreements but could nonetheless affect the results of operation of the Company.

The Company in support of the pandemic emergency situation by COVID-19 and part of the "Plan Solidario Panama" and its social responsibility program, managed the exemption of payment of bill for the months of April and May of the Caja de Seguro Social, months where they have been working to combat the pandemic COVID-19. The amount for these bills totaled $537.

The Company believes that these events do not represent an adjustment to the unaudited interim condensed financial statements as of March 31, 2020; should there be an impact on operations, it would be reflected in its future results and cash flows.

Given the complexity of the situation and its quick evolution, it is not practical at this time to conduct a reliable, quantified estimate of its potential impact on the Company, which will be recorded prospectively in the 2020 annual accounts.

The Company is conducting the necessary measures to face this situation and minimize its impact, based on more updated estimates and treasury's position on that date, do not compromise the application of the going concern principle.

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Financial Statements

AES Panamá, S.R.L.

As of December 31, 2019 and 2018 and for the three years then ended with Independent Auditor's Report

CONTENT

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

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

Independent Auditor's Report

The Partners
AES Panama, S.R.L

Opinion

We have audited the financial statements of AES Panamá, S.R.L, (the Company), which comprise the statement of financial position as at December 31, 2019 and 2018 and the statement of comprehensive income, statement of changes in stockholders´ equity and statement of cash flows for the three years then ended as of December 31, 2019, 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, 2019 and 2018; and its financial performance and its cash flows for the three years then ended as of December 31, 2019 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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.

Emphasis paragraph - Adoption of New Accounting Standards

As discussed in Note 3 New standards, interpretations and amendments adopted by the Company to the financial statements, the Company (as lessee) changed its method of accounting for leases in 2019 due to the adoption of IFRS 16 Leases. Our opinion is not qualified in this respect."

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Description of the matter:

Under IFRS 16 – Leases, the lessee is required to recognize the present value of future lease payments as a right-of-use asset and a corresponding financial liability.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application at January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application, therefore previous period comparative figures were not adjusted in the financial statements. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at January 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

As described in Note 12 to the financial statements, the initial application of IFRS 16 resulted in the recognition of a $137.7 million right of use asset and a $144.6 million lease liability as of January 1, 2019.

Auditing the adoption of IFRS 16 was complex as it involved evaluating significant judgments and assumptions applied by Management in relation to assessing the incremental borrowing rate, service component and extension options of leasing arrangements. Management has formed its judgments and assumptions based on historical experience, internal and external data points.

How We Addressed the Matter in Our Audit:

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's IFRS 16 adoption process including controls over management's review of the significant assumptions described above, the data inputs used by the Company in the calculations of right of use assets and lease liabilities and the recording of the balances in the financial statements.

To test the completeness and accuracy of the underlying data used to calculate the right of use asset and lease liability our procedures included, among others, comparing the leases' terms and conditions as per the contracts to the data used in the calculation and comparing the leases included in the adoption analysis to the leases to determine whether any agreements were omitted.

We involved our specialist to test the assumptions used in the model. We perform recalculations with the contract information and the discount rate used by the client.

In addition, we compared the Company's disclosures related to the adoption of IFRS 16 to the disclosure requirements.

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.

Responsibilities of the Auditor with Regards to 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, related safeguards.

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

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

Ernst & Young.

Panama, Republic of Panama
April 8, 2020

AES Panamá, S.R.L.
Statements of Financial Position
As of December 31, 2019 and 2018
(Expressed in thousands of dollars of the United States of America)

Notes		**2019**	**2018**
	ASSETS		
	Current Assets		
4	Cash and cash equivalents	$ 29,608	$ 15,841
	Accounts receivable:		
6	Trade	5,859	5,762
5	Related parties	64,393	70,467
5	Affiliates	3,374	5,653
	Others	213	157
7	Inventories, net	5,720	7,399
	Prepaid income tax, net	13,016	1,523
	Prepaid expenses	1,798	4,382
	Total current assets	123,981	111,184
	Non-current assets		
8	Property, plant and equipment, net	482,155	510,651
5 & 21	Other accounts receivable - related parties	—	2,500
9	Intangible assets, net	4,514	8,167
	Advances to suppliers	1,880	46
10	Investment in affiliate	48,634	50,443
3	Restricted cash	2,540	2,139
12	Right-of-use asset, net	124,735	—
	Other assets	28	14
	Total non-current assets	664,486	573,960
	TOTAL ASSETS	**$ 788,467**	**$ 685,144**

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

Notes		**2019**	**2018**
	LIABILITIES AND STOCKHOLDERS' EQUITY		
	Current liabilities		
	Accounts payable:		
	Suppliers	$ 16,332	$ 13,886
5	Related parties	9,264	5,342
5	Affiliates	8,860	18,456
	Interest payable	466	362
11 & 12	Accrued expenses and other liabilities	16,292	8,374
13	Loan payable	—	12,000
	Total current liabilities	51,214	58,420
	Non-current liabilities		
	Seniority premium	646	623
	Loan payable	—	—
	Accounts payable	741	673
13 & 21	Bonds payable, net	373,274	372,658
20	Deferred income tax, net	81,360	86,733
8	Asset retirement obligation	1,500	1,438
5 & 12	Deferred income	—	7,004
12	Other liabilities	142,430	—
	Total non-current liabilities	599,951	469,129
	STOCKHOLDERS' EQUITY		
1 &15	Authorized capital	115,365	141,139
	Additional paid-in-capital	14,535	14,464
	Retained earnings	9,646	4,314
	Deemed tax	(161)	(161)
	Other comprehensive loss of affiliate	(2,083)	(2,161)
	Total stockholders' equity	137,302	157,595
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 788,467**	**$ 685,144**

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

AES Panamá, S.R.L.
Statements of Comprehensive Income
For the years ended December 31, 2019, 2018 and 2017
(Expressed in thousands of dollars of the United States of America)

Notes		**2019**	**2018**	**2017**
	Revenue			
5	Electricity sales	$ 338,193	$ 363,429	$ 342,619
	Operating costs and expenses			
5	Electricity purchases	152,007	125,989	106,572
5 & 12	Operating lease	—	18,213	18,585
	Other costs of electricity sales	24,675	35,483	43,444
5	Transmission costs	6,237	4,746	1,431
5, 12 &17	Operating, general and maintenance expense	55,492	42,174	43,494
8 & 9	Depreciation and amortization	38,002	36,912	37,304
	Total operating costs and expenses	276,413	263,517	250,830
	Operating income	61,780	99,912	91,789
	Other (expenses) income			
12 &18	Interest expense, net	(32,370)	(21,027)	(21,937)
8	Accretion expense	(62)	(60)	(57)
19	Other (expense) income, net	(466)	(409)	1,128
10	Equity (loss) earnings in investment in affiliate	(1,888)	6,386	4,578
	Total other expenses, net	(34,786)	(15,110)	(16,288)
	Income before income tax expense	26,994	84,802	75,501
20	Income tax expense	8,604	22,976	17,200
	Net income	$ 18,390	$ 61,826	$ 58,301
	Amortization of other comprehensive income of affiliate	78	78	78
	Total other comprehensive income	**$ 18,468**	**$ 61,904**	**$ 58,379**

The accompanying notes are an integral part of these financial statements

AES Panamá, S.R.L.
Statements of Changes in Stockholders' Equity
For the years ended December 31, 2019, 2018 and 2017
(Expressed in thousands of dollars of the United States of America)

	Notes	**Authorized capital**	**Additional paid-in-capital**	**Retained earnings**	**Deemed tax**	**Other comprehensive loss of affiliate**	**Total stockholders' equity**
Balance as of January 1, 2017		$ 141,139	$ 14,323	$ 52,536	$ (161)	$ (2,317)	$ 205,520
Net income		—	—	58,301	—	—	58,301
Other comprehensive income of affiliate		—	—		—	78	78
Total other comprehensive income		—	—	58,301	—	78	58,379
Dividends paid	5	—	—	(69,849)	—	—	(69,849)
Share based compensation		—	74	—	—	—	74
Balance as of December 31, 2017		141,139	14,397	40,988	(161)	(2,239)	194,124
Net income		—	—	61,826	—	—	61,826
Other comprehensive income of affiliate		—	—		—	78	78
Total other comprehensive income		—	—	61,826	—	78	61,904
Dividends paid	5	—	—	(98,500)	—	—	(98,500)
Share based compensation		—	67	—	—	—	67
Balance as of December 31, 2018		141,139	14,464	4,314	(161)	(2,161)	157,595
Net income		—	—	18,390	—	—	18,390
Other comprehensive income of affiliate		—	—	—	—	78	78
Total other comprehensive income		—	—	18,390	—	78	18,468
Dividends paid	5	—	—	(13,058)	—	—	(13,058)
Share based compensation		—	71	—	—	—	71
Capital reduction	5	(25,774)					(25,774)
Balance as of December 31, 2019		**$ 115,365**	**$ 14,535**	**$ 9,646**	**$ (161)**	**$ (2,083)**	**$ 137,302**

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

AES Panamá, S.R.L.
Statements of Cash Flow
For the years ended December 31, 2019, 2018 and 2017
(Expressed in thousands of dollars of the United States of America)

Notes		**2019**	**2018**	**2017**
	Cash flows from operating activities			
	Net income	$ 18,390	$ 61,826	$ 58,301
	Adjustments to reconcile net income to net cash provided by operating activities:			
8	Depreciation	33,290	32,687	33,086
12 & 17	Right-of-use asset amortization	12,995	—	—
9	Amortization	4,700	4,211	4,204
	Amortization of other comprehensive income	12	14	14
19	Gain on sale of property, plant and equipment	(15)	(17)	(6)
19	Loss on retirement of property, plant and equipment	1,964	1,755	1,641
17	Obsolescence provision	107	403	337
8	Accretion expenses	62	60	57
	Interest income	(927)	(708)	(253)
	Interest expense	26,360	21,686	21,156
13	Amortization of deferred financing cost	1,067	980	851
13	Amortization of bond premium	(463)	(438)	(414)
5	Amortization of account receivable discount	(246)	(493)	739
10	Equity loss (earnings) in investment in affiliate	1,888	(6,386)	(4,578)
20	Income tax expense	8,604	22,976	17,200
3	Share-based compensation	71	67	74
	Cash flows before working capital movements	107,859	138,623	132,409
	Changes in operating assets and liabilities:			
	Decrease (increase) in accounts receivable	10,947	(762)	(7,692)
	Decrease (increase) in inventories	1,572	(1,832)	45
	Decrease (increase) in prepaid expenses	2,769	(3,679)	441
5 & 12	Increase in other long-term assets	(14)	—	—
	Increase in deferred income	—	5,583	5,955
	(Decrease) increase in accounts payable	(1,669)	5,565	(2,243)
	(Decrease) increase in accrued expenses and other liabilities	(4,722)	3,597	1,307
	Increase (decrease) in seniority premium	23	(244)	381
12	Increase in other long-term liabilities	8,166	—	—
	Interest received	926	710	250
20	Income tax paid	(25,471)	(24,765)	(22,551)
	Net cash provided by operating activities	100,386	122,796	108,302
	Carried forward….	$ 100,386	$ 122,796	$ 108,302

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

Note		2019	2018	2017
	Brought forward…	$ 100,386	$ 122,796	$ 108,302
	Cash flows from investing activities			
	Advance payments for the acquisition of property, plant and equipment	(1,880)	(46)	(324)
8	Acquisition of property, plant and equipment	(7,858)	(10,870)	(18,267)
9	Acquisition of intangible assets	(958)	(1,829)	(45)
	Proceeds from the sale of property, plant and equipment	15	17	6
	Restricted cash	(401)	(384)	(386)
19	Insurance proceeds from property damage	—	—	1,472
5	Dividends received	—	—	1,775
	Net cash used in investing activities	(11,082)	(13,112)	(15,769)
	Cash flows from financing activities			
	Payment of interest	(22,500)	(22,500)	(22,500)
	Payment of loan	(37,000)	—	—
	Proceeds from new loans	25,000	12,000	—
	Payments of lease liabilities	(1,518)	—	—
8	Payment of financing for property, plant and equipment	(502)	(1,255)	(923)
	Payment of financing costs	(185)	—	—
5	Dividends paid	(13,058)	(98,500)	(69,849)
5	Capital reduction	(25,774)	—	—
	Net cash used in financing activities	(75,537)	(110,255)	(93,272)
	Net increase (decrease) in cash and cash equivalents	13,767	(571)	(739)
	Cash and cash equivalents at the beginning of the year	15,841	16,412	17,151
	Cash and cash equivalents at the end of the year	**$ 29,608**	**$ 15,841**	**$ 16,412**
	Supplementary disclosure			
	Property, plant and equipment purchases not paid at year end	$ 1,641	$ 3,200	$ 3,978
	Interest paid, capitalized in property, plant and equipment	$ 261	$ 812	$ 1,280

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

1. Organization and Nature of Operations

AES Panamá, S.R.L. (the Company) was incorporated on October 26, 1999 as a result of the merger of Empresa de Generación Eléctrica Chiriquí, S. A. (Chiriquí) and Empresa de Generación Eléctrica Bayano, S. A. (Bayano). Chiriquí and Bayano were incorporated as companies on January 19, 1998 in connection with the privatization and restructuring of the Panamanian energy industry.The Company operates a hydroelectric plant with an installed capacity of 260 (¨MW¨) in Bayano and three hydroelectric plants located in the Province of Chiriquí; La Estrella, Los Valles and Estí with an installed capacity of 47, 55 and 120 MW respectively.

The Company began the installation of a thermal power plant barge called "Thermal Power Barge Project Estrella del Mar I " with an installed capacity of 72 MW using Bunker C (Fuel Oil No. 6) as its main fuel, in late 2014. It is located in Cativá, Province of Colón and began operating on March 25, 2015. With the installation of this new thermal power plant the Company has a total capacity of 554 megawatts.

On September 25, 2013, the Company converted into equity ownership the accounts receivables with its affiliate AES Changuinola, S.R.L. for $63,277 generated by the energy supply contract that both companies maintain. Through this transaction, AES Panamá, S.R.L. became the owner of 20% of AES Changuinola, S.R.L. On November 25, 2013, the transaction was completed upon the transfer and issuance of the corresponding shares.

On October 16, 2014, the transformation of AES Panamá, S.A. into AES Panamá, S.R.L. (limited liability company), was registered in the Public Registry of Panama. The change was approved by the Company's Board of Directors and Stockholders. As a result of this change, the Company canceled its outstanding common stock and issued participating stock to its members representing the same percentage of ownership. In addition, treasury stock was canceled.

On June 25, 2015, as result of a corporate restructuring, the stockholders approved the transfer of participating stock owned by AES Panamá Energy, S.A. in favor of AES Elsta, B.V., 100% indirect subsidiary of The AES Corporation (the Corporation), a global energy company, based in Arlington, Virginia, (United States of America). The transfer was duly registered in the Public Registry of Panama effective on September 30, 2015.

As a consequence of a corporate restructuring on December 4, 2018, through a partners meeting, the Company approved the assignment 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 100% by the Corporation.

In June and December 2019, in extraordinary partners meetings, it was decided to reduce the authorized capital of the Company by $19,000 and $6,774, respectively, with the purpose of returning

1. Organization and Nature of Operations (continued)

capital to the shareholders. As a result of this reduction, the authorized capital of the Company decreased from $141,139 to $115,365, reducing the value of each shares to $0.537287 and maintaining the same amount of shares of 214,717,428.

As of December 31, 2019, AES Global Power Holdings, B.V., owns 105,353,687 (49.07%) of the Company's authorized capital and the Republic of Panama owns 108,347,536 (50.46%) of the Company´s authorized capital, and other partners own 1,016,205 (0.47%) of the Company's authorized capital.

The Company generates and sells electricity in the Panamanian market and the Regional Electric Market (MER), where the Panamanian electric 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, 2019, the total energy capacity of the plants in operation of the Company are contracted under several energy purchases agreements to purchase-sell electrical power and energy with large customers, distribution companies and AES Changuinola, S.R.L. These agreements have terms of six, ten and thirty years. Excess energy is sold in the spot market at the prevailing rates (spot price).

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 AES Panama, S.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 8, 2020.

Basis for measurement

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

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.

2. Basis of Preparation (continued)

Estimates and significant accounting assumptions

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

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

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

3. Summary of Accounting Policies

The accounting policies described below have been consistently applied in the years presented in these financial statements by the Company, except for IFRS 16.

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 and fair value through profit or loss. The Company does not choose to irrevocably designate the measurement of financial assets at fair value through profit or loss or other comprehensive income.

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Classification and measurement

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

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

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

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

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

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

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.

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

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 aggregations considered by the administration to perform the evaluation of the business model are five: cash and cash equivalents, accounts receivable trade, accounts receivable related parties, accounts receivable affiliates and other accounts receivable.

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

Impairment of financial assets

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

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

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

3. Summary Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

The Company uses historical information and analyzed variables that affect and help to predict the behavior of the recoverability of financial assets, none of which showed an adequate correlation. However, the Company periodically performs qualitative risk analyzes to identify changes in the estimated losses. As of December 31, 2019 and 2018, the Company determined that there were no indications of doubtful accounts.

Financial asset derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; or when the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow in full without material delay to a third party under a pass-through arrangemet and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Cash and cash equivalents

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

Inventory

The inventories, which mainly consist of fuels, 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

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

3. Summary Accounting Policies (continued)

Inventory (continued)

in the statements of comprehensive income. During the years ended December 31, 2019, 2018 and 2017, the Company recognized a provision for obsolescence of \$107, \$403 and \$337, respectively (Note 7).

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	30 to 60 years
Electricity generation facilities (generation equipment)	10 to 80 years
Electricity generation facilities (electricity equipment)	15 to 40 years
Electricity generation facilities (transmission equipment)	15 to 35 years
Electricity generation facilities (generating units)	5 to 8 years
Transportation equipment	3 to 5 years
Office furniture and equipment	3 to 8 years

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 statements of comprehensive income of the period in which the transaction occurs.

Asset retirement obligation

The Company records the fair value of a liability from a contractual obligation to retire an asset in the period in which the obligation is incurred. When a new liability is recognized, the Company capitalizes the costs of the liability by increasing the carrying amount of the related long-lived asset.

3. Summary of Accounting Policies (continued)

Asset retirement obligation (continued)

The liability is accreted to its present value each period and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the obligation, the Company eliminates the liability and, based on the actual cost to retire, may incur a gain or loss.

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 statements of comprehensive income.

Construction in progress

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

Intangible Assets

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

The estimated useful lives for intangible assets are detailed below:

	Useful lives
Licenses and software	3 to10 years
Contracts	5 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.

3. Summary of Accounting Policies (continued)

Impairment of non-financial assets (continued)

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

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

Investment in affiliate

Investments in entities over which the Company has the ability to exercise significant influence, but not control, are accounted for using the equity method of accounting and reported as "Investment in affiliate" on the statements of financial position. The Company periodically assesses if there is an indication that the fair value of an equity method investment is less than its carrying amount. When an indicator exists, any excess of the carrying amount over its estimated fair value is recognized as impairment when the loss in value is deemed to be other-than-temporary.

The Company discontinues the application of the equity method when an investment is reduced to zero and the Company is not otherwise committed to provide further financial support to the investee.

The Company resumes the application of the equity method if the investee subsequently reports net income to the extent that the Company's share of such net income equals the share of net losses not recognized during the period in which the equity method of accounting was suspended.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3. Summary of Accounting Policies (continued)

Leases (continued)

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets 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 assets 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 assets are amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Useful lives
Land	1 year
Buildings	5 years
Generation facility	11 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 lives of the assets. The right-of-use assets are also subject to impairment.

Lease liabilities

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

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

3. Summary of Accounting Policies (continued)

Lease liabilities (continued)

of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low value assets

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

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 $1,067, $980 and $851, net of capitalization, for the years ended December 31, 2019, 2018 and 2017, respectively.

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

Financial liabilities

Recognition and measurement

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

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

3. Summary of Accounting Policies (continued)

Recognition and measurement (continued)

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

Derecognition of financial liabilities

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

Provisions

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

Net income per share

Net income per share measures the performance of an entity over the reported period and it is calculated by dividing net income by the amount of the weighted average outstanding shares during the year. The weighted average outstanding shares is 214,717,428 for the years 2019, 2018 and 2017.

Revenue recognition and concentration

The Company derives its revenue from the sale of electricity through contracts or the spot market. Revenue is recognized upon the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

The electricity is sold to distribution companies, customers and other spot market agents. Our generation contracts, based on specific facts and circumstances, can have one or more performance obligations as the promise to transfer energy and capacity may or may not be distinct depending on

3. Summary of Accounting Policies (continued)

Revenue recognition and concentration (continued)

the nature and terms of the contract. As the performance obligations are generally satisfied over time and considers the output method to measure progress, the performance obligations meet the criteria to be considered a series.

For the year ended December 31, 2019, 97% of electricity sales were derived from sales to distribution companies (EDEMET, EDECHI and ENSA), reserve contracts with AES Changuinola, S.R.L. and large customers. For the years ended December 31, 2018 and 2017, 86% of electricity sales were derived from sales to distribution companies, reserve contracts with AES Changuinola, S.R.L. and large customers.

Interest income

Interest income corresponds to interest earned on bank and time deposits, calculated at the applicable effective interest rate, 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 statements of comprehensive income of the current year or in equity, as appropriate. The current income tax refers to the estimated tax payable on the taxable profit of the year, using the rate enacted at the date of the statement of financial position. The deferred income tax is calculated based on the liability method, considering the temporary differences between the carrying amount of the assets and liabilities reported for financial purposes, and the amounts used for tax purposes.

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

Commitments and contingencies

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

3. Summary of Accounting Policies (continued)

New and amended standards and interpretations

The Company has initially adopted some standards and modifications effective January 1, 2019 are described below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statements of financial position.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application at January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application, therefore previous period comparative figures were not adjusted in the financial statements. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at January 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Leases previously accounted for as operating leases

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low value assets.

The right-of-use assets for most leases were recognized based on the carrying amount of the asset as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

(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 (continued)

IFRS 16 Leases (continued)

The effect of adoption IFRS 16 as of January 1, 2019, was as follow:

- Right-of-use assets of $137,730 were recognized and presented separately in the statements of financial position.
- Lease liabilities of $144,644 were recognized and presented in the statements of financial position in accrued expenses and other liabilities for the short term portion and other liabilities for the long term portion.
- Deferred tax assets increased by $2,074 because of the deferred tax impact of the change in assets and liabilities.

The lease liabilities as of January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018, as follows:

Reconciliation of commitments to lease liability:		
Operating lease commitments as of December 31, 2018	$	225,652
Weighted average incremental borrowing rate as of January 1, 2019		7.07%
Discounted operating lease commitments as of January 1, 2019		144,644
Lease liabilities as of January 1, 2019	**$**	**144,644**

In connection with the transition to the new standard, management has applied judgment and formed assumptions in relation to assessing the incremental borrowing rate, service component and extension options of leasing arrangements. Management has formed its judgments and assumptions based on historical experience, internal and external data points.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation did not have an impact on the financial statements of the Company.

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.

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

4. Cash and cash equivalents

As of December 31, 2019 and 2018, cash and cash equivalents are composed of the following:

	2019	2018
Petty cash	$ 10	$ 10
Bank deposits	13,552	5,831
Time deposits	16,046	10,000
	$ 29,608	**$ 15,841**

The average interest rate for time deposits with maturities of less than 3 months is 1.58%, 2.02% and 1.33% for the years 2019, 2018 and 2017, respectively.

5. Balances and Transactions with Affiliates and Related Parties

The balances and transactions with related parties as of December 31, 2019 and 2018, are as follows:

In the statements of financial position:	**2019**	**2018**
Accounts receivable-related parties short-term:		
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	$ 29,425	$ 31,678
Elektra Noreste, S.A. (ENSA)	14,945	10,911
Empresa de Transmisión Eléctrica, S.A. (ETESA)	3,149	9,622
Ministerio de Economía y Finanzas	9,580	9,333
Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI)	5,846	5,955
Caja de Seguro Social	1,126	1,900
Bahía Las Minas, Corp.	8	591
Enel Fortuna, S.A.	103	342
Electropaulo Metropolitana Electricidade de Sao Paulo S.A.	62	62
Contraloría General de la República	127	53
Autoridad del Canal de Panamá	22	20
	$ 64,393	**$ 70,467**
Other accounts receivable-related parties long-term:		
Empresa de Transmisión Eléctrica, S.A. (ETESA)	—	2,500
	$ —	**$ 2,500**

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

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

In the statements of financial position:	**2019**	2018
Accounts payable:		
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	$ 1,065	$ 1,601
Enel Fortuna, S. A.	4,422	1,401
Autoridad del Canal de Panamá	186	995
Empresa de Transmisión Eléctrica, S.A. (ETESA)	219	822
Elektra Noreste, S.A. (ENSA)	2,104	334
Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI)	157	85
Empresa de Generación Eléctrica, S.A. (EGESA)	51	75
Electropaulo Metropolitana Electricidade de Sao Paulo S.A.	22	22
Bahía Las Minas, Corp.	1,038	7
	$ 9,264	**$ 5,342**

In the statements of comprehensive income, the transactions with related parties during the years ended December 31, 2019, 2018 and 2017, are as follows:

In the statements of comprehensive income	**2019**	**2018**	**2017**
Electricity sales:			
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	$ 180,122	$ 199,752	$ 190,519
Elektra Noreste, S.A. (ENSA)	91,022	68,441	58,021
Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI)	34,900	36,846	37,137
Bahía Las Minas, Corp.	233	3,429	3,350
Empresa de Transmisión Eléctrica, S.A. (ETESA)	1,262	3,019	17,990
Caja de Seguro Social	3,031	2,871	3,282
Enel Fortuna, S.A.	261	2,556	3,421
Contraloría General de la República	507	444	587
Autoridad del Canal de Panamá	64	412	124
	$ 311,402	**$ 317,770**	**$ 314,431**
Transmission costs:			
Empresa de Transmisión Eléctrica, S.A. (ETESA)	$ 6,186	$ 4,662	$ 1,347
Bahía Las Minas, Corp.	51	84	84
	$ 6,237	**$ 4,746**	**$ 1,431**

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

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

In the statements of comprehensive income	2019	2018	2017
Electricity purchases:			
Enel Fortuna, S.A.	$ 13,887	$ 6,071	$ 4,476
Autoridad del Canal de Panamá	9,997	4,996	5,555
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	21,790	2,667	593
Bahía Las Minas, Corp.	12,961	726	200
Empresa de Transmisión Eléctrica, S.A. (ETESA)	2,161	633	143
Elektra Noreste, S.A. (ENSA)	7,297	458	119
Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI)	3,195	185	365
Empresa de Generación Eléctrica (EGESA)	98	12	15
Tesoro Nacional	—	—	42
Ensa Group, LLC	—	—	4
	$ 71,386	**$ 15,748**	**$ 11,512**
Electricity Purchases: (Compensation):			
Ministerio de Economía y Finanzas (Compensation)	$ —	$ —	$ 4
	$ —	**$ —**	**$ 4**
Other costs of electricity sales: (variable transmission costs):			
Empresa de Transmisión Eléctrica, S.A. (ETESA)	$ 1,725	$ 3,662	$ 5,167
Empresa de Distribución Eléctrica Metro Oeste, S.A. (EDEMET)	568	881	845
Elektra Noreste, S.A. (ENSA)	—	65	113
	$ 2,293	**$ 4,608**	**$ 6,125**
Interest expense, net:			
Ministerio de Economía y Finanzas (amortization of compensatory fund)	$ (246)	$ (493)	$ 739
	$ (246)	**$ (493)**	**$ 739**

The Panamanian Government owns 50.46% of the Company´s authorized capital and has a significant investment in the generation, distribution and transmission companies in the electric power industry in Panama. Consequently, all the transactions with these companies are considered transactions with related parties.

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

Government Compensation

To reduce the impact of high spot market prices on hydro companies due to the transmission constraints to transport energy from the west of the country, delays in expansion projects and transmission line improvements, in 2013, the Panamanian Government began to negotiate compensation mechanisms.

The Government agreed to reimburse the difference between the cost at which the Company purchased energy in the spot market and the price at which the Company sells that energy under the PPAs with the Distribution Companies for an agreed quantity of 70 MW per hour, but subject to a maximum reimbursement of $40,000 in 2014 and $30,000 in 2015 and 2016.

On April 20, 2015, the Comptroller General of Panama filed a motion before the Supreme Court of Justice to determine whether or not the resolution of the Panamanian Government that authorized the compensation to AES Panamá, S.R.L. (Cabinet Resolution No. 42 dated March 31, 2014, or the Cabinet Resolution) contravened certain articles of the Panamanian Constitution. Pursuant to Panamanian law, the Supreme Court of Justice requested the Attorney General of Panama to render an opinion on the motion.

On May 7, 2015, the Attorney General opined that the Cabinet Resolution should be declared unconstitutional. The Supreme Court of Justice ordered that a summons be published in a local newspaper for 3 consecutive days, so that within 10 business days of the last publication date, the Comptroller General of Panama and any other person may submit written arguments on the merits of the case. In July 2015, AES Panamá, S.R.L. lawyers submitted its closing arguments. On February 8, 2017, the Supreme Court of Justice declared non-viable, the unconstitutionality challenge presented by the Comptroller General of Panama against Cabinet Resolution No. 42 of March 31, 2014, issued by the Executive branch of the Republic of Panama.

In October 2017, the Comptroller General of Panama filed the following legal actions: (i) a Contentious Administrative Action of Nullity against Cabinet Resolution No. 42 of March 31, 2014 and Agreement No. 001-2014 of April 29, 2014 signed between the Ministry of Economy and Finance and AES Panamá, S.R.L. The Company has not had formal access to the process, nor has it been incorporated as a party. The claim was accompanied by a request for provisional suspension of the effects of the acts filed. The Third Chamber of the Supreme Court has not manifested itself with respect to said request; (ii) Action of Unconstitutionality against Cabinet Resolution No. 42 of March 31, 2014. Currently, said action was admitted and is pending a fiscal hearing or opinion by the Attorney General's Office.

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

Government Compensation (continued)

Through resolution dated December 19, 2017, the claim is admitted and is sent to the Attorney General's Office. Through Vista No. 017 of January 5, 2018, the Public Prosecutor of the Administration requests that the submitted petition be declared non-viable. Subsequently, by resolution dated January 16, 2018, it is ordered to publish an edict for up to three (3) business days in a newspaper of national circulation so that, within 10 days from the last publication, the interested parties present arguments for written. During March 2018, some arguments were presented, however, the Attorney General's Office is still pending to resolve the merits of the case. Resolution has not been reached as of December 31, 2019.

As of December 31, 2019, the Company has invoiced $46,174 and collected $36,594 in reimbursements reducing the costs of our purchases of electricity. As of December 31, 2019, the balance of this account receivable amounts to $9,580 and is presented as accounts receivable related parties in the current assets in the statements of financial position.

Rate Adjustment Refund

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

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

ETESA confirmed the amounts of the return applicable to the tariff adjustment to AES Panamá, S.R.L. for the total amount of $2,310 plus interest, which are recorded in the accounts receivable related parties in the statements of financial position.

On May 10, 2019, the ASEP issued Resolution AN No. 13350 - Elec, which orders ETESA to apply to the market agents the rate adjustment for year 4 of the tariff period from July 2013 to June 2017 according to the established procedure. The amount applicable to the rate adjustment to the Company for year 4 is $270 plus interest, which are recorded in accounts receivable related parties in the statements of financial position as of December 31, 2019.

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

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

The balances and transactions with affiliates as of December 31, 2019 and 2018, are as follows:

In the statements of financial position:	**2019**	**2018**
Accounts receivable affiliates:		
AES Global Power Holdings B.V.	$ 1,455	$ 1,455
AES Changuinola, S.R.L.	1,075	1,030
Global Energy Holdings C.V.	189	189
AES Tietê Energia S.A.	177	177
AES Argentina Generacion S.A.	134	134
Gas Natural Atlántico S. de R.L.	97	2,399
AES Latin America S. de R.L.	30	67
The AES Corporation	14	14
Other afflilliates	203	188
	$ 3,374	**$ 5,653**
Accounts payable affiliates:		
AES Solutions, LLC	$ —	$ 2,917
Gas Natural Atlántico S. de R.L.	3,203	—
AES Changuinola, S.R.L.	1,939	15,344
AES Latin America S. de R.L.	3,517	—
The AES Corporation	16	20
Other afflilliates	185	175
	$ 8,860	**$ 18,456**

Sales-purchases energy - AES Changuinola, S.R.L.

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

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

Due to the adoption of the new standard IFRS 16, as of January 1, 2019, the Company recognized a right-of-use asset (electricity generation facility) and lease liability for this lease previously classified as operating leases (Note 12).

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

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

Sales-purchases energy - AES Changuinola, S.R.L. (continued)

On June 30, 2015, the Company signed with AES Changuinola, S.R.L., a capacity reserve contract for a period of 5 years, beginning July 1, 2015. On August 16, 2017, amendment No.1 was signed, increasing the amount of contracted capacity from October 1, 2017 until June 30, 2020.

Sales-purchases energy - Gas Natural Atlántico, S. de R.L.

On March 1, 2016, the Company signed with Gas Natural Atlántico, S. de R.L., a subsidiary of the Corporation, a framework contract for the purchase and sale of firm capacity for a period of three years with automatic extension. Additionally, AES Panamá, S.R.L. maintains energy purchases and sales with Gas Natural Atlántico, S. de R.L., through the spot market.

The transactions with affiliates for the years ended December 31, 2019, 2018 and 2017 in the statements of comprehensive income, are as follows:

In the statements of comprehensive income:	**2019**	**2018**	**2017**
Electricity Sales:			
AES Changuinola, S.R.L.	$ 3,723	$ 6,045	$ 4,778
Gas Natural Atlántico S. de R.L.	1,037	5,324	—
Empresa Eléctrica de Oriente, S.A. de C.V.	—	—	112
	$ 4,760	**$ 11,369**	**$ 4,890**
Electricity purchases:			
AES Changuinola, S.R.L.	$ 9,597	$ 93,487	$ 79,612
Gas Natural Atlántico S. de R.L.	22,786	439	—
AES CLESA y Cía, S. en C. de C.V.	31	—	—
	$ 32,414	**$ 93,926**	**$ 79,612**
Operating, general and maintenance expense (Management fee):			
AES Solutions LLC	$ 3,413	$ 5,803	$ 6,415
AES Latin America S. de R.L.	3,516	—	—
AES Servicios América S.R.L.,	174	139	117
	$ 7,103	**$ 5,942**	**$ 6,532**
Other (expense) income, net (Administrative services income):			
- AES Changuinola, S.R.L.	$ 792	$ 1,092	$ 856
	$ 792	**$ 1,092**	**$ 856**

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

Management fee expenses

- In November 2010, the Company entered into a management contract with AES Solutions LLC, a subsidiary of the Corporation. The contract provides that the annual management fee will be for the minimum amount of $4,000; and shall be adjusted annually due to changes in inflation. The Administrative Council approves the charges every six months which, annually, should be at least the minimum amount agreed. The total fees charged as management fee are included in operating, general and maintenance expenses in the statements of comprehensive income amounted to $3,413, $5,803 and $6,415 for the years ended December 31, 2019, 2018 and 2017, respectively.

  In June 2019, the Company signed an amendment to this contract in which AES Solution LLC transfers all the obligations and rights of the contract to its subsidiary AES Latin America S. de R.L. being thus the benefits of the services between AES Panamá, S.R.L and AES Latin America S. de R.L. During the year 2019, the transactions generated by this contract amounted to $3,516, which are presented as management fee in operating, general and maintenance expenses in the statements of comprehensive income.

- The Company maintains a technical assistance agreement with AES Servicios América S.R.L., a subsidiary of the Corporation. For the years ended December 31, 2019, 2018 and 2017, fees were $77, each year, included in operating, general and maintenance expenses in the statements of comprehensive income as management fee.

- In June 2017, AES Panamá S.R.L. signed a human resources services agreement with AES Servicios América, S.R.L. which consists of payroll supervision, validation of calculations and coordination of all activities performed by the external payroll consultant. For the years ended December 31, 2019, 2018 and 2017, the fees for this concept were $97, $62 and $40, respectively, included in operating, general and maintenance expenses in the statements of comprehensive income as management fee.

Administrative services income

- The Company has a management contract with AES Changuinola, S.R.L. which was modified in January 2017 establishing a change in the methodology for calculating the fees, using as a basis the costs incurred plus 5%. For the years ended December 31, 2019, 2018 and 2017, the total fees charged as administrative services income are included in other income (expenses), net in the statements of comprehensive income amounted to $792, $1,092 and $856, respectively.

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

Rental income

As of December 31, 2019, 2018 and 2017, the Company billed rents to affiliated companies in the amount of $270 each year. These contracts have a duration of one year with option for automatic renewal. The last renewal will expire in February 2021. Rental income is recorded in the other income (expense), net account in the statements of comprehensive income.

Income from reimbursable expenses

On May 30, 2019, the Company signed an expense reimbursement contract with AES Andrés DR, S.A, for a maximum amount of $300, effective until April 30, 2022. As of December 31, 2019, income has been recorded for reimbursable expenses related to this contract for $110 in the statements of comprehensive income as a decrease in operating, general and maintenance expense, within salaries and other benefits.

Insurance

The Company maintains an all risk insurance policy with ASSA Compañía de Seguros, S.A. ("ASSA"). This insurance company, in turn, diversifies the risk by reinsuring with a group of insurance companies among which includes a related party of the Company, AES Global Insurance Corporation. The policy taken with ASSA covers all operational risks including machinery breakdown and business interruption. For this contract, the Company has recorded insurance expense of $4,565, $4,011 and $4,007 for the years ended December 31, 2019, 2018 and 2017, respectively. These amounts are classified as operating, general and maintenance expense in the statements of comprehensive income.

On February 17, 2017, the agreement between AES Panama, S.R.L. and ASSA , for reimbursement of costs related to the repair of the No.1 unit Bayano Hydroelectric Plant by the amount of $1,472 was settled and was recorded in the other income (expense), net in the statements of comprehensive income. The payment was received on March 13, 2017.

Dividends

For the years ended December 31, 2019, 2018 and 2017, the Company declared and paid dividends to its partners of $13,058, $98,500 and $69,849, respectively. On the other hand, the Company has just received dividends from its affiliate AES Changuinola, S.R.L. during December 2017 for $1,775.

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

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

Capital reduction

The Company reduced the authorized capital by $25,774 with the purpose of returning capital to the shareholders during 2019. As a result of this reduction, the authorized capital of the Company decreased from $141,139 to $115,365.

6. Accounts receivable - trade

As of December 31, 2019 and 2018, accounts receivable trade had a balance of $5,859 and $5,762, respectively. Its maturities are short term and do not include past due or impaired balances.

7. Inventory, net

As of December 31, 2019 and 2018, the following summarizes the inventory balances:

	2019	2018
Spare parts	$ 5,244	$ 5,435
Fuel oil No.6	758	2,640
Other inventories	223	129
Obsolescense provision	(505)	(805)
Total of inventories, net	**$ 5,720**	**$ 7,399**

For the years ended December 31, 2019, 2018 and 2017, the Company recognized obsolescence expense of $107, $403 and $337, respectively. These amounts are classified as operating, general and maintenance expense in the statements of comprehensive income.

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

8. Property, Plant and Equipment, net

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

	December 31, 2019						
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:							
Beginning balance	$ 5,702	$ 249,250	$ 708,757	$ 8,064	$ 2,222	$ 9,533	$ 983,528
Additions	—	—	82	165	138	6,462	6,847
Reclassifications and adjustments	236	—	7,191	8	—	(7,524)	(89)
Sales and disposals	—	—	(3,339)	(613)	(63)	—	(4,015)
Ending balance	5,938	249,250	712,691	7,624	2,297	8,471	986,271
Accumulated depreciation:							
Beginning balance	—	126,657	337,729	6,827	1,664	—	472,877
Depreciation	—	3,123	29,457	484	226	—	33,290
Sales and disposals	—	—	(1,383)	(605)	(63)	—	(2,051)
Ending balance	—	129,780	365,803	6,706	1,827	—	504,116
Net balance	**$ 5,938**	**$ 119,470**	**$ 346,888**	**$ 918**	**$ 470**	**$ 8,471**	**$ 482,155**

	December 31, 2018						
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:							
Beginning balance	$ 5,702	$ 248,883	$ 683,537	$ 7,879	$ 2,087	$ 26,890	$ 974,978
Additions	—	—	1,234	86	278	10,096	11,694
Reclassifications	—	367	26,945	112	—	(27,453)	(29)
Sales and disposals	—	—	(2,959)	(13)	(143)	—	(3,115)
Ending balance	5,702	249,250	708,757	8,064	2,222	9,533	983,528
Accumulated depreciation:							
Beginning balance	—	123,350	310,316	6,328	1,556	—	441,550
Depreciation	—	3,118	28,807	512	250	—	32,687
Reclassifications	—	189	(189)	—	—	—	—
Sales and disposals	—	—	(1,205)	(13)	(142)	—	(1,360)
Ending balance	**—**	**126,657**	**337,729**	**6,827**	**1,664**	**—**	**472,877**
Net balance	**$ 5,702**	**$ 122,593**	**$ 371,028**	**$ 1,237**	**$ 558**	**$ 9,533**	**$ 510,651**

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

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

	December 31, 2017						
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:							
Beginning balance	$ 5,702	$ 248,504	$ 680,444	$ 7,249	$ 1,966	$ 15,546	$ 959,411
Additions	—	7	650	170	149	20,362	21,338
Reclassifications	—	463	8,032	463	—	(9,018)	(60)
Sales and disposals	—	(91)	(5,589)	(3)	(28)	—	(5,711)
Ending balance	5,702	248,883	683,537	7,879	2,087	26,890	974,978
Accumulated depreciation:							
Beginning balance	—	116,345	289,056	5,836	1,342	—	412,579
Depreciation	—	7,067	25,282	495	242	—	33,086
Sales and disposals	—	(62)	(4,022)	(3)	(28)	—	(4,115)
Ending balance	—	123,350	310,316	6,328	1,556	—	441,550
Net balance	**$ 5,702**	**$ 125,533**	**$ 373,221**	**$ 1,551**	**$ 531**	**$ 26,890**	**$ 533,428**

For the years ended December 31, 2019, 2018 and 2017, the Company capitalized interest of $261, $812 and $1,280, respectively and deferred financing costs by $12, $36 and $52, respectively.

For the years ended December 31, 2019 and 2018, no impairment was recognized, while for the year ended December 31, 2017, impairment of property, plant and equipment was recognized for $80, which was presented as operating and maintenance expenses in the statements of comprehensive income.

Asset retirement obligation

The Company recognized an asset retirement obligation related to the required future retirement and dismantlement of equipment and facilities located on the land leased from Refinería Panamá, S.R.L., for the operation of the Barge Estrella del Mar I (Note 14).

As of December 31, 2019 and 2018, the carrying value for this concept is $60 and $303, respectively and is presented in the statements of financial position under electricity generation facilities and is detailed below:

	2019	2018
Cost	$ 1,213	$ 1,213
Accumulated amortization	(1,153)	(910)
Net balance	**$ 60**	**$ 303**

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

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

The following table summarizes the amounts recognized related to asset retirement obligations for the periods indicated:

	2019	2018	2017
Balance at beginning of the year	$ 1,438	$ 1,378	$ 1,321
Accretion expense	62	60	57
Net balance	**$ 1,500**	**$ 1,438**	**$ 1,378**

9. Intangible assets, net

As of December 31, 2019, 2018 and 2017, the following table summarizes the balances of other intangible assets:

	2019			2018			2017		
	Cost	Accumulated amortization	Carrying amount	Cost	Accumulated amortization	Carrying amount	Cost	Accumulated amortization	Carrying amount
Contracts	$ 20,000	$ (18,000)	$ 2,000	$ 20,000	$ (14,000)	$ 6,000	$ 20,000	$ (10,000)	$ 10,000
Software	3,689	(1,894)	1,795	1,538	(1,195)	343	1,468	(984)	484
Construction in progress - Software	719	—	719	1,824	—	1,824	36	—	36
Total	**$ 24,408**	**$ (19,894)**	**$ 4,514**	**$ 23,362**	**$ (15,195)**	**$ 8,167**	**$ 23,362**	**$ (15,195)**	**$ 10,520**

In June 2015, AES Panamá, S.R.L. signed an agreement with Erryl Capital Inc. and International Electric Power, LLC, to acquire three capacity sales agreements in the amount of $20,000, for a period of 5 years from July 2015. The yearly amortization is $4,000, ending in July 2020, and is recognized in the statements of comprehensive income as part of the depreciation and amortization expense.

The amount paid for capacity sales contracts was recognized as an intangible asset amortized over the term of these contracts, under the straight-line method.

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

9. Intangible assets, net

The movement of intangible assets is detailed below:

	Contracts	Software and licenses	Construction in progress - Software	Total
Balances as of January 1, 2017	$ 14,000	$ 619	$ —	$ 14,619
Additions	—	9	36	45
Amortization	(4,000)	(204)	—	(4,204)
Reclassification	—	60	—	60
Balances as of December 31, 2017	10,000	484	36	10,520
Additions	—	5	1,824	1,829
Amortization	(4,000)	(211)	—	(4,211)
Reclassification	—	65	(36)	29
Balances as of December 31, 2018	6,000	343	1,824	8,167
Additions	—	2	956	958
Amortization	(4,000)	(700)	—	(4,700)
Reclassification	—	2,149	(2,060)	89
Balances as of December 31, 2019	**$ 2,000**	**1,794**	**$ 720**	**$ 4,514**

10. Investment in affiliate

The Company has a 20% interest in its affiliate AES Changuinola, S.R.L., which owns an hydroelectric plant with an installed capacity of 223 megawatts in the Province of Bocas del Toro.

As of December 31, 2019 and 2018, the investment in affiliate is shown below:

Affiliate	Commercial activity	% of equity participation 2019	% of equity participation 2018	2019	2018
AES Changuinola, S.R.L.	Electricity generation	20%	20%	$ 48,634	$50,443

For the year ended December 31, 2019

Affiliate	Assets	Liabilities	Equity	Revenue	Expenses less LTC and demeed tax	Net Loss	Other comprehensive Income	Equity participation
AES Changuinola, S.R.L.	$ 610,093	$ 366,925	$ 243,168	$ 27,526	$ 36,964	$ (9,438)	$ 389	$ (1,888)

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

10. Investment in affiliate (continued)

For the year ended December 31, 2018

Affiliate	Assets	Liabilities	Equity	Revenue	Expenses less LTC and demeed tax	Net Income	Other comprehensive Income	Equity participation
AES Changuinola, S.R.L.	$ 610,549	$ 358,332	$ 252,217	$ 112,449	$ 80,522	$ 31,927	$ 389	$ 6,386

For the year ended December 31, 2017

Affiliate	Assets	Liabilities	Equity	Revenue	Expenses	Net Income	Other comprehensive Income	Equity participation
AES Changuinola, S.R.L.	$ 595,194	$ 377,173	$ 218,021	$ 98,807	$ 75,915	$ 22,892	$ 389	$ 4,578

As of December 31, 2019, 2018 and 2017, the Company has recorded in relation to its 20% share in earnings of AES Changuinola, S.R.L., a loss of $1,888, and income of $6,386 and $4,578, respectively. These amounts are presented as equity (loss) earnings in investment in affiliate in the statements of comprehensive income for the years ended December 31, 2019 and 2018.

The investment is recorded in the statements of financial position in the category of investment in affiliate.

11. Accrued expenses and other liabilities

As of December 31, 2019 and 2018, the following summarizes the accrued expenses and other liabilities balances:

	2019	2018
Accrued benefits	$ 3,344	$ 3,390
Dividend witholding tax	—	2,165
Other taxes payable	2,589	1,657
Labor accruals	1,370	956
Other accruals	195	206
Lease liability (Note 12)	8,794	—
	$ 16,292	**$ 8,374**

12. 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 asset and a lease liability measured at the present value of lease payments to be made over the lease term related to this lease. (see note 3). As a result of the implementation the Company identified lease contracts for various items (electricity generation facility, land and buildings) used in its operations.

12. Lease (continued)

Electricity generation facility:

In August 2013, the Power Purchase Agreement (PPA) with AES Changuinola S.R.L. was amended with the purpose that the Company buys from AES Changuinola S.R.L. all its generated energy, its firm capacity and the construction prime factor for both energy and capacity. Through the terms of the PPA, AES Changuinola S.R.L. could only supply it with its own generation assets. Under commercial terms, the PPA as amended is classified as a physical agreement. This feature conditions that it is remote that a party other than the Company would take energy from AES Changuinola S.R.L. The Company is required to pay for the firm capacity and the capacity construction prime factor even when no energy is generated. In accordance with how the PPA is structured, administration determined that it shall be accounted as an operating lease.

The minimum lease payments of the PPA are determined based on the capacity and its construction prime factor; energy payments and its related construction prime factor are not considered as part of the minimum lease payments since there is no minimum amount established for them. Minimum lease payments determined throughout the term of the PPA are accounted for on a straight-line basis and the difference between such amount and the amounts invoiced is presented as an asset or liability in the Company´s statements of financial position as of December 31, 2018. For the years ended December 31, 2018 and 2017, $18,213 and $18,585, respectively, were recorded as operating lease costs in the statements of comprehensive income.

As of December 31, 2018, the difference between the expense of the year and the amount determined on a straight-line basis was recorded in deferred income by $7,004, in the statements of financial position.

Land and buildings:

- The Company has a contract with Refinería Panamá, S.R.L. for the land located in Bahía Las Mina, Province of Colón in Panamá which was used by the Company for the ground based equipment needed for installation and connection of the electric power generation Barge Estrella del Mar I. The Company built support structures in the leased property including an electrical substation and transmission equipment, pipeline to supply fuel docks, storage tanks for equipment, among others. This lease is effective for five years starting in March 2015, the date of commercial operation of the Barge Estrella del Mar I. The Company recognized a right-of-use asset and a lease liability presented in the statements of financial position, measured at the present value of lease payments to be made over the lease term related to this lease.

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

12. Lease (continued)

- The Company has a contract for its corporate offices. This lease is effective for 10 years starting in January 2013. The Company recognized a right-of-use asset and a lease liability, presented in the statements of financial position, measured at the present value of lease payments to be made over the lease term related to this lease.

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

	Land	Building	Electricity generation facilities	Total
As of January 1, 2019	$ 1,334	$ 2,457	$ 133,940	$ 137,730
Amortization expense	(1,231)	(603)	(11,162)	(12,995)
As at December 31, 2019	**$ 103**	**$ 1,854**	**$ 122,778**	**$ 124,735**

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

	2019
As of January 1	$ 144,644
Accretion of interest	10,384
Payments	(3,804)
As of December 31, 2019	**$ 151,224**
Current (Note 11)	**$ (8,794)**
Non-current	**$ (142,430)**

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

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

	2019
Amortization expense of right-of-use assets (included in operating, general and maintenance expense)	$ 12,995
Interest expense on lease liabilities (included in interest expense, net)	10,384
Expense relating to leases of low-value assets (included in operating, general and maintenance expense)	11
Variable lease payments (included in other cost of electricity sales)	30
Total amount recognized in statement of comprehensive income	**$ 23,420**

13. Financial debts, net

Line of credit

Loans payable in the short term, are originated by the use of lines of credit with maturities to six months. During 2019 and 2018, the Company received credit lines disbursements by $25,000 and $12,000, respectively. The Company repaid both disbursements by $37,000 during 2019.

Bonds payable, net

On June 18, 2015, the Company issued new bonds for $300,000 and used the proceeds to pay $217,046 of the 2016 bonds and the outstanding balance of the syndicated loan for $55,491. This new debt was subscribed and distributed by Banco General, S.A. and Deutsche Bank Securities Inc. issued under rule 144A/Regulation S of the New York Stock Exchange in the local and international market with a due date of June 25, 2022 and an annual interest rate of 6.00% with a single payment upon maturity, and semiannual interests payments. In October 2016, the Company re-opened the 2022 bonds, issuing an additional $75,000, under the same terms and conditions as the original issuance.

Net deferred financing costs related to this financing total $3,008 and $4,087 as of December 31, 2019 and 2018, respectively.

The 2022 bonds were issued in accordance with the provisions of the Note Issuance Facility signed by AES Panamá, S.R.L. and Deutsche Bank Trust Company Americas, as trustee.

Relevant commitments and restrictions of the bonds payable are detailed below:

a. The Company has to maintain a “Debt Service Reserve Account” with the funds deposited and available to secure the semiannual interest payments.
b. Audited financial statements must be presented no later than 120 days after the close of the fiscal period.

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

As part of the agreements established in the debt, the Company is obliged to secure the next interest payment, during the term of the agreement, by a letter of credit or cash. The Company decided to secure it by a letter of credit of $11.3 million.

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13. Financial debts, net (continued)

As of December 31, 2019 and 2018, bonds payable, were as follows:

	2019	2018
Bonds	$ 375,000	$ 375,000
Unamortized premium	1,282	1,745
Deferred financing cost, net	(3,008)	(4,087)
Total bonds payable,net	**$ 373,274**	**$ 372,658**

Amortization of the premium and deferred financial cost is included in interest expense, net in the accompanying statements of comprehensive income.

14. Commitments and Contingencies

Commitments

Purchase – sale energy contracts

The Company has contracted certain contractual obligations derived from power and energy supply contracts associated with generation concession contracts. As of December 31, 2019, the Company maintains contract performance guarantees of an amount of $64,047 and letter of credit of $4,437 to guarantee the obligations according to the contracts signed with the distribution companies and guarantees of $28,000 in favor of the ASEP / Comptroller General of Panama for the concession of the hydroelectric exploitation, which guarantee the generation of electric energy.

As of December 31, 2019, the Company also maintains a stand-by letter of credit for $7,774 to guarantee the payments for purchases in the spot market and $91 for purchases in the Regional Electricity Market. In addition, the Company maintains guarantees as of December 31, 2019 in favor of ETESA for $759 to guarantee the payments for transmission services.

Additionally, the Company also maintains a stand-by letter of credit as of December 31, 2019 for an amount of $500 to ensure the payments for the purchase of fuel required for the Barge operation.

On October 26, 2006, for the bid of EDEMET-EDECHI 02-05, the Company signed the contracts EDEMET 15-06 and EDECHI 19-06 for the supply of power and energy in the long term. The first contract with EDEMET for a total of 15MW and a second contract with EDECHI for a total of 35MW are both effective from January 1, 2011 to December 31, 2020.

14. Commitments and Contingencies (continued)

Commitments (continued)

Purchase – sale energy contracts (continued)

The Company maintains a reserve contract with AES Changuinola S.R.L., for the purchase - sale of firm capacity and energy as described in Note 5 as of December 31, 2019.

On October 13, 2008, as consequence of the bid EDEMET 01-08, the Company signed contracts EDEMET 04-08 for a total of 77MW and ELEKTRA 07-08 for 23MW to supply firm capacity and energy for a 10-year period that runs from the year 2012 to 2022.

Further in the same tender EDEMET 01-08, the Company signed contracts EDEMET 08-08 for 3157MW and ELEKTRA 09-08 for 9.43MW to supply firm capacity and energy in the long term, for a period of ten years from the year 2013 to 2022.

In August 2012, the Company participated in the act of long-term tender ETESA 01-12 and on September 17, 2012, ETESA notified the Company of the award of the principal bid of power in the amount of 159 MW from 2019-2020, 209 MW in 2021, 309 MW in 2022 and 350 MW from 2023 to 2030. In October 2012, the corresponding contracts to this adjudication were signed with the three distribution companies (EDEMET 117-12, EDECHI 122-12 AND ELEKTRA 062-12).

The Company signed the contracts EDEMET No. 29-14, EDECHI No. 33-14 and ENSA No. DME 012-14 for the supply of capacity and energy for a period of 5 years from July 1, 2015. These contracts will be mainly supplied by the barge Estrella del Mar I.

On June 30, 2015, the Company signed with AES Changuinola, S.R.L. a capacity reserve contract for a period of 5 years, beginning July 1, 2015. On August 16, 2017, amendment No. 1 was signed, increasing the amount of power contracted from October 1, 2017 until June 30, 2020.

As of December 31, 2019, the Company has signed several contracts for the supply of capacity and energy to large customers (Sunstar Hotels and Development, S.A.; Comptroller General of Panama; Caja de Seguro Social; Cemento Interoceánico; Embajada de los Estados Unidos; Avipac Inc.; Varela Hermanos; Importadora Ricamar, S.A.; Cervecería Nacional, S.R.L.; Aceti-Oxigeno, S.A.; Productos Toledano, S.A.; Corporación La Prensa, S.A.; Desarrollo Inmobiliario del Este, S.A.; Felipe Motta, S.A.; Supermercados Xtra, S.A.; Costa del Este Town Center Group, S.A.; Club Unión; S.A.; H. Tzanetatos & Metales Panamericanos, S.A.; Lavery; Televisora Nacional, S.A. & Fundación para la Educación en la Televisión; Agroindustrial Rey, S.A. & Inmobiliaria Don Antonio, S.A., Banco General, S.A.; Banistmo, S.A.; Harinas del Istmo, S.A.; I Storage Inc.; Panafoto, S.A.; Panafoto Zona Libre, S.A.; Metro de Panamá, S.A.; Compañía Azucarera La Estrella, S.A.; Altrix de Panamá, S.A.; PH Pearl at the Sea; Motta Internacional, S.A.; Express Distributors Inc; Tikal Intercontinental; ASSA Compañía de Seguros, S.A.; Hospital Punta Pacífico, S.A.; Del Monte de

14. Commitments and Contingencies (continued)

Commitments (continued)

Purchase – sale energy contracts (continued)

Panamá, S.A.; Sociedad de Alimentos de Primera, S.A.; Helados La Italiana, S.A.; Producción Panameña de Hielo, S.A.; Universidad Latina de Panamá, S.A. and Cemento Bayano, S.A.). These contracts have a validity period for the years up to 2035.

Fuel Purchase Contract

On October 29, 2014, the Company entered into a contract with Refinería Panamá, S.R.L. for the purchase of fuel oil (Fuel Oil No. 6 or Bunker) needed for the operation of the Barge Estrella del Mar I. The contract term is for a period of five years and began March 2015. Additionally, the Company signed an addendum No.1 to purchase Fuel Oil No. 2 (diesel) required for the ancillary services of the Barge Estrella del Mar I. Late April 2016 the Company signed the amendment No. 2, modifying clauses that established the Premium Price for the purchase of Fuel Oil No. 6 (Bunker).

Concession contracts

The Company has acquired fifty-year water concession contracts which give certain rights, including the generation and sale of electricity generated by the hydroelectric plants and water rights for the use of the Bayano, Chiriquí, Los Valles and Caldera rivers. The Company is required to manage, operate, and provide maintenance to the plants throughout the contract's term. This term may be renewed for an additional fifty years subject to the prior approval of ASEP.

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

- The ASEP grants the Company a concession for the generation of hydroelectric energy by means of the exploitation of hydroelectric resources located on the Bayano, Chiriquí, Los Valles and Caldera rivers.

- The Company is authorized to render the generation of electricity as a public service, which entails the operation and maintenance of power plants with their respective transmission lines to connect to the public network, and transformation equipment for producing and selling power on the national electrical system as well as selling energy on the international market.

- The duration of each of the concessions granted is 50 years, and they can be extended for a period of up to 50 years by means of a request to the ASEP and their subsequent approval.

14. Commitments and Contingencies (continued)

Commitments (continued)

Concession contracts (continued)

- The Company will have the right to own, operate and maintain the property on the facilities and to make improvements to them. Previous authorization is required in those cases in which the Company increases the capacity of any of the plants by 15% or more at the same site.

- The Company will have full access to its own property and to the property of the facilities

- The Company will have rights over the real estate as well as the right of way or easement within the hydroelectric facilities so that it can accomplish all of the activities required for the generation and sale of hydroelectric energy. Likewise, the Company will also have the right of way and access to the areas of the hydroelectric facilities that are currently in working condition and in use.

- The Company has the right to request the forcible acquisition of real estate and the establishment of easements in its favor in accordance with the provisions of Law No.6 and its regulation.

Guarantee

Below we detail the guarantees in effect as of December 31, 2019:

- In June 2016, the Company has given unconditional and irrevocable guarantee for the payment of the capital and interest related with the debt agreement of Gas Natural Atlántico II, S.R.L. by $30,060.

- On May 25, 2018, the Company granted an unconditional, absolute and irrevocable guarantee for the fulfillment of the obligations acquired in the medium-term contract by Gas Natural Atlántico II, S. de R.L. with Global Bank Corporation for a total amount of $9,000. The guarantee granted by AES Panamá, S.R.L. was for an amount of $4,509, corresponding to 50.1% of the debt, participation percentage of AES on Gas Natural Atlántico II, S. de R.L.

Below we detail the compliance bonds in force as of December 31, 2019:

- On February 1, 2019, the Company acquired a compliance bond with maturity on February 1, 2020, for an amount of $5,158 in favor ETESA and the Comptroller General of Panama to guarantee defects and redhibitory vices for the replacement of the drivers of the Bahía Las Minas - Panama 115KV lines according to the transfer agreement No. GG-105-2018, related to the project of repowering of the transmission line.

14. Commitments and Contingencies (continued)

Commitments (continued)

Credit lines

As of December 31, 2019, the Company has authorized credit lines with different banking institutions for $84,525, of which $19,421 are used for issuance of letter of credits.

Contingencies

The Company may be exposed to environmental costs as part of the ordinary course of business. The liabilities are recognized when the environmental impact studies indicate that corrective measures are probable and the costs can be reasonably estimated.

The estimates of the liabilities are based on currently available facts, existing technology, and current laws and regulations. They also take into consideration the probable effects of inflation and other social and economic factors, and include an estimate of associated legal costs. As of December 31, 2019, there are no known environmental liabilities.

The Company is involved in certain legal processes as part of the ordinary course of business. It is the opinion of the lawyers and the Company that none of the outstanding claims will have an adverse effect on the results of its operations, financial position, or cash flows. As of December 31, 2019, the Company does not maintain provisions related to these litigation.

- In October 2015, Ganadera Guerra, S.A. and Constructora Tymsa, S.A. filed separate lawsuits against AES Panamá, S.R.L., in the local courts of Panama. The claimants allege that AES Panamá, S.R.L., profited from a hydropower facility (La Estrella) being partially located on land owned first by Ganadera Guerra, S.A. and later by Constructora Tymsa, S.A., and that AES Panamá, S.R.L., must pay compensation for its use of the land. The compensation requested is approximately $680,000 for Ganadera Guerra, S.A. and $100,000 for Constructora Tymsa, S.A.

  In October 2016, the court dismissed Ganadera Guerra, S.A. claim because of Ganadera Guerra, S.A. failure to comply with a court order requiring Ganadera Guerra, S.A. to disclose certain information. In January 2017, Ganadera Guerra, S.A. presented again the corrected demand, which was admitted in February 2017. In October 2017, AES Panamá, S.R.L. files an appeal for reconsideration against the claim of Ganadera Guerra, S.A., which was denied through decree No.1356 notifying Order No. 1752, of November 9, 2017.

  On November 15, 2018, the re-entry of the file is made known and it is ordered to lift the suspension of terms and proceed with the termination of the evidence. Therefore, on November 23, 2018, the Company's lawyers presented evidence. Also, there are ongoing administrative proceedings concerning whether AES Panamá, S.R.L., is entitled to acquire an easement over the land and whether AES Panamá, S.R.L., can continue to occupy the land. AES Panamá,

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14. Commitments and Contingencies (continued)

Contingencies (continued)

S.R.L., believes it has meritorious defenses and claims and will assert them vigorously; however, there can be no assurances that it will be successful in its efforts.

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

15. Authorized capital

As of December 31, 2019 and 2018 the authorized capital amounted to $115,365 and $141,139 respectively, which is represented by 214,717,428 shares of participation for both years, which are duly authorized, issued and paid.

16. Net Income per Share

The net income per share was calculated as follows:

	2019	2018	2017
Net income	$ 16,178	$ 61,826	$ 58,301
Total shares	214,717,428	214,717,428	214,717,428
Net income per share	**$ 0.08**	**$ 0.29**	**$ 0.27**

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

17. Operating, General and Maintenance Expense

The operating, general and maintenance expense for the years ended December 31, 2019, 2018 and 2017, are as follows:

	2019	2018	2017
Salaries and other benefits	$ 14,103	$ 14,444	$ 14,264
Right-of-use asset amortization (Note 12)	12,995	—	—
Management fee	7,103	5,942	6,532
Service and maintenance contracts	6,867	6,870	6,912
Insurance	4,842	4,284	4,279
Other market related fees	2,576	2,606	2,347
Operating lease	—	2,446	3,336
Expenses related to leases of low value and short term contracts (Note 12)	11	—	—
Basic services	1,002	1,392	1,206
Advisory and professional fees	1,768	1,186	1,546
Others	3,006	1,779	1,629
Taxes and surcharges	1,112	822	1,106
Obsolescence provision	107	403	337
	$ 55,492	**$ 42,174**	**$ 43,494**

18. Interest expense, net

The interest expense, net for the years ended December 31, 2019, 2018 and 2017, was as follows:

	2019	2018	2017
Interest expense - financial	$ (22,555)	$ (21,686)	$ (21,156)
Interest expense - lease	(10,384)	—	—
Interest expense - commercial discount	246	493	(739)
Subtotal	(32,693)	(21,193)	(21,895)
Deferred financing costs	(1,067)	(980)	(851)
Amortization of bond premium	463	438	414
Interest income - commercial	356	16	191
Interest income - financial	571	692	204
Subtotal	927	708	395
Total	**$ (32,370)**	**$ (21,027)**	**$ (21,937)**

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

19. Other (expense) income, net

For the years ended December 31, 2019, 2018 and 2017, other income (expense), net was as follows:

	2019	2018	2017
Administrative services income	$ 792	$ 1,092	$ 856
Rental income	270	270	270
Other income	820	102	232
Gain on sale of property, plant and equipment	15	17	6
Insurance proceeds from property damage	—	—	1,472
Other expenses	(399)	(135)	(67)
Loss on retirement of property, plant and equipment	(1,964)	(1,755)	(1,641)
	$ (466)	**$ (409)**	**$ 1,128**

20. Income Tax

For the years ended December 31, 2019, 2018 and 2017, the provision for income tax consists of the following:

	2019	2018	2017
Current	$ 13,977	$ 22,971	$ 16,329
Deferred	(5,373)	5	871
	$ 8,604	**$ 22,976**	**$ 17,200**

In Panama, in accordance with article 699 of the Fiscal Code, modified by article 9 of law 8 of March 15, 2010, effective as of January 1, 2010, the income tax for corporations engaged in electricity generation and electric power distribution will be calculated using an income tax rate of 30% when companies have a participation of the State greater than forty percent (40%) of the shares.

Additionally, entities whose taxable income exceeds $1,500 calculate the annual income tax by applying the tax rate to the greater of:

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

During the years ended December 31, 2019, 2018 and 2017, the Company generated taxable income therefore, current income tax has been determined under the traditional method, applying the 30% rate.

The provisions of article 710 of the current Tax Code establishes that taxpayers will present an estimated income statement that they will obtain in the year following that covered by the sworn statement, which must not be less than the income indicated in the affidavit. Taxpayers must make advance payments based on the determination of the estimated statement divided into three installments to be paid quarterly in the months of June, September and December.

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

20. Income Tax (continued)

During the years ended December 31, 2019, 2018 and 2017, the Company has made income tax payments based on the results obtained in the previous year, for a total of $25,471, $24,765 and $22,551 respectively.

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, 2019.

As of December 31, 2019 and 2018, deferred income tax liability, net was composed by the following items:

		2019		2018
Deferred tax assets:				
Net operating loss carryforward	$	—	$	3,179
Asset retirement obligations		450		431
Expense provisions		1,177		1,284
Deferred financing costs		885		948
Lease		7,894		2,102
Total deferred tax assets	**$**	**10,406**	**$**	**7,944**
Deferred tax liability				
Compensation of capitalized insurance	$	13,043	$	13,966
Capitalized interest		2,004		2,054
Asset retirement obligations		18		91
Accumulated depreciation on investment tax credit		2,027		2,422
Accelerated depreciation		36,879		36,690
Revalued assets		37,795		39,454
Ending balance		91,766		94,677
Deferred tax liability, net	**$**	**81,360**	**$**	**86,733**

Accelerated Depreciation

Since 2009, the Company has applied accelerated depreciation using the method of descending sum of digits, one of the methods allowed in the income tax regulations. The application of this method was calculated for a group of assets of the Company related with the hydroelectric power plant. For the other assets, the straight-line method was applied. In addition, since 2018, the Company applied accelerated depreciation using the method of descending sum of digits for the Barcaza Estrella de Mar assets.

Asset Revaluation

The Company applied fair value or revaluation as an attributable cost, as permitted by IFRS 1 in paragraph 16. The Company's Management applied fair value as an exemption from the attributable cost and the adjustment of $194,029 corresponding to the increase in the fair value of these assets

20. Income Tax (continued)

Asset Revaluation (continued)

against the retained profits. As set out in IAS 12, it is required to register passive deferred income tax on assets accounted for at fair value. The calculation of the initial deferred tax was $58,209 and was recorded against retained earnings. The application of the liability deferred tax is made through the excess annual depreciation expense on the revalued assets, which is recorded in the statements of comprehensive income.

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

Stockholders pay an income tax of ten percent (10%) which is withheld from the dividends they receive. If no dividends are distributed, or the total distribution is less than forty percent (40%) of the taxable net income, an advance of the dividend tax of four percent (4%) until these dividends are finally declared. This rate of four percent (4%) is called "Deemed Tax" and is considered an advance on the tax on dividends. For the years ended December 31, 2019, 2018 and 2017, dividend tax payments have been made for a total of $3,080, $5,016 and $3,558, respectively, for the dividends declared and paid.

Transfer Pricing Law

During the three years ended December 31, 2019, transfer pricing regulations remain in force. They cover any transaction the taxpayer carries out with related parties that are tax residents of other jurisdictions, provided that such transactions have an effect such as income, cost or deductions in determining the tax base for income tax purposes, in the fiscal period in which the transaction is carried out.

Taxpayers must comply annually, with the obligation to submit a transfer pricing report (report 930) 6 months after the closing date of the fiscal period. In addition, they must have a study containing the information and analysis supporting whether its transactions with related parties are in accordance with the provisions established in the fiscal code. The Company estimates that transactions carried out with related parties will not have a significant impact on the provision of income tax for 2019, 2018 and 2017.

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

21. Fair Value of Financial Instruments

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

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

	2019		2018	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Other accounts receivable - related parties	$ —	$ —	$ 2,500	$ 2,500
Financial Liability				
Bonds payable, net	$ 373,274	$ 384,771	$ 372,658	$ 376,347

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

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

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

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.

21. Fair Value of Financial Instruments (continued)

Hierarchy of fair value of reasonable financial instruments (continued)

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

As of December 31, 2019 and 2018, the Company has not made reclassifications between hierarchy levels.

22. Risk and Capital Management

Risk Management

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

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

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

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

Credit risk

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

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

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

22. Risk and Capital Management (continued)

Risk Management (continued)

Credit risk (continued)

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

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

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

At the dates of the statements of financial position there are no significant concentrations of credit 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.

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.

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

22. Risk and Capital Management (continued)

Risk Management (continued)

Liquidity risk (continued)

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

	Less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
As of December 31, 2019					
Bonds payable, net	$ —	$ —	$ 373,274	$ —	$ 373,274
Interest payable	—	466	—	—	466
Accounts payable	34,456	—	741	—	35,197
Asset retirement obligations	—	—	1,500	—	1,500
Accrued expenses and other liabilities	7,498	8,794	—	—	16,292
Other liabilities non-current	—	—	40,001	102,429	142,430
	$ 41,954	**$ 9,260**	**$ 415,516**	**$ 102,429**	**$ 569,159**

	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Total
As of December 31, 2018				
Loan payable	$ —	$ 12,000	$ —	$ 12,000
Bonds payable, net	—	—	372,658	372,658
Interest payable	—	362	—	362
Accounts payable	37,684	—	673	38,357
Asset retirement obligations	—	—	1,438	1,438
Accrued expenses and other liabilities	8,374	—	—	8,374
	$ 46,058	**$ 12,362**	**$ 374,769**	**$ 433,189**

Market risk

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

22. Risk and Capital Management (continued)

Risk Management (continued)

Market risk (continued)

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

The Company maintains contracts with distribution companies and large clients, for capacity and energy supply. For 2019 and 2018, the Company maintains 93.89% 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 (bunker and diesel).

On the other hand, it is worth mentioning that as one of the mitigating measures to reduce price risks in the market, the company has diversified its generation portfolio with the installation of the Barcaza Estrella de Mar I thermal power plant. In addition to these measures and depending on market conditions, the company could import energy from the Regional Electricity Market.

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

Interest rate risk

The Company is not significantly exposed to interest rate fluctuations as it maintains a fixed interest rate for the bonds issued (Note 13).

Capital management

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

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

23. Changes in liabilities of financing activities

The changes in liabilities of financing activities are detailed as follows:

2019

	Balance as of January 1, 2019	Cash flows-received	Cash flows-payments	Deferred financing costs	Discount / Premium	Accretion of interest	Non-cash movements	Balance as of December 31, 2019
Loan payable	$ 12,000	$ 25,000	$ (37,000)	$ —	$ —	$ —	$ —	$ —
Bonds payable, net	373,096	—	—	1,079	(463)	—	—	373,712
Lease	—	—	(3,804)	—	—	10,384	144,644	151,224
	$ 385,096	**$ 25,000**	**$ (40,804)**	**$ 1,079**	**$ (463)**	**$ 10,384**	**$ 144,644**	**$ 524,936**

2018

	Balance as of January 1, 2018	Cash flows-received	Cash flows-payments	Deferred financing costs	Discount / Premium	Accretion of interest	Non-cash movements	Balance as of December 31, 2018
Loan payable	$ —		$ —	$ 12,000	$ —	$ —	$ —	$ 12,000
Bonds payable, net	372,080	—		—	1,016	—	—	373,096
	$ 372,080	**$ —**	**$ —**	**$ 12,000**	**$ 1,016**	**$ —**	**$ —**	**$ 385,096**

24. Subsequent Events

Line of Credit

On March 20, 2020, the Company signed a syndicated non-ratifying line of credit agreement with Banco General, S.A. and The Bank of Nova Scotia for $72 million for the acquisition of the UEP I wind farm project in the province of Cocle, Republic of Panama with a capacity of 55MW. The interest rate of this credit line is LIBOR plus a 3.5% annual margin payable every three months and the repayment term of the disbursement is March 24, 2022. The total amount was received on March 24, 2020.

COVID-19

Last March 11, 2020 the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The quick evolution of the events, nationally and internationally, represents an unprecedented health crisis that will have macroeconomic and business effects. To face the economic and social impacts of COVID-19, among other measures the government of Panama has declared a state of national emergency, a state of public calamity and natural disaster, through resolution No.11 on March 13, 2020, and through the executive order No.489 on March 16, 2020, the Ministry of Health establishes additional sanitary measures to reduce, mitigate and control of the coronavirus COVID-19 disease pandemic in the country.

24. Subsequent Events (continued)

COVID-19 (continued)

The government also published other decrees during the month of March 2020, to establish sanitary control in epidemic areas and a curfew imposed throughout the country.

The Company believes that these events do not represent an adjustment to the annual accounts of the year ended December 31, 2019; should there be an impact on operations, it would be reflected in its future results and cash flows.

Given the complexity of the situation and its quick evolution, it is not practical at this time to conduct a reliable, quantified estimate of its potential impact on the Company, which will be recorded prospectively in the 2020 annual accounts.

The Company is conducting the necessary measures to face this situation and minimize its impact, considering that it is a temporary situation that, based on more updated estimates and treasury's position on that date, do not compromise the application of the going concern principle.

Additionally, since December 31, 2019 and until the reporting date, no additional relevant events have occurred that would require disclosures or adjustments to the financial statements.

Derivatives

On February 2020, the Company entered into three derivative financial instruments (interest rate swaps) as part of their risk management strategy to cover the potential refinancing risk of the $375 million notes due in 2022. The derivatives fair value as of March 31, 2020 is $29,642.

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Unaudited interim condensed financial statements

AES Changuinola, S.R.L.

As of March 31, 2020 and December 31, 2019
and for the three month periods ended March 31, 2020 and 2019

CONTENT

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

Notes		2020 (Unaudited)	2019 (Audited)
	ASSETS		
	Current assets		
4	Cash and cash and equivalents	$ 22,491	$ 25,063
	Accounts receivable:		
	Trade	4,447	4,365
5	Affiliates	9,843	3,223
	Others	274	273
	Inventories, net	1,123	1,161
	Prepaid income tax, net	3,337	3,438
	Prepaid expenses	3,820	357
	Total current assets	45,335	37,880
	Non-current assets		
6	Property, plant and equipment, net	526,079	529,875
	Restricted cash	492	475
	Intangible assets, net	2,744	2,824
8	Deferred assets	25,080	22,763
	Deferred income tax, net	16,244	16,266
	Advances to suppliers	10	10
	Total non-current assets	570,649	572,213
	TOTAL ASSETS	**$ 615,984**	**$ 610,093**

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

Notes		**2020** (Unaudited)	**2019** (Audited)
	LIABILITIES AND STOCKHOLDERS' EQUITY		
	Current liabilities		
	Accounts payable:		
	Suppliers	$ 22,983	$ 25,235
5	Affiliates	1,302	1,106
	Interest payable	5,808	249
	Accrued expenses and other liabilities	2,441	2,437
7	Loan payable	8,000	—
7	Bonds payable	20,000	20,000
	Total current liabilities	60,534	49,027
	Non-current liabilities		
	Seniority premium	204	182
	Accounts payable	8	8
13	Contingencies and commitments	311	311
7	Loan payable	—	8,000
7	Bonds payable, net	309,438	309,397
	Total non-current liabilities	309,961	317,898
	STOCKHOLDERS' EQUITY		
	Authorized capital	270,385	270,385
	Additional paid-in-capital	333	321
	Accumulated deficit	(14,379)	(16,591)
	Other comprehensive loss	(10,320)	(10,417)
	Deemed tax	(530)	(530)
	Total stockholders' equity	245,489	243,168
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 615,984**	**$ 610,093**

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

AES Changuinola S.R.L.
Unaudited Interim Condensed Statements of Comprehensive Income
For the three months ended March 31, 2020 and 2019
(Expressed in thousands of dollars of the United States of America)

Notes		2020	2019
		(Unaudited)	
	Revenues		
5	Electricity sales	$ 13,656	$ 2,141
5 & 8	Leases	4,478	4,487
	Total revenues	18,134	6,628
	Operating cost and expenses		
5	Electricity purchases	1,515	527
	Transmission costs	439	688
9	Operating, general and maintenance expense	3,595	3,543
6	Depreciation and amortization	4,733	4,272
	Total operating cost and expenses	10,282	9,030
	Operating income (loss)	7,852	(2,402)
	Other income (expenses)		
10	Interest expense, net	(5,523)	(5,330)
11	Other income (expenses), net	6	(2,363)
	Total other expenses, net	(5,517)	(7,693)
	Income (loss) before income tax expense	2,335	(10,095)
12	Income tax expense	123	2,748
	Net income (loss)	**$ 2,212**	**$ (12,843)**
	Amortization of other comprehensive income	97	97
	Other comprehensive income	97	97
	Total other comprehensive income (loss)	$ 2,309	$ (12,746)

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

AES Changuinola, S.R.L.
Unaudited Interim Condensed Statements of Changes in Stockholders' Equity
For the three months ended March 31, 2020 and 2019
(Expressed in thousands of dollars of the United States of America)

	Authorized capital	Aditional Paid-in-capital	Acumulated deficit	Other comprehensive (loss)	Deemed tax	Total Stockholders' equity
Balance as of January 1, 2019	$ 270,385	$ 276	$ (7,351)	$ (10,806)	$ (287)	$ 252,217
Net loss	—	—	(12,843)	—	—	(12,843)
Amortization of other comprehensive income	—	—	—	97	—	97
Total other comprehensive loss	—	—	(12,843)	97	—	(12,746)
Share based compensation	—	10	—	—	—	10
Balance as of March 31, 2019 (unaudited)	**$ 270,385**	**$ 286**	**$ (20,194)**	**$ (10,709)**	**$ (287)**	**$ 239,481**
Balance as of January 1, 2020	$ 270,385	$ 321	(16,591)	$ (10,417)	$ (530)	$ 243,168
Net income	—	—	2,212	—	—	2,212
Amortization of other comprehensive income	—	—	—	97	—	97
Total other comprehensive income	—	—	2,212	97	—	2,309
Share based compensation	—	12	—	—	—	12
Balance as of March 31, 2020 (unaudited)	**$ 270,385**	**$ 333**	**$ (14,379)**	**$ (10,320)**	**$ (530)**	**$ 245,489**

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

AES Changuinola, S.R.L.
Unaudited Interim Condensed Statements of Cash Flows
For the three months ended March 31, 2020 and 2019
(Expressed in thousands of dollars of the United States of America)

Notes			2020		2019
			(Unaudited)		
	Cash flow from operating activities:				
	Net income (loss)	$	2,212	$	(12,843)
	Adjustment to reconcile net income to net cash (used in) provide by operating activities:				
6	Depreciation		4,557		4,136
	Amortization		176		136
	Loss on retirement of property, plant and equipment		—		2,366
10	Interest income		(180)		(341)
10	Interest expense - financial		5,663		5,631
10	Amortization of deferred financing costs		40		40
12	Income tax expenses		123		2,748
	Share-based compensation		12		10
	Cash flows before working capital movements		12,603		1,883
	Increase in account receivable - trade		(100)		(177)
	Decrease (increase) in inventories, net		38		(4)
	Increase in prepaid expenses		(3,463)		(3,056)
	(Increase) decrease in account receivable - affiliates		(6,620)		14,297
	Increase (decrease) in account payable - affiliates		196		(176)
	Decrease in accounts payable		(2,194)		(1,101)
	Increase (decrease) in accrued expenses and other liabilities		5		(391)
	Increase in seniority premiun		22		19
	Interest received		180		356
	Deferred assets		(2,317)		(2,792)
	Net cash (used in) provided by operating activities		(1,650)		8,858
	Carried forward…	$	(1,650)	$	8,858

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

Notes			2020		2019
			(Unaudited)		
	Brought forward…	$	(1,650)	$	8,858
	Cash flows from investing activities:				
	Advance payments for the acquisition of property, plant and equipment		—		(10)
6	Acquisition of property, plant and equipment		(819)		(1,100)
	Acquisition of intangible assets		—		(97)
	Net cash used in investing activities		(819)		(1,207)
	Cash flow from financing activities:				
	Payment of interest		(103)		—
	Payment of financing for construction in progress		—		(10)
	Net cash used in financing activities		(103)		(10)
	Net (decrease) increase in cash, and cash equivalents		(2,572)		7,641
	Cash, and cash equivalents at the beginning of the year		25,063		59,386
	Cash, and cash equivalents at the end of the period	**$**	**22,491**	**$**	**67,027**
	Supplementary disclosure				
	Property, plant and equipment purchases not paid at period end	$	247	$	7,022

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

1. Organization and Nature of Operations

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

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

The 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 unaudited interim condensed financial statements of the three months ended March 31, 2020 and 2019 have been prepared in accordance with the IAS 34 Interim Financial Reporting.

The unaudited interim condensed financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as of December 31, 2019.

3. Summary of Accounting Policies

The accounting policies adopted in the preparation of the unaudited interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2019.

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

4. Cash and cash equivalents

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

	2020	2019
Petty cash	$ 6	$ 6
Bank deposits	18,479	17,057
Time deposits	4,006	8,000
	$ 22,491	**$ 25,063**

The average interest rate for time deposits with maturities of less than 3 months is 0.65% and 1.60% for the three months ended March 31, 2020 and December 31, 2019, respectively.

5. Balances and Transactions with Affiliated Companies

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

In the unaudited interim condensed statements of financial position:	**2020**	**2019**
Accounts Receivable - affiliates:		
AES Global Power Holdings B.V.	$ 1,183	$ 1,183
AES Panamá, S.R.L.	8,559	1,938
The AES Corporation	47	47
AES Tietê Energía S.A.	31	31
AES Argentina Generación S.A.	23	23
Gas Natural Atlántico S. de R.L.	—	1
	$ 9,843	**$ 3,223**
Accounts Payable - affiliates:		
AES Panamá, S.R.L.	$ 1,276	$ 1,074
AES Strategic Equipment Holdings Corporation	6	6
AES Argentina Generación S.A.	18	18
AES Servicios América S.R. L.	1	6
Gas Natural Atlántico S. de R.L.	1	2
	$ 1,302	**$ 1,106**

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

5. Balance and Transactions with Affiliated Companies (Continued)

In the unaudited interim condensed statements of comprehensive income, the transactions with affiliates during the three months ended March 31, 2020, and 2019, are as follows:

In the unaudited interim condensed statements of comprehensive income:		**2020**		**2019**
Electricity sales:				
AES Panamá, S.R.L.	$	13,590	$	2,119
Gas Natural Atlántico S. de R.L.		1		—
	$	**13,591**	**$**	**2,119**
Leases:				
AES Panamá, S.R.L.	$	4,478	$	4,487
	$	**4,478**	**$**	**4,487**
Electricity purchases				
AES Panamá, S.R.L.	$	931	$	919
Gas Natural Atlántico S. de R.L.		3		8
	$	**934**	**$**	**927**
Operating, general and maintenance expense (Management fee):				
AES Panamá, S.R.L.	$	198	$	198
	$	**198**	**$**	**198**
Operating, general and maintenance expense (Insurance):				
ASSA Compañía de Seguros, S. A	$	1,186	$	705
	$	**1,186**	**$**	**705**

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

6. Property, Plant and Equipment, net

The activity in property, plant and equipment, net, for the three months ended March 31, 2020 and 2019 is detailed as follows:

	March 31, 2020					
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Construction in progress	Total
Cost:						
Balance at January 1, 2020	$ 136	$ 322,551	$ 269,885	$ 1,917	$ 69,993	$ 664,482
Additions	—	—	—	—	761	761
Reclassifications	—	—	70,108	—	(70,108)	—
Balance at March 31, 2020	136	322,551	339,993	1,917	646	665,243
Accumulated depreciation:						
Balance at January 1, 2020	—	60,024	73,009	1,574	—	134,607
Depreciation	—	1,816	2,701	40	—	4,557
Balance at March 31, 2020	—	61,840	75,710	1,614	—	139,164
Net balance	**$ 136**	**$ 260,711**	**$ 264,283**	**$ 303**	**$ 646**	**$ 526,079**

	March 31, 2019					
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Construction in progress	Total
Cost:						
Balance at January 1, 2019	$ 136	$ 322,551	$ 282,552	$ 2,135	$ 3,347	$ 610,721
Additions	—	—	—	—	13,141	13,141
Reclassifications	—	—	19	—	(19)	—
Sales and disposals	—	—	(2,755)	—	—	(2,755)
Balance at March 31, 2019	136	322,551	279,816	2,135	16,469	621,107
Accumulated depreciation:						
Balance at January 1, 2019	—	52,760	65,982	1,707	—	120,449
Depreciation	—	1,816	2,269	51	—	4,136
Sales and disposals	—	—	(389)	—	—	(389)
Balance at March 31, 2019	—	54,576	67,862	1,758	—	124,196
Net balance	**$ 136**	**$ 267,975**	**$ 211,954**	**$ 377**	**$ 16,469**	**$ 496,911**

7. Financial debt, net

Lines of Credit

As of March 31, 2020, the Company maintains a syndicated revolving line of credit for $15,333 issued for general corporate use. On December 18, 2019, the Company borrowed $8.0 million from the syndicated revolving line with Banco General, S. A. and Banco Nacional de Panama, which is presented in the unaudited interim condensed statements of financial position under loan payable in current liabilities. The interest rate of this line of credit is LIBOR plus a margin of 3.5%, and the repayment term of the disbursement is March 31, 2021.

Bonds payable, net

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

Bonds issued for a total of $420,000 are composed of two tranches. The first tranche (Series A) is composed of $200,000 at a fixed rate of 6.25% interest and a semi-annual amortization, according to the schedule established in the agreement of the first tranche (Series A). Interest and principal payments will be made every June 25 and December 25. The second tranche (Series B) is composed of $220,000 with a fixed rate of 6.75% and the principal will be paid at maturity on November 25, 2023.

Bonds payable were issued in accordance with the provisions of the issuance contract executed between AES Changuinola, S.R.L. and BG TRUST, INC., as fiduciary.

The debt contract states that the Company must maintain a "Debt Service Reserve" account or a "letter of credit" to ensure the next payment of interest plus principal. As of March 31, 2020 and December 31, 2019, the Company does not maintain restricted cash, since it obtained a letter of credit with an expiration date on June 30, 2020 for an amount of $21,600, with the consent of the banks, thus replacing the requirement to maintain the Debt Service Reserve account and freeing the restricted cash.

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

7. Financial debt, net (Continued)

Bonds payable, net (Continued)

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

	2020	2019
Bonds	$ 330,000	$ 330,000
Deferred financing costs, net	(562)	(603)
Total bonds payable, net	329,438	329,397
Less: bonds payable - current	20,000	20,000
Bonds payable - non-current	**$ 309,438**	**$ 309,397**

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

	Tranch A	Tranch B
2020	$ 20,000	$ —
2021	20,000	—
2022	20,000	—
2023	50,000	220,000
	$ 110,000	$ 220,000

8. Lease

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

For the periods ended March 31, 2020, and 2019, $4,478 and $4,487, have been recorded for this item, respectively, under lease revenue, in the unaudited interim condensed statements of comprehensive income and the difference between the revenue for the year and the amount determined on the straight-line basis, is recorded in the unaudited interim condensed statements of financial position in the item of deferred assets non-current. As of March 31, 2020 and December 31, 2019, the balances of deferred assets are $25,080 and $22,763, respectively.

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

8. Lease (continued)

The total minimum future revenues from leases, derived from the non-cancellable operating lease agreement as of March 31, 2020 and 2019, will be accounted for in the following periods:

		2020		**2019**
Within one year	$	18,257	$	18,257
After one year and up to five years		91,286		91,285
After five years		86,722		104,978
Total future lease revenue	**$**	**196,265**	**$**	**214,520**

9. Operating, general and maintenance expense

For the three months period ended March 31, 2020 and 2019, the operating, general and maintenance expense are as follow:

		2020		**2019**
Service and maintenance contracts	$	870	$	405
Salaries and other benefits		1,022		501
Licenses, permits and easements		80		247
Advisory and professional fees		94		864
Other market related fee		46		224
Management fee		207		215
Others		14		339
Insurance		1,205		718
Basic services		57		30
	$	**3,595**	**$**	**3,543**

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

10. Interest expense, net

Interest expense, net for the three months period ended March 31, 2020 and 2019, was as follows:

	2020	2019
Interest expense -financial	$ (5,662)	$ (5,744)
Capitalized interest	29	154
Commitment commission	(30)	(41)
Subtotal	(5,663)	(5,631)
Amortization of deferred financing costs	(40)	(40)
Interest income - commercial	32	—
Interest income - financial	148	341
Subtotal	180	341
Total	**$ (5,523)**	**$ (5,330)**

11. Other income, net

For the three months period ended March 31, 2020 and 2019, other income, net consists of the following:

	2020	2019
Loss on retirement of property, plant and equipment	$ —	$ (2,366)
Other	6	3
	$ 6	**$ (2,363)**

The loss is due to partial retirement of property, plant and equipment is related with the tunnel.

12. Income Tax

For the three months period ended March 31, 2020 and 2019, income tax expense was as follows:

	2020	2019
Current	$ 101	$ 88
Deferred	22	2,660
	$ 123	**$ 2,748**

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

13. Commitment and Contingencies

Commitment

The letter of credit of $21,600 that the Company maintains with Banistmo S.A., which guarantees the debt reserve expired on March 31, 2020, was renewed and the expiration date will be on June 30, 2020.

Contingencies

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

14. Fair Value of Financial Instruments

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

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

	2020		2019	
	Book Value	Fair Value	Book Value	Fair Value
Financial Liability				
Loan payable	$ 8,000	$ 8,000	$ 8,000	$ 8,000
Bonds payable, net	$ 337,438	$ 339,856	$ 329,397	$ 340,450

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

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

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

14. Fair Value of Financial Instruments (Continued)

- The fair value for the loan payable estimated as of March 31, 2020 and December 31, 2019 is based on the information available as of the dates of the statement of financial position. The Company is not aware of any factors that could significantly affect the estimate of fair value at those dates. This loan was contracted at a variable rate, therefore, the Company considers that its fair value approximates is carrying amount.

Hierarchy of fair value of 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.

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

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

15. Risk and Capital Management

Risk Management

Liquidity risk

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

	Less than 3 months	*From 3 to 12 Months*	*From 1 to 5 Years*	*More than 5 Years*	*Total*
As of March 31, 2020					
Loan payable	$ —	$ 8,000		$ —	$ 8,000
Bonds payable, net	—	20,000	90,000	219,438	329,438
Interest payable	—	5,808	—	—	5,808
Accounts payable - supplier	22,983	—	8	—	22,991
Accounts payable with affiliates	—	1,302	—	—	1,302
Accrued expenses and other liabilities	2,441	—	—	—	2,441
Contingencies and commitments	—	—	311	—	311
	$ 25,424	**$ 35,110**	**$ 90,319**	**$ 219,438**	**$ 370,291**

16. Subsequent Events

Subsequent events were evaluated by the administration until August 5, 2020, the date on which unaudited interim condensed financial statements were authorized by the Controller for its issuance

Loan payable

On April 1, 2020, the Company received a disbursement by $7.3 million from the syndicated revolving line with Banco General, S. A. and Banco Nacional de Panama. The interest rate of this line of credit is LIBOR plus a margin of 3.5%, and the repayment term of the disbursement is March 31, 2021.

Acquisition of the UEP I wind farm project

On April 28, 2020, AES Panamá, S.R.L and AES Changuinola, S.R.L. signed a Purchase and sale agreement for the purchase 100% of the Unión Eólica Penonomé I (UEP I) wind farm project located in the province of Coclé, Republic of Panama. On June 12, 2020, the Company notified to AES Panamá, S.R.L., its voluntarily renounces of the participation of UEP.

16. Subsequent Events (continued)

COVID-19

Last March 11, 2020 the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The quick evolution of the events, nationally and internationally, represents an unprecedented health crisis that will have macroeconomic and business effects. To face the economic and social impacts of COVID-19, among other measures the government of Panama has declared a state of national emergency, a state of public calamity and natural disaster, through resolution No.11 on March 13, 2020, and through the executive order No.489 on March 16, 2020, the Ministry of Health establishes additional sanitary measures to reduce, mitigate and control of the coronavirus COVID-19 disease pandemic in the country. The government also published other decrees during the month of March 2020, to establish sanitary control in epidemic areas and a curfew imposed throughout the country.

On May 11, 2020, though the resolution No.405 the Ministry of Health established the guidelines of the return to normality of the companies post Covid-19.

On March 31, 2020, Cabinet Resolution No.19 mandated the Distribution Companies to provide discounts on energy bills to certain consumers and provided for the funding of a tariff stabilization fund (Fondo de Estabilización Tarifaria) through which the Panamanian government is expected to compensate the Disribution Companies for discounts provided to consumers.

On May 4, 2020, Law 152 mandated a moratorium on payment of certain basic services, including electricity, cellular phone, internet for a period of 4 months for people and small business that met certain criteria. During this period, a service provider cannot disconnect service for users any cannot apply and late fees or interest.

Although the Company´s revenue is derived from contracts with AES Panamá, S.R.L., it may be possible that the effects of COVID-19 on the operations of AES Panamá, S.R.L. may impact the operations of the Company.

The Company believes that these events do not represent an adjustment to the unaudited interim condensed financial statements as of March 31, 2020; should there be an impact on operations, it would be reflected in its future results and cash flows.

Given the complexity of the situation and its quick evolution, it is not practical at this time to conduct a reliable, quantified estimate of its potential impact on the Company, which will be recorded prospectively in the 2020 annual accounts.

The Company is conducting the necessary measures to face this situation and minimize its impact, based on more updated estimates and treasury's position on that date, do not compromise the application of the going concern principle.

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Financial Statements

AES Changuinola, S.R.L.

As of December 31, 2019 and 2018 and for the three years then ended
with Independent Auditor's Report

CONTENT

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

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

Independent Auditor's Report

The Partners
AES Changuinola, S.R.L.

Opinion

We have audited the financial statements of AES Changuinola, S.R.L. (the Company), which comprise the statement of financial position as at December 31, 2019 and 2018 and the statement of comprehensive income, statement of changes in stockholders' equity and statement of cash flows for the three years then ended as of December 31, 2019, 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 of December 31, 2019 and 2018; and its financial performance and its cash flows for the three years then ended as of December 31, 2019 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Description of the matter:

The Company has deferred tax assets recognized in its statement of financial position, the recovery of deferred tax assets requires that Management make judgments on the estimation of future taxable income. As of December 31, 2019, the deferred tax assets are $28.9 million, the detail of the tax is disclosed in note 16 to the financial statements.

How We Addressed the Matter in Our Audit:

- Test the Company's valuation to determine the recoverability of deferred tax assets.
- Assessment of the reasonability of forecasting the future fiscal profit using our understanding obtained during the audit, and knowledge of the industry including its consistency with the business plans and the forecast used.
- Evaluate the adequacy of the disclosures in the financial statements.

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.

Responsibilities of the Auditor with Regards to 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, related safeguards.

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

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

Ernst & Young.

Panama, Republic of Panama
March 31, 2020

AES Changuinola S.R.L.
Statements of Financial Position
As of December 31, 2019 and 2018
(Expressed in thousands of dollars of the United States of America)

Notes		**2019**	**2018**
	ASSETS		
	Current assets		
4	Cash and cash and equivalents	$ 25,063	$ 59,386
	Accounts receivable:		
	Trade	4,365	442
5	Affiliates	3,223	16,636
6	Others	273	406
	Inventories, net	1,161	1,189
	Prepaid income tax, net	3,438	—
	Prepaid expenses	357	368
	Total current assets	37,880	78,427
	Non-current assets		
7	Property, plant and equipment, net	529,875	490,272
	Restricted cash	475	399
6	Other accounts receivable	—	2,641
8	Intangible assets, net	2,824	2,937
5 & 11	Deferred assets	22,763	7,004
16	Deferred income tax, net	16,266	19,087
	Advances to suppliers	10	6,005
	Other assets	—	3,777
	Total non-current assets	572,213	532,122
	TOTAL ASSETS	**$ 610,093**	**$ 610,549**

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

Notes		2019	2018
	LIABILITIES AND STOCKHOLDERS' EQUITY		
	Current liabilities		
	Accounts payable:		
9	Suppliers	$ 25,235	$ 5,079
5	Affiliates	1,106	1,089
	Interest payable	249	307
	Accrued expenses and other liabilities	2,437	2,170
10	Bonds payable	20,000	20,000
	Total current liabilities	49,027	28,645
	Non-current liabilities		
	Seniority premium	182	135
	Accounts payable	8	8
10	Loan payable	8,000	—
9	Contingencies and commitments	311	311
10	Bonds payable, net	309,397	329,233
	Total non-current liabilities	317,898	329,687
	STOCKHOLDERS' EQUITY		
12	Authorized capital	270,385	270,385
	Additional paid-in-capital	321	276
	Accumulated deficit	(16,591)	(7,351)
	Other comprehensive loss	(10,417)	(10,806)
	Deemed tax	(530)	(287)
	Total stockholders' equity	243,168	252,217
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 610,093**	**$ 610,549**

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

AES Changuinola S.R.L.
Statements of Comprehensive Income
For the years ended December 31, 2019, 2018 and 2017
(Expressed in thousands of dollars of the United States of America)

Notes		2019	2018	2017
	Revenues			
5	Electricity sales	$ 9,651	$ 94,236	$ 80,222
5 & 11	Leases	17,876	18,213	18,585
	Total revenues	27,527	112,449	98,807
	Operating cost and expenses			
5	Electricity purchases	1,959	9,125	7,322
	Transmission costs	2,390	1,632	477
5 & 13	Operating, general and maintenance expense	20,475	19,210	16,846
7 & 8	Depreciation and amortization	17,054	17,029	16,911
	Total operating cost and expenses	41,878	46,996	41,556
	Operating (loss) income	(14,351)	65,453	57,251
	Other income (expenses)			
14	Interest expense, net	(20,405)	(22,988)	(24,801)
15	Other income, net	28,676	19	63
	Total other income (expenses), net	8,271	(22,969)	(24,738)
	(Loss) income before income tax expense	(6,080)	42,484	32,513
16	Income tax expense	3,160	8,721	9,621
	Net (loss) income	**$ (9,240)**	**$ 33,763**	**$ 22,892**
	Amortization of other comprehensive income	389	389	389
	Other comprehensive income	389	389	389
	Total other comprehensive (loss) income	$ (8,851)	$ 34,152	$ 23,281
18	**Net (loss) income per share**	$ (18.48)	$ 67.53	$ 45.78

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

AES Changuinola, S.R.L.
Statements of Changes in Stockholders' Equity
For the years ended December 31, 2019, 2018 and 2017
(Expressed in thousands of dollars of the United States of America)

	Notes	**Authorized capital**	**Aditional Paid-in-capital**	**Acumulated deficit**	**Other comprehensive (loss) income**	**Deemed tax**	**Total Stockholders' equity**
Balance as of January 1, 2017		$ 270,385	$ 192	$ (55,130)	$ (11,584)	$ (287)	$ 203,576
Net income		—	—	22,892	—	—	22,892
Amortization of other comprehensive income		—	—	—	389	—	389
Total other comprehensive income		—	—	22,892	389	—	23,281
Dividends paid	5	—	—	(8,876)	—	—	(8,876)
Share based compensation		—	40	—	—	—	40
Balance as of December 31, 2017		270,385	232	(41,114)	(11,195)	(287)	218,021
Net income		—	—	33,763	—	—	33,763
Amortization of other comprehensive income		—	—	—	389	—	389
Total other comprehensive income		—	—	33,763	389	—	34,152
Share based compensation		—	44	—	—	—	44
Balance as of December 31, 2018		270,385	276	(7,351)	(10,806)	(287)	252,217
Net loss		—	—	(9,240)	—	—	(9,240)
Amortization of other comprehensive income		—	—	—	389	—	389
Total other comprehensive income		—	—	(9,240)	389	—	(8,851)
Complementary tax		—	—	—	—	(243)	(243)
Share based compensation		—	45	—	—	—	45
Balance as of December 31, 2019		**$ 270,385**	**$ 321**	**$ (16,591)**	**$ (10,417)**	**$ (530)**	**$ 243,168**

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

AES Changuinola, S.R.L.
Statements of Cash Flows
For the years ended December 31, 2019, 2018 and 2017
(Expressed in thousands of dollars of the United States of America)

Notes		**2019**	**2018**	**2017**
	Cash flow from operating activities:			
	Net (loss) income	$ (9,240)	$ 33,763	$ 22,892
	Adjustment to reconcile net (loss) income to net cash provided by operating activities:			
7	Depreciation	16,383	16,486	16,368
8	Amortization	671	543	543
7	Gain on sales of property, plant and equipment	(36)	(15)	(9)
15	Loss on retirement of property, plant and equipment	11,225	—	—
14	Interest income	(1,178)	(1,232)	(860)
14	Interest expense	22,640	24,053	25,489
3	Obsolescence provision	—	11	198
14	Amortization of deferred financing cost	154	167	172
	Income tax expenses	3,160	8,721	9,621
	Share-based compensation	45	44	40
	Cash flows before working capital movements	43,824	82,541	74,454
	(Increase) in account receivable - trade	(1,277)	(373)	(2,029)
	Decrease (increase) in inventories, net	367	(14)	(42)
	Decrease (increase) in prepaid expenses	11	(26)	(52)
	Decrease in account receivable - affiliates	(26,544)	980	1,299
	Increase in account payable - affiliates	17	288	(1,527)
	Increase (decrease) in accounts payable	263	(309)	(1,434)
	Increase in accrued expenses and other liabilities	266	717	347
	Increase (decrease) in seniority premiun	47	(10)	(52)
	Interest received	1,303	1,153	845
	Deferred assets	(15,759)	(5,583)	(5,955)
16	Income taxes paid	—	(6,511)	(2,850)
	Net cash provided by operating activities	2,518	72,853	63,004
	Carried forward…	$ 2,518	$ 72,853	$ 63,004

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

Notes		**2019**	**2018**	**2017**
	Brought forward…	$ 2,518	$ 72,853	$ 63,004
	Cash flow from investing activities:			
	Advance payments for the acquisition of property, plant and equipment	(10)	(6,005)	—
7	Acquisition of property, plant and equipment	(41,936)	(2,780)	(709)
8	Acquisition of intangible assets	(114)	(520)	(6)
5	Insurance proceeds from property damage	39,957	—	—
	Restricted cash	(76)	(70)	(65)
	Proceeds from the sale of property, plant and equipment	36	3,571	1,194
	Net cash (used in) provided by investing activities	(2,143)	(5,804)	414
	Cash flow from financing activities:			
	Payment of interest	(22,698)	(24,242)	(25,440)
	Payment of bonds	(20,000)	(20,000)	(20,000)
	Proceeds from new loan	8,000	—	—
	Dividends paid	—	—	(8,876)
	Payment of financing for construction in progress	—	(15)	
	Net cash used in financing activities	(34,698)	(44,257)	(54,316)
	Net (decrease) increase in cash, and cash equivalents	(34,323)	22,792	9,102
	Cash, and cash equivalents at the beginning of the year	59,386	36,594	27,492
	Cash, and cash equivalents at the end of the year	**$ 25,063**	**$ 59,386**	**$ 36,594**
	Supplementary disclosure			
	Property, plant and equipment purchases not paid at year end	$ 20,558	$ 1,150	$ 572
	Interest paid, capitalized in property, plant and equipment	$ 1,606	$ 170	$ —

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

1. Organization and Nature of Operations

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

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

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

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

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

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

1. Organization and Nature of Operations (Continued)

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

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

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

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

2. Basis of Preparation

The financial statements of AES Changuinola, S.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 March 31, 2020.

Basis for measurement

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

2. Basis of Preparation (continued)

Presentation currency

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

Estimates and significant accounting assumptions

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

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

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

3. Summary of Accounting Policies

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

Financial instruments

Initial recognition and measurement

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

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

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Initial recognition and measurement (continued)

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

Classification and measurement

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

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

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

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

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

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

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.

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

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

All financial assets that are not measured at amortized cost or fair through OCI, as described above, are measured at fair value through profit or loss. This measurement category includes all derivative financial instruments.

Evaluation of the business model

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

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

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

Impairment of financial assets

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

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

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

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

The Company used historical information and analyzed variables that affect and help to predict the behavior of the recoverability of financial assets, none of which showed an adequate correlation. However, the Company periodically performs qualitative risk analyzes to identify changes in the estimated losses. As of December 31, 2019 and 2018, the Company determined that there were no indications of doubtful accounts.

Financial asset derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; or when the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow in full without material delay to a third party under a pass-through arrangemet and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Cash and cash equivalents

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

Inventory

The inventories, which mainly consist of materials and spare parts are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course

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

3. Summary of Accounting Policies (continued)

Inventory (continued)

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 statements of comprehensive income. During the years ended December 31, 2018 and 2017, the Company recognized a provision for obsolescence of $11 and $198, respectively. During 2019, the Company did not recognize a provision for obsolescence.

Property, plant and equipment

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

Depreciation

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

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

An item of property, plant and equipment is derecognized upon disposal or when the Company 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 statements of comprehensive income of the period in which the transaction occurs.

3. Summary of Accounting Policies (continued)

Major and minor maintenance

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

Construction in progress

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

Intangible Assets

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

The estimated useful lives for intangible assets are detailed below:

	Useful lives
Licenses and software	3 to10 years
Concessions	50 years

Impairment of non-financial assets

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

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

The Company evaluates at the end of each year if there is any indication of the impairment loss of the value for a non-financial asset. If there is such an indication, the Company re-estimates the recoverable value of the asset and, if applicable, reverses the loss by increasing the asset to its new

3. Summary of Accounting Policies (continued)

Impairment of non-financial assets (continued)

recoverable amount, which will not exceed the net book value of the asset before recognizing the loss for deterioration, recognizing the credit in the statements of comprehensive income of the period.

Lessor

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

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

Short-term leases and leases of low value assets

The Company applied the short-term lease recognition exemption to its short-term leases of machinery and equipment, if those leases have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases and leases of low value assets are recognized as expenses on a straight line basis over the 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 $154 , $167 and $172, net of capitalization, for the years ended December 31, 2019, 2018 and 2017, respectively.

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

3. Summary of Accounting Policies (continued)

Financial liabilities

Recognition and measurement

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

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

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

Derecognition of financial liabilities

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

Provisions

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

Net (loss) income per share

Net (loss) income per share measures the performance of an entity over the reported period and it is calculated by dividing net (loss) income by the amount of the weighted average outstanding shares during the year. The weighted average outstanding shares is 500 in the years 2019, 2018 and 2017.

3. Summary of Accounting Policies (continued)

Revenue recognition and concentration

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

The Company also receives spot market revenues from sales of auxiliary services and other market revenues, which is expected to be the only performance obligation and it occurs at a point in time, which is at month end when are delivered within the month is billed to the customer.

For the year ended December 31, 2019, 100% of electricity sales were derived from contracts with AES Panamá, S.R.L. For the years ended December 31, 2018 and 2017, 99% were derived from contracts with AES Panamá, S.R.L. and 1% are from the spot market.

Interest income

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

Income tax

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

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

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

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.

New and amended standards and interpretations

The new and amended standards and interpretations effective January 1, 2019 related to IFRS 16 - Leases and IFRC Interpretation 23 - Uncertainty over Income Tax Treatment did not impact the financial statements of the Company.

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, 2019 and 2018, cash and cash equivalents is composed of the following:

	2019	2018
Petty cash	$ 6	$ 6
Bank deposits	17,057	59,380
Time depostits	8,000	—
	$ 25,063	**$ 59,386**

The average interest rate for time deposits with maturities of less than 3 months is 1.60% for the year 2019.

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

5. Balance and Transactions with Affiliated Companies

The balances with affiliates as of December 31, 2019 and 2018, are as follows:

In the statements of financial position:	**2019**	**2018**
Accounts Receivable - affiliates:		
AES Global Power Holdings B.V.	$ 1,183	$ 1,183
AES Panamá, S.R.L.	1,938	15,344
The AES Corporation	47	55
AES Tietê Energía S.A.	31	31
AES Argentina Generación S.A.	23	23
Gas Natural Atlántico S. de R.L.	1	—
	$ 3,223	**$ 16,636**
Accounts Payable - affiliates:		
AES Panamá, S.R.L.	$ 1,074	$ 1,030
AES Strategic Equipment Holdings Corporation	6	33
AES Argentina Generación S.A.	18	18
AES Servicios América S.R. L.	6	6
AES Global Power Holdings B.V.	—	2
Gas Natural Atlántico S. de R.L.	2	—
	$ 1,106	**$ 1,089**

Energy Sales and Purchases

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

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

For the years ended December 31, 2019, 2018 and 2017, the total lease revenue amounted to $17,876, $18,213 and $18,585, respectively. As of December 31, 2019, and 2018, the difference between the income of the year and the amount determined on a straight-line basis, is recorded in the statements of financial position in the item of deferred assets for $22,763 and $7,004, respectively. (Note 12).

On June 30, 2015, the Company signed with AES Panamá, S.R.L. a capacity reserve contract for a period of 5 years, beginning July 1, 2015. On August 16, 2017, amendment No. 1 was signed, increasing the amount of capacity contracted as of October 1, 2017 until June 30, 2020.

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

5. Balance and Transactions with Affiliated Company (continued)

Management fee expenses

- For the years ended December 31, 2019, 2018 and 2017, the Company recorded the amount of $792, $1,092 and $856, respectively, for administrative services, which were billed by AES Panamá, S.R.L., an affiliated company, with whom it maintains an administration contract. In January 2017, this contract was modified and established a change in the methodology for calculating the fees, using as a basis the costs incurred plus 5%. These amounts are recorded in the statements of comprehensive income in operating, general and maintenance expense.

- The Company maintains a technical assistance agreement with AES Servicios América S.R.L., a subsidiary of the Corporation. For the years ended December 31, 2019, 2018 and 2017, the fees were $51 each year.

- In June 2017, AES Changuinola, S.R.L. signed a human resources services agreement with AES Servicios América, S.R.L. which consists of payroll supervision, validation of calculations and coordination of all activities carried out by the hired external payroll advisor. For the years ended December 31, 2019, 2018 and 2017, the fees for this concept were $17, $11 and $7, respectively.

The transactions with affiliates for the years ended December 31, 2019, 2018 and 2017 in the statements of comprehensive income, are as follows:

In the statements of comprehensive income:	**2019**	**2018**	**2017**
Electricity sales:			
AES Panamá, S.R.L.	$ 9,597	$ 93,487	$ 79,612
Gas Natural Atlántico S. de R.L.	1	2	—
	$ 9,598	**$ 93,489**	**$ 79,612**
Leases:			
AES Panamá, S.R.L.	$ 17,876	$ 18,213	$ 18,585
	$ 17,876	**$ 18,213**	**$ 18,585**
Electricity purchases	**2019**	**2018**	**2017**
AES Panamá, S.R.L.	$ 3,723	$ 6,045	$ 4,778
Gas Natural Atlántico S. de R.L.	19	—	—
	$ 3,742	**$ 6,045**	**$ 4,778**

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

5. Balance and Transactions with Affiliated Company (continued)

Operating, general and maintenance expense (Management fee):			
AES Panamá, S.R.L.	$ 792	$ 1,092	$ 856
AES Servicios América S.R.L.,	68	62	58
	$ 860	**$ 1,154**	**$ 914**

In the statements of comprehensive income:	**2019**	**2018**	**2017**
Operating, general and maintenance expense (Insurance):			
ASSA Compañía de Seguros, S. A	$ 2,819	$ 2,623	$ 2,620
	$ 2,819	**$ 2,623**	**$ 2,620**

Dividends

During 2019 and 2018, the Company did not declare dividends. During 2017, the Company declared and paid dividends of $8,876.

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 $2,819, $2,623 and $2,620 for the years ended December 31, 2019, 2018, and 2017, respectively. These amounts are classified as operating, general and maintenance expense in the statements of comprehensive income. In early 2019, the Company confirmed loss of water in specific tunnel sections of the hydroelectric power plant. As a result, about one third of the tunnel, 1.6 kilometers, required upgraded lining to ensure long-term performance of the facility. The upgrade to the lining was completed and the affected units were placed back in service in January 2020.

As of December 31, 2019, the Company has registered $39.9 million collected from the insurance company related to the above mentioned event. This amount corresponds to property damage.

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6. Other Accounts Receivable

As of December 31, 2019 and 2018, other accounts receivable is presented below :

		2019		2018
Other accounts receivable, current				
Taxes receivable	$	207	$	207
Interest receivable		—		125
Other accounts receivable		57		53
Officials and employees		9		21
Total other accounts receivable, current	**$**	**273**	**$**	**406**
Other accounts receivable, non-current				
Rate adjustment refund		—		2,641
Total other accounts receivable, non-current	**$**	**—**	**$**	**2,641**

Rate Adjustment Refund

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

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

ETESA confirmed the amounts of the return applicable to the tariff adjustment to the Company through note ETE-DGC-GC-050-2018, for the total amount of $4,104 plus interest of $254, which are recorded as accounts receivable trade, in the statements of financial position as of December 31, 2019. As of December 31, 2018, the total amount of $2,641 which includes interest receivable of $172, are presented as other non-current accounts receivable in the statements of financial position.

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

7. Property, Plant and Equipment, net

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

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

	December 31, 2018					
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Construction in progress	Total
Cost:						
Beginning balance	$ 136	$ 322,270	$ 282,201	$ 2,088	$ 889	$ 607,584
Additions	—	—	16	66	3,289	3,371
Reclassifications	—	281	335	214	(831)	(1)
Sales and disposals	—	—	—	(233)	—	(233)
Ending balance	136	322,551	282,552	2,135	3,347	610,721
Accumulated depreciation:						
Beginning balance	—	45,518	56,931	1,747	—	104,196
Depreciation	—	7,255	9,049	182	—	16,486
Reclassifications	—	(13)	2	11	—	—
Sales and disposals	—	—	—	(233)	—	(233)
Ending balance	—	52,760	65,982	1,707	—	120,449
Net balance	**$ 136**	**$ 269,791**	**$ 216,570**	**$ 428**	**$ 3,347**	**$ 490,272**

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

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

	December 31, 2017					
	Land	Buildings	Electricity generation facilities	Office furniture and equipment	Construction in progress	Total
Cost:						
Beginning balance	$ 136	$ 322,170	$ 282,807	$ 2,071	$ 335	$ 607,519
Additions	—	—	44	59	1,178	1,281
Reclassifications and adjustments	—	100	(650)	35	(624)	(1,139)
Sales and disposals	—	—	—	(77)	—	(77)
Ending balance	136	322,270	282,201	2,088	889	607,584
Accumulated depreciation:						
Beginning balance	—	38,274	47,973	1,658	—	87,905
Depreciation	—	7,244	8,958	166	—	16,368
Sales and disposals	—	—	—	(77)	—	(77)
Ending balance	—	45,518	56,931	1,747	—	104,196
Net balance	**$ 136**	**$ 276,752**	**$ 225,270**	**$ 341**	**$ 889**	**$ 503,388**

As of December 31, 2019, the balance of construction in progress mainly includes the upgrade of the tunnel lining.

During the year ended December 31, 2019, sales and disposals of electricity generation facilities corresponds to the write off of the tunnel lining.

8. Intangible assets, net

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

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

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8. Intangible assets, net (continued)

As of December 31, 2019, 2018 and 2017, the following table summarizes the balances of intangible assets:

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

	2018			
	Cost	Impairment	Accumulated amortization	Carrying amount
Concessions	$ 4,837	$ (1,588)	$ (954)	$ 2,295
Software and licenses	654	—	(532)	122
Construction in progress - Software	520	—	—	520
Total	**$ 6,011**	**$ (1,588)**	**$ (1,486)**	**$ 2,937**

	2017			
	Cost	Impairment	Accumulated amortization	Carrying amount
Concessions	$ 4,837	$ (1,588)	$ (896)	$ 2,353
Software and licenses	647	—	(436)	211
Construction in progress - Software	6	—	—	6
Total	**$ 5,490**	**$ (1,588)**	**$ (1,332)**	**$ 2,570**

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

8. Intangible assets, net (continued)

The movement of intangible assets is shown below:

	Concessions	Software and licenses	Construction in progress - Software	Total
Balances as of January 1, 2017	$ 2,411	$ 300	$ —	$ 2,711
Additions	—	—	6	6
Amortization	(58)	(96)	—	(154)
Reclassification	—	7	—	7
Balances as of December 31, 2017	2,353	211	6	2,570
Additions	—	—	520	520
Amortization	(58)	(96)	—	(154)
Reclassification	—	7	(6)	1
Balances as of December 31, 2018	2,295	122	520	2,937
Additions	—	—	114	114
Amortization	(58)	(224)		(282)
Reclassification	—	588	(533)	55
Balances as of December 31, 2019	**$ 2,237**	**$ 486**	**$ 101**	**$ 2,824**

9. Accounts payable to suppliers

As of December 31, 2019 and 2018, accounts payable and other liabilities are detailed as follows:

	2019	2018
Suppliers	$ 25,235	$ 5,079
Total	**$ 25,235**	**$ 5,079**

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

10. Financial debt, net

Bonds payable, net

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

Bonds issued for a total of $420,000 are composed of two tranches. The first tranche (Series A) is composed of $200,000 at a fixed rate of 6.25% interest and a semi-annual amortization, according to the schedule established in the agreement of the first tranche (Series A). Interest and principal payments will be made every June 25 and December 25. The second tranche (Series B) is composed of $220,000 with a fixed rate of 6.75% and the principal will be paid at maturity on November 25, 2023.

Bonds payable were issued in accordance with the provisions of the issuance contract executed between AES Changuinola, S.R.L. and BG TRUST, INC., as fiduciary.

Relevant covenants and restrictions of the bonds are detailed below:
- Maintain a historical EBITDA debt index at the end of each quarter < 5.5x
- Maintain a debt service coverage ratio greater than 1.0x
- Limitation of indebtedness: for the Company to enter into an allowable indebtedness, it needs to maintain an EBITDA debt ratio of less than 5.5x.
- Restricted payment limitation: Maintain the established EBITDA debt index and a debt service coverage index greater than 1.2x, that a case of default has not occurred and that the “Debt Service Reserve” account maintains the funds deposited and available to cover the next interest payment plus capital.

As of December 31, 2019 and 2018, the Company is in compliance with all of its covenants.

The debt contract states that the Company must maintain a "Debt Service Reserve" account or a "letter of credit" to ensure the next payment of interest plus principal. As of December 31, 2019 and 2018, the Company does not maintain restricted cash, since it obtained a letter of credit with an expiration date on March 31, 2020 for an amount of $21,600, with the consent of the banks, thus replacing the requirement to maintain the Debt Service Reserve account and freeing the restricted cash.

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10. Financial debt, net (continued)

Bonds payable, net (continued)

As of December 31, 2019 and 2018, the balance of bonds payable, net of deferred financing costs, is detailed below:

		2019		2018
Bonds	$	330,000	$	350,000
Deferred financing costs, net		(603)		(767)
Total bonds payable, net		329,397		349,233
Less: Bonds payable - current		20,000		20,000
Bonds payable - non-current	**$**	**309,397**	**$**	**329,233**

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

		Tranch A		Tranch B
2020	$	20,000	$	—
2021		20,000		—
2022		20,000		—
2023		50,000		220,000
	$	110,000	$	220,000

Lines of Credit

As of December 31, 2019, the Company maintains a syndicated revolving line of credit for $30,000 issued for general corporate use. On December 18, 2019, the Company borrowed $8 million from the syndicated revolving line with Banco General, S. A. and Banco Nacional de Panama, which is presented in the statements of financial position under loan payable non-current liabilities.The interest rate of this line of credit is LIBOR plus a margin of 3.5%, and the maximum repayment term of the disbursement is March 31, 2021.

11. Lease

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

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11. Lease (continued)

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

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

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

For the years ended December 31, 2019, 2018 and 2017, $17,876, $18,213 and $18,585, have been recorded for this item, respectively, under lease revenue, in the statements of comprehensive income and the difference between the revenue for the year and the amount determined on the straight-line basis, is recorded in the statements of financial position in the item of deferred assets non-current. As of December 31, 2019 and 2018, the balances of deferred assets are $22,763 and $7,004, respectively.

The total minimum future revenues from leases, derived from the non-cancellable operating lease agreement as of December 31, 2019, will be accounted for in the following periods:

	2019	2018
Within one year	$ 18,257	$ 18,257
After one year and up to five years	91,286	91,285
After five years	95,850	109,542
Total future lease revenue	**$ 205,393**	**$ 219,084**

12. Authorized capital

As of December 31, 2019 and 2018, the authorized capital is $270,385 for both years, which is represented by 500 participation shares for both years, with a nominal value of $540,771.08 each, which are duly authorized, issued and paid.

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13. Operating, general and maintenance expense

For the years ended December 31, 2019, 2018 and 2017, the operating, general and maintenance expense are as follow:

	2019	2018	2017
Advisory and professional fees	$ 7,618	$ 2,655	$ 2,973
Insurance	3,065	2,716	2,686
Service and maintenance contracts	2,679	2,374	3,653
Salaries and other benefits	2,553	3,466	2,611
Others	2,553	2,426	2,993
Other market related fees	894	800	740
Management fee	860	1,154	914
Basic services	253	398	276
Community support	—	3,221	—
	$ 20,475	**$ 19,210**	**$ 16,846**

14. Interest expense, net

Interest expense, net for the years ended December 31, 2019, 2018 and 2017, was as follows:

	2019	2018	2017
Interest expense -financial	$ (22,917)	$ (24,223)	$ (25,490)
Capitalized interest	1,651	170	1
Commitment commission	(163)	—	—
Subtotal	(21,429)	(24,053)	(25,489)
Deferred financing costs	(154)	(167)	(172)
Interest income - commercial	397	65	258
Interest income - financial	781	1,167	602
Subtotal	1,178	1,232	860
Total	**$ (20,405)**	**$ (22,988)**	**$ (24,801)**

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15. Other income, net

For the years ended December 31, 2019, 2018 and 2017, other income, net consists of the following:

	2019	2018	2017
Loss on retirement of property, plant and equipment	$ (11,225)	$ —	$ —
Insurance proceeds for damage property	39,957	—	—
Gain on sale of scrap	36	15	9
Other	(92)	4	54
	$ 28,676	**$ 19**	**$ 63**

Insurance proceeds from property damage is associated with recoveries for property damage at the upgrade of the tunnel lining. Loss on retirement of property, plant and equipment is related with the tunnel.

16. Income Tax

For the years ended December 31, 2019, 2018 and 2017, income tax expense was as follows:

	2019	2018	2017
Current	$ 338	$ 4,945	$ 3,818
Deferred	2,822	3,776	5,803
	$ 3,160	**$ 8,721**	**$ 9,621**

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

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).

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16. Income Tax (continued)

During the year ended December 31, 2019, the Company generated net operating losses and as such the current income tax was determined under CAIR rules. During the years ended December 31, 2018 and 2017, current income tax has been determined under the traditional method, applying the 25% rate to taxable income to determine the tax for the year.

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

During the years ended December 31 2018 and 2017, the Company has made income tax payments based on the results obtained in the previous years, for a total of $9,490 and $6,393, respectively. In 2019, the Company did not make income tax payments.

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, 2019.

As of December 31, 2019 and 2018, the deferred income tax is composed by the following items:

	2019	2018
Deferred tax asset:		
Net operating loss carryforward	$ 3,451	$ —
Labor provisions	345	409
Capitalized income	834	1,293
Discounted interest on long-term liabilities	919	950
Clean energy credit, net	6,404	10,662
Decelerated depreciation	16,929	14,645
Total	28,882	27,959
Deferred tax liability:		
Non-deductible depreciation of assets affected by the clean energy credit	5,802	5,960
Lease	5,696	1,751
Cumulative loss in comprehensive income	1,118	1,161
Total	12,616	8,872
Total deferred tax asset, net	**$ 16,266**	**$ 19,087**

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16. Income Tax (continued)

Decelerated Depreciation

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

Clean energy credit recognition

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

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

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

As of December 31, 2019, and 2018 the Company used $338 and $4,946 of the credit, respectively. The remaining amount to use is $12,421.

Net Operating Loss Carry Forward

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

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

Year	Amount
2020	$ 2,761
2021	2,761
2022	2,761
2023	2,761
2024	2,761
Total	$ 13,805

16. Income Tax (continued)

Lease

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

Tax on dividends

Shareholders pay an income tax of ten percent (10%), which is withheld from the dividends they receive. If no dividends are distributed, or the total distribution is less than forty percent (40%) of the taxable net income, an advance of the dividend tax of four percent (4%) until these dividends are finally declared. This rate of four percent (4%) is called "Deemed Tax" and is considered an advance on the tax on dividends. For the years ended December 31, 2019 and 2018, the Company did not pay dividend tax, while in the year ended December 31, 2017, the Company paid dividend tax of $178.

Transfer Pricing Law

During the three years ended December 31, 2019, transfer pricing regulations remain in force. They cover any transaction the taxpayer carries out with related parties that are tax residents of other jurisdictions, provided that such transactions have an effect such as income, cost or deductions in determining the tax base for income tax purposes, in the fiscal period in which the transaction is carried out.

Taxpayers must comply annually, with the obligation to submit a transfer pricing report (report 930) 6 months after the closing date of the fiscal period. In addition, they must have a study containing the information and analysis supporting whether its transactions with related parties are in accordance with the provisions established in the fiscal code. The Company estimates that transactions carried out with related parties will not have a significant impact on the provision of income tax for 2019, 2018 and 2017.

17. Commitments and Contingencies

Energy Contract Purchases - Sales

As of December 31, 2019, the Company maintains a reserve contract with AES Panamá S.R.L., for the purchase - sale of firm capacity and energy as described in Note 5.

17. Commitments and Contingencies (continued)

On June 30, 2015, the Company signed with AES Panamá, S.R.L. a capacity reserve contract for a period of 5 years, beginning July 1, 2015. On August 16, 2017, amendment No. 1 was signed, increasing the amount of contracted capacity as of October 1, 2017 until June 30, 2020.

Letter of Credit

The Company maintains a stand-by letter of credit for an amount of $21,600, to ensure the next interest payment plus capital of the financing, due on March 31, 2020.

Other commitments

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

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

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

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

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

17. Commitments and Contingencies (continued)

Other commitments (continued)

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

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

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

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

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

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

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

Contingencies

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

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

Liability estimates are based on current available facts, existing technology and existing laws and regulations, considering the probable effects of inflation and other social and economic factors and

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17. Commitments and Contingencies (Continued)

Other commitments (continued)

includes estimates of associated legal costs. As of December 31, 2019 and 2018, there are no known environmental contingencies.

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

18. Net (loss) income per share

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

	2019	2018	2017
Net (loss) income	$ (9,240)	$ 33,763	$ 22,892
Total shares/shares outstanding	500	500	500
Net (loss) income per share	**$ (18.48)**	**$ 67.53**	**$ 45.78**

19. Fair Value of Financial Instruments

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

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19. Fair Value of Financial Instruments (continued)

The estimated fair values for the financial instruments as of December 31, 2019 and 2018 are detailed below:

	2019		2018	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Other accounts receivable non-current	$ —	$ —	$ 2,641	$ 2,641
Financial Liability				
Loan payable	$ 8,000	$ 8,000	$ —	$ —
Bonds payable, net	$ 329,397	$ 340,450	$ 349,233	$ 354,150

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

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

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

- The fair value for the loan payable estimated as of December 31, 2019 is based on the information available as of the date of the statement of financial position. The Company is not aware of any factors that could significantly affect the estimate of fair value at that date. This loan was contracted at a variable rate, therefore, the Company considers that its fair value approximates to the carrying amount.

Hierarchy of fair value of reasonable financial instruments

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

The fair value hierarchy consists of the following three levels:

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

19. Fair Value of Financial Instruments (continued)

Hierarchy of fair value of reasonable financial instruments (continued)

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

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

As of December 31, 2019 and 2018, the Company has not made reclassifications between hierarchy levels.

20. Risk and Capital Management

Risk Management

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

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

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

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

Credit risk

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

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

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

20. Risk and Capital Management (continued)

Risk Management (continued)

Credit risk (continued)

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

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

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

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

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

The Company also receives income from the spot market from sales of auxiliary services. For the years ended December 31, 2019 2018 and 2017, 99% of the revenues are derived from the contract with AES Panamá, S.R.L.

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.

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.

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

20. Risk and Capital Management (continued)

Risk Management (continued)

Liquidity risk (continued)

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

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

	Less than 3 months	*From 3 to 12 Months*	*From 1 to 5 Years*	*More than 5 Years*	*Total*
As of december 31, 2018					
Bonds payable, net	$ —	$ 20,000	$ 110,000	$ 219,233	$ 349,233
Interest payable	—	307	—	—	307
Commercial accounts payable	5,079	—	8	—	5,087
Accounts payable with affiliates	—	1,089	—	—	1,089
Accrued expenses and other liabilities	2,170	—	—	—	2,170
Contingencies and commitments	—	—	311	—	311
	$ 7,249	**$ 21,396**	**$ 110,319**	**$ 219,233**	**$ 358,197**

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

20. Risk and Capital Management (continued)

Risk Management (continued)

Market risk

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

Interest rate risk

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

Capital management

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

21. Changes in liabilities from financing activities

Changes in liabilities from financing activities are detailed below:

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

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

21. Changes in liabilities from financing activities (continued)

	2018				
	Balance as of January 1, 2019	Payments	Deferred financing	Other	Balance as of December 31, 2019
Bonds payable current	$ 20,000	$ (20,000)	$ —	$ 20,000	$ 20,000
Bonds payable non-current	$ 349,064	$ —	$ 169	$ (20,000)	$ 329,233

22. Subsequent Events

COVID-19:

Last March 11, 2020 the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The quick evolution of the events, nationally and internationally, represents an unprecedented health crisis that will have macroeconomic and business effects. To face the economic and social impacts of COVID-19, among other measures the government of Panama has declared a state of national emergency, a state of public calamity and natural disaster, through resolution No.11 on March 13, 2020, and through the executive order No.489 on March 16, 2020, the Ministry of Health establishes additional sanitary measures to reduce, mitigate and control of the coronavirus COVID-19 disease pandemic in the country.

The government also published other decrees during the month of March 2020, to establish sanitary control in epidemic areas and a curfew imposed throughout the country.

The Company believes that these events do not represent an adjustment to the annual accounts of the year ended December 31, 2019; should there be an impact on operations, it would be reflected in its future results and cash flows.

Given the complexity of the situation and its quick evolution, it is not practical at this time to conduct a reliable, quantified estimate of its potential impact on the Company, which will be recorded prospectively in the 2020 annual accounts.

22. Subsequent Events (continued)

COVID-19 (continued)

The Company is conducting the necessary measures to face this situation and minimize its impact, considering that it is a temporary situation that, based on more updated estimates and treasury's position on that date, do not compromise the application of the going concern principle.

Additionally, since December 31, 2019 and until the reporting date, no additional relevant events have occurred that would require disclosures or adjustments to the financial statements.

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Unaudited interim condensed financial statements

Gas Natural Atlántico, S. de R. L.

As of March 31, 2020 and December 31, 2019 and for the three month periods ended March 31, 2020 and 2019

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Gas Natural Atlántico, S. de R. L.
Unaudited Interim Condensed Statements of Financial Position
As of March 31, 2020 and December 31, 2019
(Expressed in thousands of dollars of the United States of America)

Notes		2020 (Unaudited)	2019 (Audited)
	ASSETS		
	Current assets		
4	Cash and cash equivalents	$ 23,981	$ 18,118
	Restricted cash	27,758	7,825
	Accounts receivable:		
	Trade	42,281	44,206
5	Related parties	30	3
5	Affiliates	8,797	9,066
	Others	10	6
5	Loan receivable from related party	3,000	1,500
	Inventories	17,382	23,776
	Prepaid expenses	10,682	6,836
	Total current assets	133,921	111,336
	Non-current assets		
6	Property, plant and equipment, net	438,795	444,112
	Restricted cash	230	211
	Intangible assets, net	217	229
12	Deferred tax asset, net	16,546	7,013
13	Derivative instruments	—	17,981
7	Right-of-use assets	34,640	34,963
	Other assets	320	204
	Total non-current assets	490,748	504,713
	TOTAL ASSETS	**$ 624,669**	**$ 616,049**

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

Notes		2020	2019
	LIABILITIES AND STOCKHOLDERS´EQUITY	(Unaudited)	(Audited)
	Current liabilities		
	Accounts payable:		
	Suppliers	$ 5,943	$ 7,954
5	Affiliates	42,445	33,148
	Interest payable	2,444	284
12	Income tax payable, net	3,124	2,322
	Accrued expenses and other liabilities	2,029	3,128
8	Loan payable	15,000	15,000
	Total current liabilities	70,985	61,836
	Non-current liabilities		
	Seniority premium	179	144
13	Derivative instruments	28,052	—
7	Other liabilities	40,990	40,990
8	Loan payable, net	410,281	410,651
	Total non-current liabilities	479,502	451,785
	STOCKHOLDERS' EQUITY		
	Authorized capital	117,100	117,100
	Additional paid-in-capital	88	87
	Accumulated deficit	(16,435)	(22,625)
	Other comprehensive (loss) income	(26,551)	7,886
	Deemed tax	(20)	(20)
	Total stockholders' equity	74,182	102,428
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 624,669**	**$ 616,049**

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

Gas Natural Atlántico, S. de R. L.
Unaudited Interim Condensed Statements of Comprehensive Income
For the three months ended March 31, 2020 and 2019
(Expressed in thousands of dollars of the United States of America)

Notes		2020	2019
		(Unaudited)	
	Revenue		
5	Electricity sales	$ 67,224	$ 75,239
	Operating costs and expenses		
5	Fuel consumption	30,914	42,424
5	Electricity purchases	1,060	6,836
5	Terminal fee	8,607	8,736
	Other costs of electricity sales	227	295
	Transmission costs	1,152	925
6 & 7	Depreciation and amortization	5,360	5,335
9	Operating, general and maintenance expense	3,991	8,691
	Total operating costs and expenses	51,311	73,242
	Operating income	15,913	1,997
	Other (expenses) income		
10	Interest expense, net	(6,985)	(7,760)
	Other income	11	139
	Total other expenses, net	(6,974)	(7,621)
	Income (loss) before income tax	8,939	(5,624)
12	Income tax	2,749	1,344
	Net income (loss)	$ 6,190	$ (6,968)
	Net other comprehensive loss that will be reclassified to profit or loss in subsequent periods:		
13	Changes in the fair value of derivatives instruments	(46,033)	(5,214)
	Deferred tax	11,479	1,302
	Realized derivative instruments, net	117	—
	Other comprehensive loss	(34,437)	(3,912)
	Total other comprehensive loss	**$ (28,247)**	**$ (10,880)**

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

Gas Natural Atlántico, S. de R. L.
Unaudited Interim Condensed Statements of Changes in Stockholders' Equity
For the three months ended March 31, 2020 and 2019
(Expressed in thousands of dollars of the United States of America)

	Notes	Authorized capital	Additional paid-in capital	Accumulated deficit	Other comprehensive (loss) income	Deemed tax	Total stockholders' equity
Balance as of January 1, 2019		$ 117,100	$ 79	$ (9,690)	$ 9,274	$ —	$ 116,763
Net loss		—	—	(6,968)	—	—	(6,968)
Changes in the fair value of financial instruments	13	—	—	—	(5,214)	—	(5,214)
Deferred tax		—	—	—	1,302	—	1,302
Total other comprehensive loss		—	—	(6,968)	(3,912)	—	(10,880)
Shared based compensation		—	3	—	—	—	3
Balance as of March 31, 2019 (unaudited)		**$ 117,100**	**$ 82**	**$ (16,658)**	**$ 5,362**	**$ —**	**$ 105,886**
Balance as of January 1, 2020		$ 117,100	$ 87	$ (22,625)	$ 7,886	$ (20)	$ 102,428
Net income		—	—	6,190	—	—	6,190
Changes in the fair value of financial instruments	13	—	—	—	(46,033)	—	(46,033)
Deferred tax		—	—	—	11,479	—	11,479
Realized derivative instruments, net		—	—	—	117	—	117
Total other comprehensive loss		—	—	6,190	(34,437)	—	(28,247)
Shared based compensation		—	1	—	—	—	1
Balance as of March 31, 2020 (unaudited)		**$ 117,100**	**$ 88**	**$ (16,435)**	**$ (26,551)**	**$ (20)**	**$ 74,182**

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

Gas Natural Atlántico, S. de R. L.
Unaudited Interim Condensed Statements of Cash Flows
For the three months ended March 31, 2020 and 2019
(Expressed in thousands of dollars of the United States of America)

Notes		2020	2019
		(Unaudited)	
	Cash flows from operating activities		
	Net income (loss)	$ 6,190	$ (6,968)
	Adjustment to reconcile net income (loss) to net cash provided by operating activities:		
6	Depreciation	5,347	5,335
7	Right-of-use asset amortization	323	5,282
	Amortization of intangible assets	9	—
	Amortization of realized derivative instrument	4	—
10	Interest income - financial	(124)	(445)
10	Interest expense - financial	5,406	6,899
10	Amortization of deferred financing costs	917	390
12	Income tax expense	2,749	1,344
	Share based compensation	1	3
	Cash flows before working capital movements	20,822	11,840
	Decrease (increase) in accounts receivable	2,189	(3,649)
	Decrease (increase) in inventories	6,394	(477)
	(Increase) decrease in prepaid expenses	(3,846)	15,389
	(Decrease) in deferred income	—	(139)
	Increase (decrease) in accounts payable	8,149	(8,475)
	(Decrease) in accrued expenses and other liabilities	(1,099)	(4,128)
	Increase in seniority premium	35	22
	Interest received	97	75
	Payments of income tax	—	(1,019)
	Net cash flows provided by operating activities	32,741	9,439
	Cash flows from investing activities		
9	Acquisition of property, plant and equipment	(588)	(884)
	Advances payments for the acquisition of property, plant and equipment	(92)	(33)
5	Loan disbursement to related party	(1,500)	—
	Restricted cash	(19,952)	(2,659)
	Net cash used in investing activities	(22,132)	(3,576)
	Carried forward...	**$ 10,609**	**$ 5,863**

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

		2020	2019
		(Unaudited)	
	Brought forward...	**$ 10,609**	**$ 5,863**
	Cash flows from financing activities		
	Payment of interest	(4,386)	—
8	Proceeds from new line of credit	15,000	15,000
8	Payment of line of credit	(15,000)	—
	Proceeds from intercompany loan	—	(8,000)
	Payment of financing costs	(164)	—
	Payment of financing for property, plant and equipment	(196)	(3,296)
	Net cash (used in) provided by financing activities	(4,746)	3,704
	Net increase in cash and cash equivalents	5,863	9,567
	Cash and cash equivalents at the beginning of the year	18,118	146
	Cash and cash equivalents at the end of the period	**$ 23,981**	**$ 9,713**
	Supplementary disclosure		
	Property, plant and equipment purchases not paid at end of the period	$ 25,262	$ 6,323

The accompanying notes are an integral part of these unaudited interim condensed 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 Global Power Holdings, B.V., a company registered under the laws of the Netherlands, indirectly owned by the AES Corporation, owns 586,671 (50.1%) shares and Deeplight Holding, S.R.L., related party, incorporated under the laws of the British Virgin Islands, 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.

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.

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 unaudited interim condensed financial statements for the three months ended March 31, 2020 and 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The unaudited interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as of December 31, 2019**.**

3. Summary of Accounting Policies

The accounting policies adopted in the preparation of the unaudited interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2019.

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

4. Cash and cash equivalents

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

	2020	2019
Petty cash	$ 3	$ 3
Bank deposits	23,978	18,115
	$ 23,981	**$ 18,118**

5. Balances and Transactions with Affiliated and Related Parties

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

In the unaudited interim condensed statements of financial position:	**2020**	**2019**
Accounts receivables - related parties:		
Gas Natural Atlántico II, S. de R. L.	**$ 30**	**$ 3**
Prepaid expenses		
Assa Compañía de Seguros, S.A.	$ 3,107	$ 4
Banco General, S.A.	2	19
Total Gas & Power Limited London	3,951	3,262
	$ 7,060	**$ 3,285**
Loan receivable from related party		
Gas Natural Atlántico II S. de R.L.	**$ 3,000**	**$ 1,500**
Loan payable, net		
Banco General, S.A.	**$ 57,236**	**$ 57,236**
Interest payable		
Banco General, S.A.	**$ 33**	**$ 16**

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

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

In the unaudited interin condensed statements of comprehensive income, the transactions with related parties during the three months ended March 31, 2020 and 2019 are as follows:

In the unaudited interim condensed statements of comprehensive income		**2020**		**2019**
Fuel consumption				
Total Gas & Power Limited London	**$**	**29,293**	**$**	**42,423**
Operating, general and maintenance:				
ASSA Compañía de Seguros, S.A.	$	1,001	$	907
Petróleos Delta, S. A.		8		5
Banco General, S.A.		47		—
Total Gas & Power Limited London		—		5,850
	$	**1,056**	**$**	**6,762**
Interest income				
Gas Natural Atlántico II, S. de R. L.	**$**	**27**	**$**	**—**
Interest expense				
Banco General, S.A.	**$**	**592**	**$**	**206**

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

In the unaudited interim condensed statements of financial position:		**2020**		**2019**
Accounts receivables - affiliate:				
Costa Norte LNG Terminal S. de R.L.	$	5,861	$	5,861
AES Changuinola, S.R.L.		1		2
AES Panamá, S.R.L.		2,935		3,203
	$	**8,797**	**$**	**9,066**
Accounts payable - affiliate:				
Costa Norte LNG Terminal S. de R.L.	$	28,200	$	19,828
AES Changuinola, S.R.L.		—		1
AES Andres DR, S.A.		13,463		12,751
AES Panamá, S.R.L.		310		97
AES Solutions, LLC		412		412
AES Latin América S.de R. L.		59		59
AES Global Power Holdings B.V.		1		—
	$	**42,445**	**$**	**33,148**

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

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

In the unaudited interim condensed statements of comprehensive income, the transactions with related parties during the three months ended March 31, 2020 and 2019 are as follows:

In the unaudited interim condensed statements of comprehensive income	**2020**	**2019**
Electricity sales:		
AES Panamá, S.R.L.	$ 4,689	$ 8,464
AES Changuinola, S.R.L.	3	8
	$ 4,692	**$ 8,472**
Electricity purchases		
AES Panamá, S.R.L.	$ 242	$ 673
AES Changuinola, S.R.L.	1	—
	$ 243	**$ 673**
LNG purchases		
AES Andres DR, S.A.	**$ 1,621**	**$ —**
Terminal fee		
Costa Norte LNG Terminal S. de R.L.	**$ 8,607**	**$ 8,736**
Operating, general and maintenance (management fee):		
AES Solutions, LLC	$ —	$ 185
AES Latin América S.de R. L.	173	—
	$ 173	**$ 185**
Interest expense, net		
Costa Norte LNG Terminal S. de R.L.	**$ —**	**$ 82**

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

6. Property, plant and equipment, net

The activity in property, plant and equipment, net, for the three months ended March 31, 2020 and 2019 is detailed as follows:

	March 31, 2020					
	Buildings	Generation assets	Furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:						
Balance at January 1, 2020	$ 7,526	$ 464,236	$ 472	$ 156	$ 334	$ 472,724
Additions	—	—	30	—	—	30
Reclasifications	—	168	—	—	(168)	—
Balance at March 31, 2020	7,526	464,404	502	156	166	472,754
Accumulated depreciation						
Balance at January 1, 2020	266	28,062	203	81	—	28,612
Depreciation	50	5,261	28	8		5,347
Balance at March 31, 2020	316	33,323	231	89	—	33,959
Net balance	**$ 7,210**	**$ 431,081**	**$ 271**	**$ 67**	**$ 166**	**$ 438,795**

	March 31, 2019					
	Buildings	Generation assets	Furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:						
Balance at January 1, 2019	$ 7,334	$ 458,675	$ 391	$ 131	$ 110	$ 466,641
Additions	—	2,043	—	—	—	2,043
Reclasifications	192	(106)	24	—	(110)	—
Balance at March 31, 2019	7,526	460,612	415	131	—	468,684
Accumulated depreciation						
Balance at January 1, 2019	65	7,028	106	54	—	7,253
Depreciation	50	5,255	23	7	—	5,335
Balance at March 31, 2019	115	12,283	129	61	—	12,588
Net balance	**$ 7,411**	**$ 448,329**	**$ 286**	**$ 70**	**$ —**	**$ 456,096**

The Company's entire property, plant and equipment guarantees the obligations acquired in the financing of the facility (Note 8).

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

7. Lease

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

		Land
As of January 1, 2019	$	36,254
Amortization expense	$	(1,291)
As of December 31, 2019		34,963
Amortization expense		(323)
As of March 31, 2020	**$**	**34,640**

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

		2020		**2019**
Balance as of January 1	$	41,689	$	52,779
Accretion of interest		786		3,319
Payments		(678)		(14,409)
Balance at the end of the period	**$**	**41,797**	**$**	**41,689**
Current	**$**	**(807)**	**$**	**(699)**
Non-current	**$**	**(40,990)**	**$**	**(40,990)**

The maturity analysis of lease liabilities is disclosed in Note 11.

The following are the amounts recognized for the three months in 2020 and 2019 unaudited interim condensed statement of comprehensive income:

		2020		**2019**
Amortization expense of right-of-use assets (included in operating, general and maintenance expense)	$	323	$	5,282
Interest expense on lease liabilities (included in interest expense, net)		786		916
Total amount recognized in the unaudited interim condensed statement of comprehensive income	**$**	**1,109**	**$**	**6,198**

7. Lease (continued)

The balances of right-of-used asset and lease liability correspond to the following contracts:

- Land: 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 and 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. 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.

8. Loans payable, net

Line of credit

On March 24, 2020, the Company received $15,000, as working capital, from its a line of credit with Banco Aliado, S.A. The facility will bear interest of LIBOR 3-months plus a 4.5% spread over a 12-months period.

Loan payable, net

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 its previous syndicated loan.

This loan is for a 2 year period bearing an interest rate of 3-months LIBOR plus a margin that increases from 2% to 3.75% throughout the term of the loan. The interest payments are required on a quarterly basis and principal payment is due at the loan maturity date, August 2, 2021.

On July 22, 2016, the Company signed a mortgage contract on its movable property and its inventory of LNG, with Banistmo Investment Corporation, S.A. as a fiduciary entity, with the objective of guaranteeing the obligations acquired in the syndicated loan. This contract remains in force as of March 31, 2020.

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

8. Loans payable, net (continued)

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

	2020	2019
Current loan payable	$ 15,000	$ 15,000
Current loan payable, net	**$ 15,000**	**$ 15,000**
Non-current loan payable	$ 415,500	$ 415,500
Deferred financing costs	(5,219)	(4,849)
Non-current loan payable, net	**$ 410,281**	**$ 410,651**

For the three months ended March 31, 2020 and 2019 interest expense associated with the loans was $5,292 and $6,816. Both expenses are included in interest expense, in the unaudited interim condensed statements of comprehensive income.

9. Operating, General and Maintenance Expense

For the three months period ended March 31, 2020 and 2019 , the operating, general and maintenance expenses is as follows:

	2020	2019
Insurance	$ 1,696	$ 1,057
Salaries and other benefits	1,086	762
Right-of-use asset amortization (Note 7)	323	5,282
Maintenance services	244	142
Others	199	104
Management fee	173	185
Contract services	93	471
Professional fees	79	212
Bank charges	61	420
Operating lease costs	35	46
Basic services	2	10
	$ 3,991	**$ 8,691**

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

10. Interest expense, net

The interest expense, net for the three months period ended March 31, 2020 and 2019 was as follow:

	2020	2019
Interest expense - financial	$ (5,406)	$ (6,899)
Interest expense - lease	(786)	(916)
Subtotal	(6,192)	(7,815)
Amortization of deferred financing costs	(917)	(390)
Interest income - financial	124	445
Subtotal	124	445
Total	**$ (6,985)**	**$ (7,760)**

11. Risk and Capital Management

Risk Management

Liquidity risk

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

	Less than 3 months	*From 3 to 12 Months*	*From 1 to 5 Years*	*More than 5 Years*	*Total*
As of March 31, 2020					
Loan payable, net	$ 15,000	$ —	$ 410,281	$ —	$ 425,281
Accounts payable - supplier	5,943	—	—	—	5,943
Accounts payable - affiliates	—	42,445	—	—	42,445
Interest payable	—	2,444	—	—	2,444
Accrued expenses and other liabilities	1,330	699	—	—	2,029
Other liabilities	—	—	—	40,990	40,990
	$ 22,273	**$ 45,588**	**$ 410,281**	**$ 40,990**	**$ 519,132**

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

12. Income tax

For the three months period ended March 31, 2020 and 2019, income tax expense was as follows:

	2020	2019
Current	$ 802	$ 336
Deferred	1,947	1,008
	$ 2,749	**$ 1,344**

13. Fair Value of Financial Instruments

The Company established a process for determining 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 March 31, 2020 and December 31, 2019, are detailed below:

	2020		2019	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Non-current derivative instruments	$ —	$ —	$ 17,981	$ 17,981
	$ —	**$ —**	**$ 17,981**	**$ 17,981**
Financial Liabilities				
Non-current derivatives intruments	$ 28,052	$ 28,052	$ —	$ —
Current loan payable, net	15,000	15,000	15,000	15,000
Non-current loan payable, net	410,281	410,281	410,651	410,651
	$ 453,333	**$ 453,333**	**$ 425,651**	**$ 425,651**

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.

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

13. Fair Value of Financial Instruments (continued)

- The fair values for the loans payable estimated as of March 31, 2020, and December 31, 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 those dates. These loans were contracted at variable rate, therefore, the Company considers that the fair value approximates its 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 under Level 2 of the hierarchy.

Hierarchy of fair value of financial instruments

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

The fair value hierarchy consists of the following three levels:

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

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

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

The classification of the derivative is presented below as of March 31, 2020 and December 31, 2019:

		2020		
		Derivative instrument Liability		
Derivative Instrument	Clasification	Current	Non -current	Other comprehensive income
SWAP	Financial instrument liability recognized with change in other comprehensive income	$ —	$ (28,052)	$ (46,033)
	Total derivative instruments-level 2	**$ —**	**$ (28,052)**	**$ (46,033)**

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

13. Fair Value of Financial Instruments (continued)

		2019		
		Derivative instrument Asset		Other comprehensive income
Derivative Instrument	Clasification	Current	Non - current	
SWAP	Financial instrument asset recognized with change in other comprehensive income	$ —	$ 17,981	$ (5,214)
	Total derivative instruments-level 2	**$ —**	**$ 17,981**	**$ (5,214)**

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

14. Subsequent Events

Subsequent events were evaluated by the administration until August 5, 2020, the date on which unaudited interim condensed financial statements were authorized by the Controller for its issuance.

COVID-19

Last March 11, 2020 the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The quick evolution of the events, nationally and internationally, represents an unprecedented health crisis that will have macroeconomic and business effects. To face the economic and social impacts of COVID-19, among other measures the government of Panama has declared a state of national emergency, a state of public calamity and natural disaster, through resolution No.11 on March 13, 2020, and through the executive order No.489 on March 16, 2020, the Ministry of Health establishes additional sanitary measures to reduce, mitigate and control of the coronavirus COVID-19 disease pandemic in the country. The government also published other decrees during the month of March 2020, to establish sanitary control in epidemic areas and a curfew imposed throughout the country.

On May 11, 2020, though the resolution No.405 the Ministry of Health established the guidelines of the return to normality of the companies post Covid-19.

On March 31, 2020, Cabinet Resolution No.19 mandated the Distribution Companies to provide discounts on energy bills to certain consumers and provided for the funding of a tariff stabilization fund (Fondo de Estabilización Tarifaria) through which the Panamanian government is expected to compensate the Disribution Companies for discounts provided to consumers.

On May 4, 2020, Law 152 mandated a moratorium on payment of certain basic services, including electricity, cellular phone, internet for a period of 4 months for people and small business that met certain criteria. During this period, a service provider cannot disconnect service for users any cannot apply and late fees or interest.

14. Subsequent Events (continued)

COVID-19 (continued)

The effects of COVID-19 on the Economy in 2020

The COVID-19 pandemic has taken a substantial toll on the Panamanian Economy. The Panamanian government has enacted measures to ease the economic effect the pandemic has on the economy, including a prohibition on shutting off electricity services for non-payment and mandating the Distribution Companies to provide discounts to certain customers on their electricity bill. The discounts are to be funded through a tariff stabilization fund (*Fondo de Estabilización Tarifaria)* which has not yet been funded. This has caused the Distribution Companies to make only partial payments of the Company invoices under the PPA. This has caused the Distribution Companies to make only partial payments of the Company invoices under the PPA during April, May and June.

Although no official data has been published, the Company expects that electricity demand will fall which could also lower the average price for energy in the spot market which is largely mitigated by the Company´s Purchase Power Agreements but could nonetheless affect the results of operation of the Company.

The Company believes that these events do not represent an adjustment to the unaudited interim condensed financial statements as of March 31, 2020; should there be an impact on operations, it would be reflected in its future results and cash flows.

Given the complexity of the situation and its quick evolution, it is not practical at this time to conduct a reliable, quantified estimate of its potential impact on the Company, which will be recorded prospectively in the 2020 annual accounts.

The Company is conducting the necessary measures to face this situation and minimize its impact, based on more updated estimates and treasury's position on that date, do not compromise the application of the going concern principle.

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Financial Statements

Gas Natural Atlántico, S. de R. L.

As of December 31, 2019 and 2018 and for the three years then ended
with Independent Auditor's Report

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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

The Partners
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 of December 31, 2019 and 2018 and the statement of comprehensive income, statement of changes in stockholders' equity and statement of cash flows for the three years then ended as of December 31, 2019, 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 of December 31, 2019 and 2018; and its financial performance and its cash flows for the three years then ended as of December 31, 2019, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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.

Emphasis paragraph - Adoption of New Accounting Standards

As discussed in Note 3 New standards, interpretations and amendments adopted by the Company to the financial statements, the Company (as lessee) changed its method of accounting for leases in 2019 due to the adoption of IFRS 16 Leases. Our opinion is not qualified in this respect."

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Description of the matter:

Under IFRS 16 – Leases, the lessee is required to recognize the present value of future lease payments as a right-of-use asset and a corresponding financial liability.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application at January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application, therefore previous period comparative figures were not adjusted in the financial statements. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at January 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

As described in Note 13 to the financial statements, the initial application of IFRS 16 resulted in the recognition of a $46.2 million right of use asset and a $52.8 million lease liability as of January 1, 2019.

Auditing the adoption of IFRS 16 was complex as it involved evaluating significant judgments and assumptions applied by Management in relation to assessing the incremental borrowing rate, service component and extension options of leasing arrangements. Management has formed its judgments and assumptions based on historical experience, internal and external data points.

How We Addressed the Matter in Our Audit:

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's IFRS 16 adoption process including controls over management's review of the significant assumptions described above, the data inputs used by the Company in the calculations of right of use assets and lease liabilities and the recording of the balances in the financial statements.

To test the completeness and accuracy of the underlying data used to calculate the right of use asset and lease liability our procedures included, among others, comparing the leases' terms and conditions as per the contracts to the data used in the calculation and comparing the leases included in the adoption analysis to the leases to determine whether any agreements were omitted.

We involved our specialist to test the assumptions used in the model. We perform recalculations with the contract information and the discount rate used by the client.

In addition, we compared the Company's disclosures related to the adoption of IFRS 16 to the disclosure requirements.

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.

Responsibilities of the Auditor with Regards to 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, related safeguards.

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

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

Ernst & Young.

Panama, Republic of Panama
April 30, 2020

Gas Natural Atlántico, S. de R. L.
Statements of Financial Position
As of December 31, 2019 and 2018
(Expressed in thousands of dollars of the United States of America)

Notes		2019	2018
	ASSETS		
	Current assets		
4	Cash and cash equivalents	$ 18,118	$ 146
5	Restricted cash	7,825	7,124
	Accounts receivable:		
6	Trade	44,206	45,907
7	Related parties	3	538
7	Affiliates	9,066	95
	Others	6	420
7	Loan receivable from related party	1,500	—
8	Inventories	23,776	2,323
7	Prepaid expenses	6,836	31,778
15 & 22	Derivative instruments	—	1,343
	Total current assets	111,336	89,674
	Non-current assets		
9	Property, plant and equipment, net	444,112	459,388
	Restricted cash	211	126
10	Intangible assets, net	229	80
20	Deferred tax asset, net	7,013	3,188
15 & 22	Derivative instruments	17,981	11,596
13	Right-of-use asset, net	34,963	—
	Other assets	204	119
	Total non-current assets	504,713	474,497
	TOTAL ASSETS	**$ 616,049**	**$ 564,171**

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

Notes		2019	2018
	LIABILITIES AND STOCKHOLDERS´ EQUITY		
	Current liabilities		
	Accounts payable:		
12	Suppliers	$ 7,954	$ 13,817
7 & 13	Affiliates	33,148	25,045
7	Loan payables to affiliate	—	11,000
	Interest payable	284	7,794
20	Income tax payable, net	2,322	1,019
11 &13	Accrued expenses and other liabilities	3,128	2,119
14 & 22	Loans payable, net	15,000	379,697
	Total current liabilities	61,836	440,491
	Non-current liabilities		
	Seniority premium	144	90
7 & 13	Deferred income	—	6,827
13	Other liabilities	40,990	—
14 & 22	Loans payable, net	410,651	—
	Total non-current liabilities	451,785	6,917
	STOCKHOLDERS' EQUITY		
16	Authorized capital	117,100	117,100
	Additional paid-in-capital	87	79
	Accumulated deficit	(22,625)	(9,690)
15 & 22	Other comprehensive income	7,886	9,274
	Deemed tax	(20)	—
	Total stockholders' equity	102,428	116,763
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 616,049**	**$ 564,171**

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, 2019, 2018 and 2017
(Expressed in thousands of dollars of the United States of America)

Notes		2019	2018	2017
	Revenues			
7 & 21	Electricity sales	$ 285,858	$ 84,225	$ —
7	Natural gas sales	2,399	2,465	—
	Total revenues	288,257	86,690	—
	Operating costs and expenses			
7	Fuel consumption	140,787	29,065	—
7	Electricity purchases	18,706	9,633	—
7	Terminal fee	34,267	14,991	—
7	Fuel cost of sales	2,399	1,876	—
	Other costs of electricity sales	1,222	311	—
	Transmission costs	3,654	1,312	—
9, 10 & 15	Depreciation and amortization	21,381	7,184	45
7, 13 & 17	Operating, general and maintenance expense	30,439	17,265	3,074
	Total operating costs and expenses	252,855	81,637	3,119
	Operating income (loss)	35,402	5,053	(3,119)
	Other (expenses) income			
7, 13 & 18	Interest expense, net	(44,434)	(9,539)	(2,079)
19	Other (expense) income, net	(3,927)	10	1
	Total other expenses, net	(48,361)	(9,529)	(2,078)
	Loss before income tax	(12,959)	(4,476)	(5,197)
20	Income tax	(24)	(5,258)	—
	Net (loss) income	$ (12,935)	$ 782	$ (5,197)
	Net other comprehensive (loss) income that will be reclassified to profit or loss in subsequent periods:			
15 & 22	Changes in the fair value of derivative instruments	5,042	3,174	(1,847)
20	Deferred tax	460	(648)	524
15	Realized derivative instruments, net	(6,890)	174	(750)
	Other comprehensive (loss) income	(1,388)	2,700	(2,073)
	Total other comprehensive (loss) income	**$ (14,323)**	**$ 3,482**	**$ (7,270)**

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, 2019, 2018 and 2017

(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, 2017		$ 109,800	$ 30	$ (5,275)	$ 8,647	$ —	$ 113,202
Net loss		—	—	(5,197)	—	—	(5,197)
Changes in the fair value of derivative instruments	15 & 22	—	—	—	(1,847)	—	(1,847)
Deferred tax	20	—	—	—	524	—	524
Realized derivative instruments	15 & 22	—	—	—	(750)	—	(750)
Total other comprehensive loss		—	—	(5,197)	(2,073)	—	(7,270)
Capital contribution	7	7,300	—	—	—	—	7,300
Shared based compensation		—	32	—	—	—	32
Balance as of December 31, 2017		117,100	62	(10,472)	6,574	—	113,264
Net income		—	—	782	—	—	782
Changes in the fair value of derivative instruments	15 & 22	—	—	—	3,174	—	3,174
Deferred tax	20	—	—	—	(648)	—	(648)
Realized derivative instruments, net	15 & 22	—	—	—	174	—	174
Total other comprehensive income		—	—	782	2,700	—	3,482
Shared based compensation		—	17	—	—	—	17
Balance as of December 31, 2018		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**

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, 2019, 2018 and 2017
(Expressed in thousands of dollars of the United States of America)

Notes		2019	2018	2017
	Cash Flow from operating activities			
	Net (loss) income	$ (12,935)	$ 782	$ (5,197)
	Adjustment to reconcile net (loss) income to net cash provided by (used in) operating activities:			
9	Depreciation	21,359	7,177	44
13	Right-of-use asset amortization	11,209	—	—
10	Amortization of intangible assets	7	1	1
15	Amortization of realized derivative instrument	15	7	—
19	Loss on early extinguishment of debt	4,066	—	—
18	Interest income	(1,256)	(349)	(208)
14 & 18	Interest expense	24,545	9,375	2,287
18	Amortization of deferred financing cost	3,644	513	—
18	Write-off of deferred financing costs	14,182	—	—
20	Income tax expense	(24)	(5,258)	—
	Share-based compensation	8	17	32
	Cash flows before working capital movements	64,820	12,265	(3,041)
6	(Increase) in accounts receivable	(13,660)	(46,040)	(134)
8	(Increase) in inventories	(21,453)	(2,323)	—
	Decrease (increase) prepaid expenses	24,942	(30,702)	531
13	(Decrease) increase in deferred income	(6,827)	3,100	1,442
12	Increase (decrease) in accounts payable	4,293	11,051	(8,105)
11	(Decrease) increase in accrued expenses and other liabilities	(4,173)	1,242	172
	Increase in seniority premium	54	37	38
	Interest received	1,671	349	208
	Payments of income tax	(2,038)	—	—
	Net cash flows provided by (used in) operating activities	47,629	(51,021)	(8,889)
	Cash flows from investing activities			
10	Acquisition of intangible assets	(156)	(76)	—
9	Acquisition of property, plant and equipment	(2,320)	(62,824)	(224,142)
	Advances payments for the acquisition of property, plant and equipment	(106)	(20)	(2,871)
9	Loan disbursement to related party	(1,500)	—	—
5	Restricted cash	(786)	7,501	94
	Net cash used in investing activities	(4,868)	(55,419)	(226,919)
	Carried forward...	**$ 42,761**	**$(106,440)**	**$(235,808)**

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

		2019	2018	2017
	Brought forward...	**$ 42,761**	**$(106,440)**	**$(235,808)**
	Cash flows from financing activities			
	Payment of interest	(31,965)	(1,401)	—
14	Proceeds from new loans	415,500	104,769	229,500
14	Payment of loan	(394,818)	—	—
14	Proceeds from line of credit	15,000	—	—
	Proceeds from intercompany loan	—	12,000	—
7	Payment of intercompany loan	(11,000)	(1,000)	—
14	Payment of financing costs	(7,554)	(10)	(780)
19	Premium payment of early extinguishment debt	(4,066)	—	—
9	Payment of financing for property, plant and equipment	(5,886)	(8,099)	(2)
	Capital contribution	—	—	7,300
	Net cash (used in) provided by financing activities	(24,789)	106,259	236,018
	Net increase (decrease) in cash and cash equivalents	17,972	(181)	210
	Cash and cash equivalents at the beginning of the year	146	327	117
	Cash and cash equivalents at the end of the year	**$ 18,118**	**$ 146**	**$ 327**
	Supplementary disclosure			
	Property, plant and equipment purchases not paid at year end	$ 26,125	$ 30,575	$ 15,785
	Interest paid, capitalized in property, plant and equipment	$ —	$ 19,267	$ 7,745
	Accrued interest, capitalized in property, plant and equipment	$ —	$ —	$ 4,690

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, 2019 and 2018, 91.86% 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.

2. Basis of Preparation (continued)

The financial statements were authorized by the Controller for issuance on April 30, 2020.

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, except for IFRS 16.

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.

3. Summary of Accounting Policies (continued)

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 and fair value through profit or loss. The Company does not choose to irrevocably designate the measurement of financial assets at fair value through profit or loss or other comprehensive income.

Classification and measurement

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

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

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

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

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

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

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.

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

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

All financial assets that are not measured at amortized cost or fair through OCI, as described above, are measured at fair value through profit or loss. This measurement category includes all derivative financial instruments.

Evaluation of the business model

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

The levels of aggregation considered by the administration to perform the evaluation of the business model are six: cash and cash equivalents; accounts receivable trade, accounts receivable related parties, accounts receivable affiliates, other accounts receivable and loan receivable from related party.

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.

3. Summary Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

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

The Company used historical information and analyzed variables that affect and help to predict the behavior of the recoverability of financial assets, none of which showed an adequate correlation. However, the Company periodically performs qualitative risk analyzes to identify changes in the estimated losses. As of December 31, 2019 and 2018, the Company determined that there were no indications of doubtful accounts.

Financial asset derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; or when the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow in full without material delay to a third party under a pass-through arrangemet and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Cash and cash equivalents

The Company considers as cash and cash equivalents its petty cash and bank deposits.

Restricted cash

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

3. Summary of Accounting Policies (continued)

Inventory

The inventories, which mainly consist of 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 statements of comprehensive income.

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 statements of comprehensive income of the period in which the transaction occurs.

3. Summary of Accounting Policies (continued)

Major and minor maintenance

Disbursements for major maintenance represent the reconditioning of the 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 statements of comprehensive income.

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 results of the year in which they are determined.

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

3. Summary of Accounting Policies (continued)

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company 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. The right-of-use asset are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, 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 and equipment, if those leases have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases and leases of low value assets are recognized as expenses on a straight-line basis over the lease term.

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 $3,644 and $513, net of capitalization, for the years ended December 31, 2019 and 2018 , respectively. In 2017, 100% of deferred financing costs were capitalized.

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

Financial liabilities

Recognition and measurement

Financial liabilities (including loans and accounts 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 statements of comprehensive income over the period of the loans using the effective interest method. The Company recognizes gains or losses in the statements of comprehensive income of the period when the financial liability is written off.

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

Derecognition of financial liabilities

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

Provisions

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

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, 2019, 75.5% of electricity sales are derived from those agreements with EDEMET, EDECHI and ENSA. During 2017, the Company was under development.

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 statements of comprehensive income of the current year or in equity, as appropriate. The current income tax refers to the estimated tax payable on the taxable profit of the year, using the rate enacted at the date of the statement of financial position. The deferred income tax is calculated based on the liability method, considering the temporary differences between the carrying 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 recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

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.

3. Summary of Accounting Policies (continued)

New and amended standards and interpretations

The Company has initially adopted some standards and modifications effective January 1, 2019 are described below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires leasses to recognize most leases on the statements of financial position.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application at January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application, therefore previous period comparative figures were not adjusted in the financial statements. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at January 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Leases previously accounted for as operating leases

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low value assets.

The right-of-uses assets for most leases were recognized based on the carrying amount of the asset as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

(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 (continued)

IFRS 16 Leases (continued)

The effect of adoption IFRS 16 as of January 1, 2019 was as follows:

- Right-of-use asset of $46,172 were recognized and presented separately in the statements of financial position.
- Lease liabilities of $52,779 were recognized and presented in the statements of financial position in accrued expenses and other liabilities for the short term portion and other liabilities for the long term portion.
- Deferred tax assets increased by $1,652 because of the deferred tax impact of the change in assets and liabilities.

The lease liabilities as of January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018, as follows:

Reconciliation of commitment to lease liability:		
Operating lease commitments as of December 31, 2018	$	125,795
Weighted average incremental borrowing rate as of January 1, 2019		6.67%
Discounted operating lease commitments as of January 1, 2019		52,779
Lease liabilities as of January 1, 2019	**$**	**52,779**

In connection with the transition to the new standard, management has applied judgment and formed assumptions in relation to assessing the incremental borrowing rate, service component and extension options of leasing arrangements. Management has formed its judgments and assumptions based on historical experience, internal and external data points.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation did not have an impact on the financial statements of the Company.

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.

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

4. Cash and cash equivalents

As of December 31, 2019 and 2018, cash and cash equivalents is composed of the following:

	2019	2018
Petty cash	$ 3	$ 3
Bank deposits	18,115	143
	$ 18,118	**$ 146**

5. Restricted cash

In May 2016, the Company signed a syndicated loan for up to $394,818 with the objective of financing the construction of its electricity generation plant. The loan agreement establishes a structured mechanism for the administration of syndicated loan funds, which stipulates the segregation of cash balances, generating the classification of current and non-current restricted cash within the statements of financial position. As of December 31, 2018, the balance of current restricted cash derived from this loan agreement was $7,124, and does not maintain a non-current restricted cash balance. This syndicated loan was paid on August 2019.

On August 2, 2019, the Company entered into a syndicated loan with some senior Lenders and the Bank of Nova Scotia, acting as administrative agent. The loan proceeds were used to repay the Company's outstanding principal, accrued interest and other fees associated with the syndicated loan obtained on May 2016. As required under the terms of the loan, the Company entered into a cash management agreement which sets the mechanism for the use and classification of the loan proceeds. As of December 31, 2019, the balance of current restricted cash derived from this loan agreement is $7,825.

6. Accounts Receivable - Trade

As of December 31, 2019 and 2018, the balance of accounts receivable trade is detailed as follows:

	2019	2018
Spot and PPA electricity market agents	$ 21,757	$ 20,691
Other accounts receivable	22,449	25,216
Total	**$ 44,206**	**$ 45,907**

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

Other accounts receivables includes unbilled revenue.

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

6. Accounts Receivable - Trade (continued)

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

	2019	2018
Amount current	$ 43,996	$ 45,832
Overdue 31 to 60 days	21	4
Overdue 61 to 90 days	88	—
Overdue 91 or more	101	71
Total	**$ 44,206**	**$ 45,907**

7. Balances and Transactions with Affiliated and Related Parties

The balances and transactions with related parties as of December 31, 2019 and 2018, are as follows:

In the statements of financial position	**2019**	**2018**
Accounts receivables - related parties:		
Gas Natural Atlántico II, S. de R.L.	**$ 3**	**$ 538**
Prepaid expenses		
ASSA Compañía de Seguros, S.A.	$ 4	$ —
Banco General, S.A.	19	—
Total Gas & Power Limited London (formerly Engie, S.A.)	3,262	31,535
Petróleos Delta	—	3
	$ 3,285	**$ 31,538**
Loan receivable from related party		
Gas Natural Atlántico II, S. de R.L.	**$ 1,500**	**$ —**
Loans payable, net		
Banco General, S.A.	**$ 57,236**	**$ 20,815**
Interest payable		
Banco General, S.A.	**$ 16**	**$ 270**

(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, 2019, 2018 and 2017, are as follows:

In the statements of comprehensive income	**2019**	**2018**	**2017**
Fuel consumption			
Total Gas & Power Limited London (formerly Engie, S.A.)	**$ 124,111**	**$ 28,760**	**$ —**
Operating, general and maintenance expense:			
ASSA Compañía de Seguros, S.A.	$ 3,321	$ 505	$ 413
Petróleos Delta, S. A.	18	11	3
Prime Time Parking, S.A.	—	3	4
Banco General, S.A.	37	—	—
Vale General	5	—	—
	$ 3,381	**$ 519**	**$ 420**
Interest income			
Gas Natural Atlántico II, S. de R. L.	**$ 3**	**$ —**	**$ —**
Interest expense			
Banco General, S.A.	**$ 1,489**	**$ 57**	**$ 154**
Other income			
Gas Natural Atlántico II, S. de R. L.	**$ —**	**$ 538**	**$ 500**

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 $2,976, and $874 for the years ended December 31, 2019, and 2018, respectively. These amounts are classified as operating, general and maintenance expense in the statements of comprehensive income. During 2017 the Company was under development.

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

Insurance (continued)

As of December 31, 2019 and 2018, 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, 2020 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, 2019 until August 30, 2020; it must be renewed annually until the expiration of the generation license. This bond replaces the construction bond held by the Company in favor of the ASEP for an amount of $32,280, which was in force until August 31, 2018.

As of December 31, 2019 and 2018, 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 $3,599 to guarantee energy purchases in the spot market; $20 for energy purchases in MER and $467 to guarantee transmission costs payments (Note 21).

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%. As of December 31, 2019 this loan receivable is presented in the statements of financial position.

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 (Note 14).

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.

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

The balances with affiliates as of December 31, 2019 and 2018, are as follows:

In the statements of financial position:	**2019**	**2018**
Accounts receivables - affiliate:		
Costa Norte LNG Terminal S. de R.L.	$ 5,861	$ —
AES Changuinola, S.R.L.	2	—
AES Panamá, S.R.L.	3,203	19
AES Solutions, LLC	—	76
	$ 9,066	**$ 95**
Accounts payable - affiliate:		
Costa Norte LNG Terminal S. de R.L.	$ 19,828	$ 22,205
AES Engineering, LLC	—	441
AES Changuinola, S.R.L.	1	—
AES Andres DR, S.A.	12,751	—
AES Panamá, S.R.L.	97	2,399
AES Solutions, LLC	412	—
AES Latin América S.de R. L.	59	—
	$ 33,148	**$ 25,045**
Loan payables to affiliate		
Costa Norte LNG Terminal S. de R.L.	**$ —**	**$ 11,000**

In the statements of comprehensive income, the transactions with related parties during the years ended December 31, 2019, 2018 and 2017, are as follows:

In the statements of comprehensive income	**2019**	**2018**	**2017**
Electricity sales:			
AES Panamá, S.R.L.	$ 22,786	$ 439	$ —
AES Changuinola, S.R.L.	19	—	—
	$ 22,805	**$ 439**	**$ —**
Natural gas sales:			
Costa Norte LNG Terminal S. de R.L.	$ 2,399	$ —	$ —
Atlantic Basic Services, LTD	—	2,465	—
	$ 2,399	**$ 2,465**	**$ —**

(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	2019	2018	2017
Electricity purchases			
AES Panamá, S.R.L.	$ 1,037	$ 5,324	$ —
AES Changuinola, S.R.L.	1	2	—
Costa Norte LNG Terminal S. de R.L.	2,399	—	—
Atlantic Basic Services, LTD	—	1,876	—
AES Andres DR, S.A.	11,842	—	—
	$ 15,279	**$ 7,202**	**$ —**
Terminal fee			
Costa Norte LNG Terminal S. de R.L.	**$ 34,267**	**$ 14,991**	**$ —**
Interest expense			
Costa Norte LNG Terminal S. de R.L.	**$ 91**	**$ 40**	**$ —**
Operating, general and maintenance (management fee):			
AES Solutions, LLC	$ 369	$ 398	$ 455
AES Latin América S. de R.L.	345	—	—
	$ 714	**$ 398**	**$ 455**
Operating, general and maintenance (administrative service):			
AES Engineering, LLC	**$ —**	**$ 1,368**	**$ 1,000**

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.

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

Liquefied Natural Gas Terminal (continued)

As of December 31, 2019, and 2018, accounts payable to CONO, related to this contract amounted to $19,525 and $21,930, respectively. For the years ended December 31, 2019, and 2018, expenses resulting from this contract were $34,267 and $14,991, respectively. During 2017, the Company was under a construction period and no such expenses ocurred. In 2018, $6,668 was capitalized into power generation plant. These expenses are presented as terminal fee in the statements of comprehensive income.

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 June 28, 2018, the Company signed a contract for the purchase and sale of LNG with Atlantic Basin Services, LTD (ABS), a subsidiary of the Corporation, in a single transaction. For the year ended December 31, 2018, sales associated with this contract were $2,465 and fuel cost of sales of $1,876.

- 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.

- 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 $2,683, received on September 28, 2019.

Affiliated Companies Loans

During 2018, the Company received two loans from Costa Norte LNG Terminal, S. de R.L. 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.

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

As of December 31, 2018, the balance of interest payable is $40 and the interest expenses associated with these loans are $91 and $40, for the years ended December 31, 2019 and 2018, respectively, and is included in the statements of financial position as accounts payable to affiliates and interest expense, net in the statements of comprehensive income.

Expense Reimbursement

On August 2, 2016, the Company signed an expense reimbursement agreement with the Corporation, effective as of October 1, 2015, for a maximum total amount of $2,212, effective until the date of substantial completion of the generation plant in September 2018.

On August 2, 2016, the Company signed an expense reimbursement agreement with AES Andres DR, S.A., effective as of October 1, 2015, for a maximum total amount of $1,116, effective until the date of substantial completion of the generation plant in September 2018.

On August 2, 2016, the Company signed an expense reimbursement contract with AES Panamá S.R.L., effective from January 1, 2016, for a maximum total amount of $500, effective until the date of substantial completion of the generation plant in September 2018.

On December 7, 2017, the Company signed a unanimous consent to reimburse expenses with AES Latin America S. de R. L. and AES Changuinola, S.R.L., both subsidiaries of the Corporation, for an amount of $10 and $4, respectively.

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 of the services between Gas Natural Atlántico, S. de R.L. and AES Latin America S. de R.L.

On August 1, 2016, the Company signed an administration services contract with AES Solutions LLC, effective from May 13, 2016, for an annual amount of $910, until the start date of operations of the generation plant in September 2018.

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

During the year 2019, the transactions generated by this contract amounted to $345 which are presented as Management fee in operating, general and maintenance expenses in the statements of comprehensive income.

Capital contributions

In 2017, the Company had received contributions from AES Global Power Holdings, B.V. and Deeplight Holdings, S. R. L. for an amount of $7,300. During 2019 and 2018, the Company did not receive capital contributions.

8. Inventory

As of December 31, 2019 and 2018, the following summarizes the inventory balances:

	2019	2018
Spare parts	$ 2,528	$ 448
Diesel inventory	1,785	1,875
Gas inventory	19,463	—
Total of inventories	**$ 23,776**	**$ 2,323**

For the years ended December 31, 2019, 2018 and 2017, the Company did not recognize an obsolescence provision.

9. Property, plant and equipment, net

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

	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	25	224	6,083
Reclasifications	192	(192)	—	—	—	—
Ending balance	7,526	464,236	472	156	334	472,724
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**	**$ 75**	**$ 334**	**$ 444,112**

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

9. Property, plant and equipment, net (continued)

	December 31, 2018					
	Buildings	Generation assets	Office furniture and equipment	Transportation equipment	Constructions in progress	Total
Cost:						
Begining balance	$ —	$ 2	$ 189	$ 97	$ 381,744	$ 382,032
Additions	—	36	80	—	84,493	84,609
Reclasifications	7,334	458,637	122	34	(466,127)	—
Ending balance	7,334	458,675	391	131	110	466,641
Accumulated depreciation						
Begining balance	—	—	43	33	—	76
Depreciation	65	7,028	63	21	—	7,177
Ending balance	65	7,028	106	54	—	7,253
Net balance	**$ 7,269**	**$ 451,647**	**$ 285**	**$ 77**	**$ 110**	**$ 459,388**

	December 31, 2017					
	Buildings	Generation assets	Office furniture and equipment	Transportation equipment	Constructions in progress	Total
Cost:						
Begining balance	$ —	$ —	$ 112	$ 77	$ 139,929	$ 140,118
Additions	—	2	77	20	241,815	241,914
Ending balance	—	2	189	97	381,744	382,032
Accumulated depreciation						
Begining balance	—	—	18	14	—	32
Depreciation	—	—	25	19	—	44
Ending balance	—	—	43	33	—	76
Net balance	**$ —**	**$ 2**	**$ 146**	**$ 64**	**$ 381,744**	**$ 381,956**

On September 1, 2018, the construction in progress balances were transferred to generation assets upon the commercial operation date of the power plant. For the years ended December 31, 2018 and 2017, interest and deferred financing costs were capitalized for $15,400 and $13,043, respectively. During 2019, the Company did not capitalize interest and deferred financing costs.

The Company's entire property, plant and equipment guarantee the obligations acquired in the financing of the facility (Note 14).

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10. Intangible assets, net

The intangible assets are the following:

	2019			2018			2017		
	Cost	Accumulated amortization	Carrying amount	Cost	Accumulated amortization	Carrying amount	Cost	Accumulated amortization	Carrying amount
Licenses and software	$ 44	$ (10)	$ 34	$ 7	$ (3)	$ 4	$ 7	$ (2)	$ 5
Construction in progress - software	195	—	195	76	—	76	—	—	—
Total	**$ 239**	**$ (10)**	**$ 229**	**$ 83**	**$ (3)**	**$ 80**	**$ 7**	**$ (2)**	**$ 5**

The movement of intangible assets is detailed bellow:

	Licenses and software
Balances as of January 1, 2017	$ 6
Amortization	(1)
Balances as of December 31, 2017	5
Additions	76
Amortization	(1)
Balances as of December 31, 2018	80
Additions	156
Amortization	(7)
Balances as of December 31, 2019	**$ 229**

11. Accrued expenses and other liabilities

As of December 31, 2019, and 2018 the following summarizes the accrued expenses and other liabilities balances:

	2019	2018
Operating & maintenance agreement	$ 1,058	$ —
Interest-lease liability (Note 13)	699	—
Accrued benefits	678	1,804
Labor accruals	433	276
Other taxes payable	205	9
Other accruals	55	30
	$ 3,128	**$ 2,119**

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).

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12. Accounts payable to suppliers

As of December 31, 2019, and 2018, main accounts payable includes the following:

		2019		2018
Suppliers	$	6,971	$	12,841
Other accounts payable		983		976
	$	**7,954**	**$**	**13,817**

Accounts payable to suppliers mainly includes liabilities generated by the design, supply and construction contract for the generation plant (Note 21) and 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.

For 2018, the lease expense was recognized using the straight-line method, which generates a difference between the amount paid monthly and the expense. This difference is presented within the item of deferred income in the statements of financial position.

On December 22, 2017, an agreement was signed with Engie, S.A., for the lease of additional LNG storage units. The recognition of this lease was made in a linear manner, which generated a difference between the amount paid monthly and the expense. This difference was presented accumulated within the item of deferred income of the statements of financial position The validity of this contract was for a period of 12 months, from September 1, 2018, when the Company began its operations. This contract was not renewed.

As of December 31, 2018, the balance presented an amount of $6,827 as deferred income in the statements of financial position.

The Company adopted IFRS 16 using the modified restrospective 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. (Note 3).

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13. Lease (continued)

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**

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

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

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

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

Amortization expense of right-of-use assets (included in operating, general and maintenance expense)	$ 11,209
Interest expense on lease liabilities (included in interest expense, net)	3,319
Expense relating to leases of low-value assets (included in operating, general and maintenace expense)	2
Variable lease payments (included in other costs of electricity sales)	149
Total amount recognized in the statement of comprehensive income	**$ 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. It was fully repaid on January 24, 2020.

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14. Loans payable, net (continued)

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. The loan was valid for 12 years for commercial banks and 18 years for multilateral banks, accruing interest at an annual rate of 4% plus LIBOR 6 months for commercial banks and 4.50% plus LIBOR 6 months for multilateral banks, and semiannual interest payments at as of March 15, 2017 and semiannual principal payments as of September 15, 2019, respectively.

On July 22, 2016, the Company signed a mortgage contract on its movable property and its inventory of LNG, with Banistmo Investment Corporation, S.A. as a fiduciary entity, with the objective of guaranteeing the obligations acquired in the syndicated loan. This contract remains in force as of 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 statements of comprehensive income as other (expense) income, net and recognized a write off of deferred financing cost by $14,182, presented as interest expense, net in the statements 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% throughout the term of the loan. The interest payments are required on a quarterly basis and principal payment is required at loan maturity date.

As of December 31, 2019, and 2018, loan balances payable, net of deferred financing costs are detailed below:

		2019		2018
Current loan payable	$	15,000	$	394,818
Deferred financing costs		—		(15,121)
Current loan payable, net	**$**	**15,000**	**$**	**379,697**
Non-current loan payable	$	415,500	$	—
Deferred financing costs		(4,849)		—
Non-current loan payable, net	**$**	**410,651**	**$**	**—**

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

14. Loans payable, net (continued)

		2019		2018
Deferred financing costs at the beginning of the year	$	15,121	$	15,624
Writte off - extinguishment of debt		(14,182)		—
Payment of new financing costs		7,554		10
Capitalized financing costs		—		822
Amortization of financing cost during the year		(3,644)		(1,335)
Total deferred financing cost at the end of the year	**$**	**4,849**	**$**	**15,121**

For the years ended December 31, 2019, 2018 and 2017, deferred financing costs have been amortized for $3,644, $1,335 and $1,324, respectively. For the years ended December 31, 2018 and 2017, the Company had capitalized deferred financing costs of $822 and $1,324, respectively, for 2019 there have been no capitalization. The amortization of these deferred financial costs is in the interest expense, net in the statements of comprehensive income.

The maturities of the loan payable for the following five years are detailed below:

2020	$	15,000
2021		415,500
	$	**430,500**

For the years ended December 31, 2018 and 2017, commissions for commitments associated with the loan were recorded for an amount of $555 and $2,287, respectively. For the years ended December 31, 2019, 2018 and 2017, interest expense associated with the loans was $24,304, $23,774 and $14,006, respectively, of which $14,022 and $11,719 were capitalized during 2018 and 2017, respectively. Both expenses are included in interest expense, in the statements of comprehensive income. No commissions nor capitalized interest were recorded during 2019.

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.

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.

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15. Derivative Financial Instrument (continued)

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, 2018, the interest received was $168 and during 2017, the interest paid was $750.

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.

As consequence of the realized derivative instrument balance, for the years ended December 31, 2019 and 2018, $15 and $6, respectively, has been included in depreciation and amortization, in the statemets of comprehensive income. During 2019, has been recorded interest expenses by $151, while in 2018, has been recorded interest income by $416, presented in the statemets of comprehensive income. During 2017, it was not amortized.

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 income. Any realized portion is accumulated during the construction period of the project and will be amortized from its commencement of commercial operation and during the useful life of the generation asset. The fair value of the derivative is presented on a separate line from the Company's statements of changes in stockholders' equity, changes in fair value are reflected in other comprehensive income.

As of December 31, 2019 and 2018, the classification of the derivative asset is as follows:

	2019	2018
Derivative asset		
Current	$ —	$ 1,343
Non-current	17,981	11,596
	$ 17,981	**$ 12,939**

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

16. Authorized capital

As of December 31, 2019 and 2018, 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, 2019, 2018 and 2017, the operating, general and maintenance expenses is as follows:

	2019	2018	2017
Right-of-use asset amortization (Note 13)	$ 11,209	$ —	$ —
Insurance	4,735	1,532	803
Salaries and other benefits	3,516	2,322	80
Operating lease costs	3,201	8,953	202
Contract services	2,709	513	—
Professional fees	1,561	1,783	661
Others	1,247	857	705
Maintenance services	1,083	142	—
Management fee	715	398	455
Basic services	382	390	37
Other taxes	60	61	68
Advertising expenses	19	314	63
Expenses related to leases of low value and short term contracts (Note 13)	2	—	—
	$ 30,439	**$ 17,265**	**$ 3,074**

18. Interest expense, net

The interest expense, net for the years ended December 31, 2019, 2018 and 2017, was as follow:

	2019	2018	2017
Interest expense - financial	$ (24,545)	$ (9,375)	$ (2,287)
Interest expense - lease	(3,319)	—	—
Subtotal	(27,864)	(9,375)	(2,287)
Deferred financing costs	(3,644)	(513)	—
Write off of deferred financing costs due to early extinguishment debt (Note 14)	(14,182)	—	—
Interest income - financial	1,256	349	208
Subtotal	1,256	349	208
Total	**$ (44,434)**	**$ (9,539)**	**$ (2,079)**

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

19. Other income (expense), net

For the years ended December 31, 2019, 2018 and 2017, other income (expense), net was as follows:

	2019	2018	2017
Loss on early extinguishment of debt	$ (4,066)	$ —	$ —
Other income, net	139	10	1
Total other (expense) income, net	**$ (3,927)**	**$ 10**	**$ 1**

20. Income tax

For the years ended December 31, 2019, 2018 and 2017, income tax benefit was as follows:

	2019	2018	2017
Current	$ 3,341	$ 1,019	$ —
Deferred	(3,365)	(6,277)	—
	$ (24)	**$ (5,258)**	**$ —**

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

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

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

During the year ended December 31, 2019 and 2018, the Company generated net operating losses and as such the current income tax was determined under CAIR rules.

The provisions of article 710 of the current Tax Code establishes that taxpayers will present an estimated income statement that they will obtain in the year following that covered by the sworn statement, which must not be less than the income indicated in the affidavit. Taxpayers must make advance payments based on the determination of the estimated statement divided into three installments to be paid quarterly in the months of June, September and December.

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

20. Income tax (continued)

In 2019, the Company, made estimated income tax payments by $1,019, based on the results obtained in the previous year. For the year 2018, the income tax caused was $1,019 based on the results obtained the previous year.

According to the tax regulations, income tax returns of the Company are subject to review by the tax authorities for the last three fiscal years including the year ended December 31, 2019.

As of December 31, 2019 and 2018, the deferred income tax asset, net was composed of the following items:

	2019	2018
Deferred tax assets:		
Organization expenses	$ 4,124	$ 4,124
Net operating loss carry forward	3,076	—
Lease	1,682	1,273
Accumulated depreciation	1,901	2,035
Total deferred tax assets	10,783	7,432
Deferred tax liabilities:		
Non deductible amortization - lease capitalized	(1,088)	(1,142)
Salvage value of property, plant and equipment	(53)	(13)
Derivative - OCI	(2,629)	(3,089)
Total deferred tax liability	(3,770)	(4,244)
Total deferred tax asset, net	**$ 7,013**	**$ 3,188**

Organization Costs

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 year in which they incurred. An amount of $20,152 for tax purposes was considerate as organizational costs and deferred. During the years ended December 31, 2019 and 2018, the Company maintained a remaining balance of organization cost of $16,495, for both years, that can be used until 2023.

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

20. Income tax (continued)

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.

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

Year	Amount
2020	$ 2,461
2021	2,461
2022	2,461
2023	2,461
2024	2,461
Total	**$ 12,305**

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 "Deemad Tax" and is considered an advance on the dividend tax. During the years ended December 31, 2019, 2018 and 2017, the Company did not pay deemad tax because it did not paid dividends.

Transfer Pricing Law

During the three years ended December 31, 2019, 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.

20. Income tax (continued)

Taxpayers must comply annually, with the obligation to submit a transfer pricing report (report 930) 6 months after the closing date of the fiscal period. In addition, they must have a study containing the information and analysis supporting whether its transactions with related parties are in accordance with the provisions established in the fiscal code. The Company estimates that transactions carried out with related parties will not have a significant impact on the provision of income tax for 2019, 2018 and 2017.

21. Commitments and Contingencies

EPC Contract

On January 29, 2016, the Company signed contracts with Posco Engineering & Construction Co. Ltd (POSCO) for the design, supply of materials, construction and commissioning of the generation plant for an estimated total amount of $322,800. Subsequently, work order changes were issued that increased the initial price of the contract to $338,858 plus value-added tax of $23,104, respectively. As of December 31, 2019, the Company does not maintain accounts payable related to the contract.

After the date of entry into commercial operation of the plant, POSCO filed claims of losses amounting to $16,760 related to contractual breaches. At the same time, the Company filed a joint claim amounting to $14,680 related to operational losses incurred by POSCO delays. During December 2018, the Company agreed to pay POSCO $2,080, while POSCO promised to conclude the remaining tests of the generation plant.

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.

21. Commitments and Contingencies (continued)

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.

In August 2016, the Company contracted a $25,000 line of credit with Global Bank, S. A. In February 2018, a letter of credit was issued in favor of Total Gas and Power Limited London, to support the purchase of the liquefied gas associated with this line of credit. The maturity date of this line of credit is on October 20, 2020.

The Company contracted a letter of credit for $4,086 with Banco General, S.A. to guarantee energy purchases in occasional market and MER and transmission costs payments. This letter of credit is part of a credit facility totaling $10,000. The maturity date of this line of credit is on December 20, 2020.

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, 2019, the Company has received spare parts totaling $5,524 related to this contract, which are pending payment and are presented in the financial statements as accounts payable to suppliers.

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.

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

22. Fair Value of Financial Instruments (continued)

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

	2019		2018	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Current derivative instruments	$ —	$ —	$ 1,343	$ 1,343
Non-current derivative instruments	17,981	17,981	11,596	11,596
	$ 17,981	**$ 17,981**	**$ 12,939**	**$ 12,939**
Financial Liabilities				
Current loan payable, net	$ 15,000	$ 15,000	$ 379,697	$ 379,697
Non-current loan payable, net	410,651	410,651	—	—
	$ 425,651	**$ 425,651**	**$ 379,697**	**$ 379,697**

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, 2019, and 2018, 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.

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

22. Fair Value of Financial Instruments (continued)

The fair value hierarchy consists of the following three levels:

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

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

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

The classification of the derivative is presented below:

		2019			**2018**		
		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	$ 5,042	$ 1,343	$ 11,596	$ 3,174
	Total derivative instruments- level 2	**$ —**	**$ 17,981**	**$ 5,042**	$ 1,343	$ 11,596	$ 3,174

As of December 31, 2019 and 2018, 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

23. Risk and Capital Management (continued)

Risk Management (continued)

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.

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 91.86% 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.

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.

23. Risk and Capital Management (continued)

Credit risk

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

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

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.

In the case of the contract market, payment guarantee bonds are maintained, while for the spot market, all transactions are managed by the CND through a collection system via a Management and Collections 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.

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.

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

23. Risk and Capital Management (continued)

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

	Less than 3 months	*From 3 to 12 Months*	*From 1 to 5 Years*	*More than 5 Years*	*Total*
As of December 31, 2019					
Loan payable, net	$ 15,000	$ —	$ 410,651	$ —	$ 425,651
Accounts payable - supplier	7,954	—	—	—	7,954
Accounts payable - affiliaties	—	33,148	—	—	33,148
Accrued interest	—	284	—	—	284
Acrued 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**

	Less than 3 months	*From 3 to 12 Months*	*From 1 to 5 Years*	*More than 5 Years*	*Total*
As of December 31, 2018					
Loan payable, net	$ —	$ 379,697	$ —	$ —	$ 379,697
Accounts payable - supplier	13,817	—	—	—	13,817
Accounts payable - affiliaties	—	25,045	—	—	25,045
Loan payable to the affiliate	—	11,000	—	—	11,000
Accrued interest	—	7,794	—	—	7,794
Accrued expenses and other liabilities	2,119	—	—	—	2,119
	$ 15,936	**$ 423,536**	**$ —**	**$ —**	**$ 439,472**

Interest rate risk

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 (Panamá), S.A. as an administrative agent. This loan is for a 2 years period bearing an interest rate of 3 month LIBOR plus a margin that increase from 2% to 3.75% throughout the term of the loan. The funds of this loan were used to pay off the principal and balance of interest pending under the syndicated loan of May 13, 2016.

The LIBOR rate is an international reference rate that fluctuates based on interbank market conditions. The Company is exposed to the impact of the volatility of the LIBOR rate changes on its obligations at floating rates.

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

23. Risk and Capital Management (continued)

Interest rate risk (continued)

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 the loan. During 2019 the market conditions were favorable and in accordance with the considerations projected by the Company and in a prospective manner it is expected to replace, in the medium term, the balance of your current loan with a long-term fixed-rate loan.

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 liabilites of financing activities are as follow:

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
Leases	—	—	(14,409)	—	—	3,319	52,779	41,689
	$ 390,697	**$ 430,500**	**$(427,781)**	**$ 3,644**	**$ 14,182**	**$ 3,319**	**$ 52,779**	**$ 467,340**

2018

	Balance as of January 1, 2018	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, 2018
Loans payable, net	**$ 272,964**	**$ 116,769**	**$ (1,010)**	**$ 1,974**	**$ —**	**$ —**		**$ 390,697**

25. Subsequent Events

On January 24, 2020, the Company paid $15,000 of the credit line with Banco Aliado, S.A. (formerly Banco Panamá, S.A.)

On March 2020, the Company obtained a disbursement of $ 15,000 under a line of credit with Banco Aliado, S.A. (formerly Banco Panamá, S.A.), for a period not exceeding 12 months from the date of disbursement.

25. Subsequent Events (continued)

On March 23, 2020, the Company disbursed an amount of $1,500, for the loan agreement signed with Gas Natural Atlántico II, S.R.L. and additionally, received a repayment to this loan of $500, dated April 13, 2020, maintaining a balance of loan receivable to related party of $2,500, as of the date of issuance of these financial statements.

COVID-19:

Last March 11, 2020 the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The quick evolution of the events, nationally and internationally, represents an unprecedented health crisis that will have macroeconomic and business effects. To face the economic and social impacts of COVID-19, among other measures the government of Panama has declared a state of national emergency, a state of public calamity and natural disaster, through resolution No.11 on March 13, 2020, and through the executive order No.489 on March 16, 2020, the Ministry of Health establishes additional sanitary measures to reduce, mitigate and control of the coronavirus COVID-19 disease pandemic in the country.

The government also published other decrees during the month of March 2020, to establish sanitary control in epidemic areas and a curfew imposed throughout the country.

The Company believes that these events do not represent an adjustment to the annual accounts of the year ended December 31, 2019; should there be an impact on operations, it would be reflected in its future results and cash flows.

Given the complexity of the situation and its quick evolution, it is not practical at this time to conduct a reliable, quantified estimate of its potential impact on the Company, which will be recorded prospectively in the 2020 annual accounts.

The Company is conducting the necessary measures to face this situation and minimize its impact, considering that it is a temporary situation that, based on more updated estimates and treasury's position on that date, do not compromise the application of the going concern principle.

Additionally, since December 31, 2019 and until the reporting date, no additional relevant events have occurred that would require disclosures or adjustments to the financial statements.

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Unaudited interim condensed financial statements

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

As of March 31, 2020 and December 31, 2019 and for the three month periods ended March 31, 2020 and 2019

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Costa Norte LNG Terminal, S. de R. L.
Unaudited Interim Condensed Statements of Financial Position
As of March 31, 2020 and December 31, 2019
(Expressed in thousands of dollars of the United States of America)

Notes		2020 (Unaudited)	2019 (Audited)
	ASSETS		
	Current assets		
4	Cash and cash equivalents	$ 2,998	$ 10,059
	Restricted cash	5,000	3,814
	Accounts receivable:		
5	Affiliates	28,254	19,882
	Others	774	776
7	Trade receivables - sublease	2,744	2,644
	Inventories	490	544
	Prepaid expenses	2,481	646
	Total current assets	42,741	38,365
	Non-current assets		
6	Terminal and equipment, net	469,996	469,891
	Restricted cash	206	200
11	Deferred tax asset, net	7,618	2,044
12	Derivative instrument	—	8,443
7	Trade receivables - sublease	38,791	38,783
7	Right-of-use asset, net	86,416	87,219
	Other assets	2,547	2,606
	Total non-current assets	605,574	609,186
	TOTAL ASSETS	**$ 648,315**	**$ 647,551**

Costa Norte LNG Terminal, S. de R. L.
Unaudited Interim Condensed Statements of Financial Position (Continued)
As of March 31, 2020 and December 31, 2019
(Expressed in thousands of dollars of the United States of America)

Notes		2020 (Unaudited)	2019 (Audited)
	LIABILITIES AND STOCKHOLDERS´ EQUITY		
	Current liabilities		
	Accounts payable:		
	Suppliers	$ 11,261	$ 9,069
5	Affiliates	6,904	6,917
	Interest payable	1,204	54
11	Income tax payable, net	557	235
	Accrued expenses and other liabilities	4,233	4,197
	Total current liabilities	24,159	20,472
	Non-current liabilities		
	Seniority premium	60	39
7	Other liabilities	142,987	142,987
12	Derivative liabilities	13,190	—
8	Loan payable, net	191,818	191,941
	Total non-current liabilities	348,055	334,967
	STOCKHOLDERS' EQUITY		
	Authorized capital	285,700	285,700
	Additional paid-in-capital	85	84
	Retained earnings	4,324	4,177
	Other comprehensive (loss) income	(13,978)	2,181
	Deemed tax	(30)	(30)
	Total stockholders' equity	276,101	292,112
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 648,315**	**$ 647,551**

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

Costa Norte LNG Terminal, S. de R. L.
Unaudited Interim Condensed Statements of Comprehensive Income
For the three months ended March 31, 2020 and 2019

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

Notes			2020		2019
			(Unaudited)		
	Revenue				
5	Terminal services	$	10,878	$	8,736
	Operating costs and expenses				
7 & 9	Operating, general and maintenance expense		1,901		2,020
6	Depreciation and amortization		3,831		2,380
	Total operating costs and expenses		5,732		4,400
	Operating income		5,146		4,336
	Other income (expenses)				
10	Interest expense, net		(4,872)		(1,997)
	Other income, net		8		1
	Total other expense, net		(4,864)		(1,996)
	Income before income tax expense		282		2,340
11	Income tax expense		135		660
	Net income	$	147	$	1,680
	Net other comprehensive (loss) income that will be reclassified to profit or loss in subsequent periods:				
	Realized derivative instrument, net		88		86
12	Changes in the fair value of derivative instruments		(21,633)		(2,443)
	Deferred tax		5,386		1,058
	Other comprehensive loss		(16,159)		(1,299)
	Total other comprehensive (loss) income	**$**	**(16,012)**	**$**	**381**

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

Costa Norte LNG Terminal, S. de R. L.
Unaudited Interim Condensed Statements of Changes in Stockholders' Equity
For the three months ended March 31, 2020 and 2019
(Expressed in thousands of dollars of the United States of America)

	Notes	Authorized capital	Additional paid-in-capital	Accumulated deficit	Deemed tax	Other comprehensive (loss) income	Total shareholders' equity
Balance as of January 1, 2019		$ 265,700	$ 79	$ 8,322	$ —	$ 2,725	$ 276,826
Net income		—	—	1,680		—	1,680
Realized derivative instrument, net		—	—	—	—	86	86
Changes in fair value of financial instruments	12	—	—	—	—	(2,443)	(2,443)
Deferred tax		—	—	—	—	1,058	1,058
Total of other comprehensive loss		—	—	1,680	—	(1,299)	381
Capital contribution		20,000	—	—	—	—	20,000
Balance as of March 31, 2019 (unaudited)		**$ 285,700**	**$ 79**	**$ 10,002**	**$ —**	**$ 1,426**	**$ 297,207**
Balance as of January 1, 2020		$ 285,700	$ 84	$ 4,177	$ (30)	$ 2,181	$ 292,112
Net income		—	—	147	—	—	147
Realized derivative instrument, net		—	—	—	—	88	88
Changes in fair value of financial instruments	12	—	—	—	—	(21,633)	(21,633)
Deferred tax		—	—	—	—	5,386	5,386
Total of other comprehensive loss		—	—	147	—	(16,159)	(16,012)
Shared based compensation		—	1	—	—	—	1
Balance as of March 31, 2020 (unaudited)		**$ 285,700**	**$ 85**	**$ 4,324**	**$ (30)**	**$ (13,978)**	**$ 276,101**

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

Costa Norte LNG Terminal, S. de R. L.
Unaudited Interim Condensed Statements of Cash Flows
For the three months ended March 31, 2020 and 2019
(Expressed in thousands of dollars of the United States of America)

Notes		2020	2019
		(Unaudited)	
	Cash flows from operating activities		
	Net income	$ 147	$ 1,680
	Adjustment to reconcile net income to net cash used in operating activities:		
6	Depreciation	3,829	2,380
	Amortization of realized derivative instrument	2	—
7	Right-of-use asset amortization	803	803
10	Interest income - financial	(33)	(125)
10	Interest expense - financial	2,515	179
10	Amortization of deferred financing costs	433	8
11	Income tax expense	135	660
	Share-based compensation	1	—
	Cash flows before working capital movements	7,832	5,585
	Increase in accounts receivable	(8,478)	(10,633)
	Decrease (increase) in inventories	54	(156)
	Increase in income tax payable, net	—	(298)
	(Increase) decrease in prepaid expenses	(1,835)	211
	(Increase) decrease in other long term assets	(2)	47
	Increase (decrease) in accounts payable	498	(2,057)
	Increase (decrease) in accrued expenses and other liabilities	36	(147)
	Increase in seniority premium	21	23
	Decrease in deferred rent	—	(326)
	Commitment fee paid	—	(237)
	Interest receivable	33	125
	Net cash flows used in operating activities	(1,841)	(7,863)
	Cash flows from investing activities		
6	Acquisition of terminal equipment	(1,924)	(12,164)
	Restricted cash	(1,192)	(26,749)
5	Collection of intercompany loan receivable	—	8,000
	Net cash used in investing activities	(3,116)	(30,913)
	Carried forward...	**$ (4,957)**	**$ (38,776)**

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

			2020		2019
			(Unaudited)		
	Brought forward...	**$**	**(4,957)**	**$**	**(38,776)**
	Cash flows from financing activities				
	Interest payment		(1,973)		—
8	Proceeds from new loans		—		55,791
	Payment of financing costs		(131)		—
	Payment of financing for terminal equipment		—		(37,222)
	Capital contribution		—		20,000
	Net cash (used in) provided from financing activities		(2,104)		38,569
	Decrease in cash and cash equivalents		(7,061)		(207)
	Cash and cash equivalents at the beginning of the year		10,059		283
	Cash and cash equivalents at the end of the period	**$**	**2,998**	**$**	**76**
	Supplementary disclosure				
	Terminal equipment purchases not paid at end of the period	$	10,005	$	18,342
	Accrued interest capitalized in terminal equipment	$	—	$	554
	Interest paid capitalized in terminal equipment	$	110	$	4,654

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

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

1. Organization and Nature of Operations

Costa Norte LNG Terminal, S. de R. L. (the Company), was incorporated on September 14, 2015, with its owners, AES Global Power Holding, B.V., a company incorporated under the laws of the Netherlands, indirect subsidiary of The AES Corporation, owns 1,431,357 (50.1%) shares and Deeplight Holding, S.R.L. a related party, incorporated under the laws of the British Virgin Islands, has 1,425,643 (49.9%) shares.

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

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

2. Basis of Preparation

The unaudited interim condensed financial statements for the three months ended March 31, 2020 and 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The unaudited interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual audited financial statements as of December 31, 2019**.**

3. Summary of Accounting Policies

The accounting policies adopted in the preparation of the unaudited interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2019.

4. Cash and cash equivalents

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

	2020	2019
Bank deposits	$ 2,991	$ 10,052
Petty cash	7	7
	$ 2,998	**$ 10,059**

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

5. Balances and Transactions with Affiliates and Related Parties

In the unaudited interim condensed statements of comprehensive income, the transactions with related parties during the three months ended March 31, 2020, and 2019, are as follows:

		2020		2019
In the unaudited interim condensed statements of comprehensive income				
Terminal services:				
Total Gas & Power Limited London	$	2,271	$	—
Gas Natural Atlántico, S. de R. L		8,607		8,736
	$	**10,878**	**$**	**8,736**
Operating, general and maintenance expenses:				
Assa Compañía de Seguros, S.A.	$	369	$	66
Petróleos Delta, S.A.		4		1
Inversiones Vismar, S.A		257		—
	$	**630**	**$**	**67**
Other expenses, net:				
Banco General, S.A.	**$**	**277**	**$**	**6**

Affiliates

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

In the unaudited interim condensed statements of financial position		2020		2019
Accounts receivable affiliates:				
Gas Natural Atlántico, S. de R. L	$	28,200	$	19,828
AES Panamá S.R.L.		54		54
	$	**28,254**	**$**	**19,882**
Accounts payable affiliates:				
Gas Natural Atlántico, S. de R. L	$	5,861	$	5,861
AES Panamá S.R.L.		1		1
AES Solutions, LLC		1,017		1,017
AES Latin América S. de R.L.		25		25
AES Andres DR, S.A.		—		8
Dominican Power Partners		—		5
	$	**6,904**	**$**	**6,917**

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

5. Balances and Transactions with Affiliates and Related Parties (Continued)

The transactions with affiliates for the three months ended March 31, 2020 and 2019 in the unaudited interim condensed statements of comprehensive income, are as follows:

In the unaudited interim condensed statements of comprehensive income	**2020**	**2019**
Operating, general and maintenance expenses (management fee):		
AES Latin América S. de R.L.	$ 74	$ —
AES Solutions, LLC	—	79
	$ 74	**$ 79**

Capital contributions

During the three months ended March 31, 2019, the Company received contributions from AES Global Power Holdings, B.V. and Deeplight Holdings, S. R. L. for an amount of $20,000.

6. Terminal and equipment, net

Activity in the terminal and equipment, net for the three months ended March 31, 2020 and 2019 is detailed as follows:

	March 31, 2020				
	LNG Facility, dock and pipeline	Furniture and Equipment	Vehicles	Construction in progress	Total
Cost:					
Balance at January 1, 2020	$ 472,653	$ 143	$ 235	$ 11,650	$ 484,681
Additions	—	3	—	3,931	3,934
Reclasifications	163	—	—	(163)	—
Balance at March 31, 2020	472,816	146	235	15,418	488,615
Accumulated depreciation:					
Balance at January 1, 2020	14,661	61	68	—	14,790
Depreciation	3,809	8	12	—	3,829
Balance at March 31, 2020	18,470	69	80	—	18,619
Net balance	**$ 454,346**	**$ 77**	**$ 155**	**$ 15,418**	**$ 469,996**

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

6. Terminal and equipment, net (Continued)

	March 31, 2019				
	LNG Facility, dock and pipeline	Furniture and Equipment	Vehicles	Construction in progress	Total
Cost:					
Balance at January 1, 2019	$ 258,643	$ 77	$ 119	$ 171,687	$ 430,526
Additions	—	28	—	14,360	14,388
Reclasifications	—	18	—	(18)	—
Balance at March 31, 2019	258,643	123	119	186,029	444,914
Accumulated depreciation:					
Balance at January 1, 2019	3,129	33	38	—	3,200
Depreciation	2,368	6	6	—	2,380
Balance at March 31, 2019	5,497	39	44	—	5,580
Net balance	**$ 253,146**	**$ 84**	**$ 75**	**$ 186,029**	**$ 439,334**

For the three months ended March 31, 2020 and 2019, interest and deferred financing costs of $153 and $2,757, respectively, have been capitalized.

The total value of the LNG facility, wharf and pipeline of the Company guarantees the obligations acquired in the financing (Note 8).

7. Lease

As Lessee:

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

	Land
As of January 1, 2019	$ 90,431
Amortization expense	(3,212)
As of December 31, 2019	87,219
Amortization expense	(803)
As of March 31, 2020	**$ 86,416**

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

7. Lease (continued)

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

	2020	2019
Balance as of January 1	$ 145,424	$ 143,752
Accretion of interest	2,743	10,897
Payments	(2,363)	(9,225)
Balance at the end of the period	**$ 145,804**	**$ 145,424**
Current	**$ (2,817)**	**$ (2,437)**
Non-current	**$ (142,987)**	**$ (142,987)**

The following are the amounts recognized for the three months ended March 31, 2020 and 2019, included in the unaudited interim condensed statements of comprehensive income:

	2020	2019
Amortization expense of right-of-use asset (included in operating, general and maintenance expense)	$ 803	$ 803
Interest expense on lease liabilities (included in interest expense, net)	2,743	2,712
Total amount recognized in unaudited interim condensed statements of comprehensive income	**$ 3,546**	**$ 3,515**

The balances of right-of-used asset and lease liability correspond to the following contracts:

- Land: The Company entered into a lease agreement with Panama Ports Company, S.A., which established the terms and conditions of the land lease located on Telfers Avenue, Province of Colon, Republic of Panama (the principal-lease). Subsequently, on January 18, 2016, Panama Ports Company, S.A, approved the retroactive assignment of this contract to the Company. The term of the contract is until January 31, 2022, the date on which the concession of Panama Ports Company, S.A. expires. This concession has an automatic renewal for an additional period of 25 years.

As Lessor:

The Company entered into a sub-lease agreement with Gas Natural Atlantico, S, de R.L. The term of the sub-lease is the same agreed for the principal-lease. The interest income recorded during the three months ended March 31, 2020 and 2019, from the sub-lease in the unaudited interim condensed statements of comprehensive income was $786 and $777, respectively.

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

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

7. Lease (continued)

The following table sets out a maturity analysis of receivables, showing the un-discounted lease payments to be received after the reporting, as of March 31, 2020 and December 31, 2019:

	2020	2019
Less than one year	$ 2,744	$ 2,644
One to two years	2,826	2,724
Two to three years	2,911	2,805
Three to four years	2,999	2,890
Four to expiration date	99,228	102,967
Total of undiscounted lease payments	110,708	114,030
Unearned income	(69,173)	(72,603)
Net investment at the end of the periods	**$ 41,535**	**$ 41,427**
Current	**$ 2,744**	**$ 2,644**
Non-current	**$ 38,791**	**$ 38,783**

8. Loan payables, net

On August 2, 2019, the Company acquired a syndicated loan for up to $194,500, with a group of banks and The Bank of Nova Scotia (Panama), as an administrative agent, in order to refinance all amounts outstanding under its prior syndicated loan.

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

As of March 31, 2020 and December 31, 2019, loan balances, net of deferred financing costs are the following:

	2020	2019
Long term loan	$ 194,500	$ 194,500
Deferred financing costs	(2,682)	(2,559)
Loan payable, net	**$ 191,818**	**$ 191,941**

For the three months ended March 31, 2020 and 2019 interest expense was $2,539 and $2,759 respectively, of which $110 and $2,610 were capitalized. Both expenses are included in interest expense, net in the unaudited interim condensed statements of comprehensive income.

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

9. Operating, General and Maintenance Expenses

For the three months period ended March 31, 2020 and 2019 the operating, general and maintenance expenses are as follows:

	2020	2019
Right-of-use asset amortization	$ 803	$ 803
Insurance	376	60
Contract services	205	228
Salaries and other benefits	179	219
Others	128	207
Maintenance expenses	123	43
Administrative expenses	74	79
Professional fees	13	381
	$ 1,901	**$ 2,020**

10. Interest expense, net

The interest expense, net for the three months period ended March 31, 2020 and 2019 was as follow:

	2020	2019
Interest expense - financial	$ (2,515)	$ (179)
Interest expense - finance lease	(2,743)	(2,712)
Subtotal	**(5,258)**	**(2,891)**
Amortization of deferred financing costs	**(433)**	**(8)**
Interest income - finance lease	786	777
Interest income - financial	33	125
Subtotal	**819**	**902**
Total	**$ (4,872)**	**$ (1,997)**

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

11. Income tax

For the three months period ended March 31, 2020 and 2019, income tax expense was as follows:

	2020	2019
Current	$ 322	$ 862
Deferred	(187)	(202)
	$ 135	**$ 660**

12. Fair Value of Financial Instruments

The Company established a process for determining 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 March 31, 2020 and December 31, 2019 are detailed below:

	2020		2019	
	Book value	Fair value	Book value	Fair value
Financial Assets				
Non-current derivative instruments	$ —	$ —	$ 8,443	$ 8,443
	$ —	**$ —**	**$ 8,443**	**$ 8,443**
Financial Liabilities				
Non-current loan payable, net	$ 191,818	$ 191,818	$ 191,941	$ 191,941
Non-current derivative instruments	13,190	13,190	—	—
	$ 205,008	**$ 205,008**	**$ 191,941**	**$ 191,941**

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, due to their short maturity nature, is considered equal to their fair value.

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

12. Fair Value of Financial Instruments (continued)

- The fair value of the loan payable estimated as of March 31, 2020 and December 31, 2019 is based on information available at the dates of the unaudited interim condensed statements of financial position. The Company is not aware of any factors that may significantly affect the fair value estimate as of those dates. These loans were contracted at variable rate, therefore, the Company considers the fair value approximates its carrying amount.

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

Hierarchy of fair value of financial instruments

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

The fair value hierarchy consists of the following three levels:

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

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

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

The classification of the derivative is presented below:

		2020		
		Derivative Liability		
Derivative instrument	Classification	Current	Non current	Other comprehensive loss
SWAP	Financial instrument liability at fair value with changes in other comprehensive income	$ —	$ 13,190	$ (21,633)
	Total of derivative Level 2	**$ —**	**$ 13,190**	**$ (21,633)**

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

12. Fair Value of Financial Instruments (continued)

		2019		
		Derivative Asset		Other comprehensive loss
Derivative instrument	Classification	Current	Non current	
SWAP	Financial instrument asset at fair value with changes in other comprehensive income	$ —	$ 8,443	$ (2,443)
	Total of derivative Level 2	**$ —**	**$ 8,443**	**$ (2,443)**

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

13. Risk and Capital Management

Risk Management

Liquidity risk

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

	Less than 3 months	***From 3 to 12 Months***	***From 1 to 5 years***	***More than 5 years***	***Total***
As of March 31, 2020					
Loan payable, net	$ —	$ —	$ 191,818	$ —	$ 191,818
Accounts payable - supplier	11,261	—	—	—	11,261
Accounts payable - affiliates		6,904			6,904
Interest payable	—	1,204	—	—	1,204
Accrued expenses and other liabilities	4,233	—	—	—	4,233
Other liabilities	—	—	—	142,987	142,987
	$ 15,494	**$ 8,108**	**$ 191,818**	**$ 142,987**	**$ 358,407**

14. Subsequent Events

Subsequent events were evaluated by the administration until August 5, 2020, the date on which unaudited interim condensed financial statements were authorized by the Controller for its issuance.

14. Subsequent Events (continued)

COVID-19

Last March 11, 2020 the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The quick evolution of the events, nationally and internationally, represents an unprecedented health crisis that will have macroeconomic and business effects. To face the economic and social impacts of COVID-19, among other measures the government of Panama has declared a state of national emergency, a state of public calamity and natural disaster, through resolution No.11 on March 13, 2020, and through the executive order No.489 on March 16, 2020, the Ministry of Health establishes additional sanitary measures to reduce, mitigate and control of the coronavirus COVID-19 disease pandemic in the country. The government also published other decrees during the month of March 2020, to establish sanitary control in epidemic areas and a curfew imposed throughout the country.

On May 11, 2020, though the resolution No.405 the Ministry of Health established the guidelines of the return to normality of the companies post Covid-19.

On May 4, 2020, Law 152 mandated a moratorium on payment of certain basic services, including electricity, cellular phone, internet for a period of 4 months for people and small business that met certain criteria. During this period, a service provider cannot disconnect service for users any cannot apply and late fees or interest.

Although the Company´s revenue is derived from contracts with Gas Natural Atlántico and Total Gas & Power Limited London, it may be possible that the effects of COVID-19 on the operations of these companies may impact the operations of the Company.

The Company believes that these events do not represent an adjustment to the unaudited interim condensed financial statements as of March 31, 2020; should there be an impact on operations, it would be reflected in its future results and cash flows.

Given the complexity of the situation and its quick evolution, it is not practical at this time to conduct a reliable, quantified estimate of its potential impact on the Company, which will be recorded prospectively in the 2020 annual accounts.

The Company is conducting the necessary measures to face this situation and minimize its impact, based on more updated estimates and treasury's position on that date, do not compromise the application of the going concern principle.

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Financial Statements

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

As of December 31, 2019 and 2018 and for the three years then ended
with Independent Auditor´s Report

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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

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

Opinion

We have audited the financial statements of Costa Norte LNG Terminal, S. de R. L., (the Company), which comprise the statement of financial position as of December 31, 2019 and 2018 and the statement of comprehensive income, statement of changes in stockholders' equity and statement of cash flows for the three years then ended as of December 31, 2019, 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 of December 31, 2019 and 2018; and its financial performance and its cash flows for the three years then ended as of December 31, 2019, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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.

Emphasis paragraph - Adoption of New Accounting Standards

As discussed in Note 3 New standards, interpretations and amendments adopted by the Company to the financial statements, the Company (as lessee) changed its method of accounting for leases in 2019 due to the adoption of IFRS 16 Leases. Our opinion is not qualified in this respect."

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Description of the matter:

Under IFRS 16 – Leases, the lessee is required to recognize the present value of future lease payments as a right-of-use asset and a corresponding financial liability.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application at January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application, therefore previous period comparative figures were not adjusted in the financial statements. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at January 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

As described in Note 10 to the financial statements, the initial application of IFRS 16 resulted in the recognition of a $90.4 million right of use asset and a $143.8 million lease liability as of January 1, 2019.

Auditing the adoption of IFRS 16 was complex as it involved evaluating significant judgments and assumptions applied by Management in relation to assessing the incremental borrowing rate, service component and extension options of leasing arrangements. Management has formed its judgments and assumptions based on historical experience, internal and external data points.

How We Addressed the Matter in Our Audit:

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's IFRS 16 adoption process including controls over management's review of the significant assumptions described above, the data inputs used by the Company in the calculations of right of use assets and lease liabilities and the recording of the balances in the financial statements.

To test the completeness and accuracy of the underlying data used to calculate the right of use asset and lease liability our procedures included, among others, comparing the leases' terms and conditions as per the contracts to the data used in the calculation and comparing the leases included in the adoption analysis to the leases to determine whether any agreements were omitted.

We involved our specialist to test the assumptions used in the model. We perform recalculations with the contract information and the discount rate used by the client.

In addition, we compared the Company's disclosures related to the adoption of IFRS 16 to the disclosure requirements.

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.

Responsibilities of the Auditor with Regards to 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, related safeguards.

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

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

Ernst & Young.

Panama, Republic of Panama
April 30, 2020

Costa Norte LNG Terminal, S. de R. L.
Statements of Financial Position
As of December 31, 2019 and 2018
(Expressed in thousands of dollars of the United States of America)

Notes		2019	2018
	ASSETS		
	Current assets		
4	Cash and cash equivalents	$ 10,059	$ 283
5	Restricted cash	3,814	—
	Accounts receivable:		
6	Affiliates	19,882	22,205
	Others	776	123
10	Trade receivables - sublease	2,644	—
6	Loans receivable from affiliate	—	11,000
	Inventories	544	150
12 & 13	Derivative instrument	—	444
	Prepaid expenses	646	839
	Total current assets	38,365	35,044
	Non-current assets		
7	Terminal and equipment, net	469,891	427,326
5	Restricted cash	200	1,262
16	Deferred tax asset, net	2,044	522
12 & 13	Derivative instrument	8,443	4,297
10	Deferred income	—	5,094
10	Trade receivables - sublease	38,783	—
10	Right-of-use asset, net	87,219	—
	Other assets	2,606	338
	Total non-current assets	609,186	438,839
	TOTAL ASSETS	**$ 647,551**	**$ 473,883**

Costa Norte LNG Terminal, S. de R. L.
Statements of Financial Position (Continued)
As of December 31, 2019 and 2018
(Expressed in thousands of dollars of the United States of America)

Notes		2019	2018
	LIABILITIES AND STOCKHOLDERS´ EQUITY		
	Current liabilities		
	Accounts payable:		
8	Suppliers	$ 9,069	$ 54,332
6	Affiliates	6,917	128
	Interest payable	54	2,514
16	Income tax payable, net	235	294
12 & 13	Derivative liabilities	—	59
9	Accrued expenses and other liabilities	4,197	965
11 & 13	Loans payable, net	—	120,461
	Total current liabilities	20,472	178,753
	Non-current liabilities		
	Seniority premium	39	86
10	Other liabilities	142,987	17,771
12 & 13	Derivative liabilities	—	447
11 & 13	Loan payable, net	191,941	—
	Total non-current liabilities	334,967	18,304
	STOCKHOLDERS' EQUITY		
14	Authorized capital	285,700	265,700
	Additional paid-in-capital	84	79
	Retained earnings	4,177	8,322
	Deemed Tax	(30)	—
12	Other comprehensive income	2,181	2,725
	Total stockholders' equity	292,112	276,826
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 647,551**	**$ 473,883**

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

Costa Norte LNG Terminal, S. de R. L.
Statements of Comprehensive Income
For the years ended December 31, 2019, 2018 and 2017
(Expressed in thousands of dollars of the United States of America)

Notes		2019	2018	2017
	Revenue			
6	Terminal services	$ 37,617	$ 21,930	$ —
	Operating costs and expenses			
15	Operating, general and maintenance expense	10,099	9,881	6,655
7 & 12	Depreciation and amortization	11,592	3,157	26
	Total operating costs and expenses	21,691	13,038	6,681
	Operating income (loss)	15,926	8,892	(6,681)
	Other income (expenses)			
17	Interest expense, net	(18,578)	(127)	(661)
18	Other (expense) income, net	(2,098)	3,938	3,947
	Total of other (expense) income, net	(20,676)	3,811	3,286
	(Loss) income before income tax expense (benefit)	(4,750)	12,703	(3,395)
16	Income tax expense (benefit)	(605)	(2,186)	390
	Net (loss) income	$ (4,145)	$ 14,889	$ (3,785)
	Net other comprehensive (loss) income that will be reclassified to profit or loss in subsequent periods:			
12	Realized derivative instrument, net	(5,085)	(88)	(363)
13	Changes in the fair value of financial instruments	4,208	659	(583)
16	Deferred tax	333	(165)	(894)
	Other comprehensive (loss) income	(544)	406	(1,840)
	Total other comprehensive (loss) income	**$ (4,689)**	**$ 15,295**	**$ (5,625)**

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

Costa Norte LNG Terminal, S. de R. L.
Statements of Changes in Stockholders' Equity
For the years ended December 31, 2019, 2018 and 2017
(Expressed in thousands of dollars of the United States of America)

	Notes	Authorized capital	Additional paid-in-capital	Accumulated deficit	Deemed tax	Other comprehensive income	Total shareholders' equity
Balance as of January 1, 2017		$ 103,500	$ 16	$ (2,782)	$ —	$ 4,159	$ 104,893
Net loss		—	—	(3,785)	—	—	(3,785)
Realized derivative instrument	12	—	—	—	—	(363)	(363)
Changes in fair value of financial instruments	12 & 13	—	—	—	—	(583)	(583)
Deferred tax	16	—	—	—	—	(894)	(894)
Total of other comprehensive loss		—	—	(3,785)	—	(1,840)	(5,625)
Capital contribution	6 & 14	93,100	—	—	—	—	93,100
Shared based compensation		—	41	—	—	—	41
Balance as of December 31, 2017		196,600	57	(6,567)	—	2,319	192,409
Net income		—	—	14,889	—	—	14,889
Realized derivative instrument, net	12	—	—	—	—	(88)	(88)
Changes in fair value of financial instruments	12 & 13	—	—	—	—	659	659
Deferred tax	16	—	—	—	—	(165)	(165)
Total of other comprehensive income		—	—	14,889	—	406	15,295
Capital contribution	6 & 14	69,100	—	—	—	—	69,100
Shared based compensation		—	22	—	—	—	22
Balance as of December 31, 2018		265,700	79	8,322	—	2,725	276,826
Net loss		—	—	(4,145)	—	—	(4,145)
Realized derivative instrument, net	12	—	—	—	—	(5,085)	(5,085)
Changes in fair value of financial instruments	12 & 13	—	—	—	—	4,208	4,208
Deferred tax	16	—	—	—	—	333	333
Total of other comprehensive loss		—	—	(4,145)	—	(544)	(4,689)
Capital contribution	6 & 14	20,000	—	—	—	—	20,000
Shared based compensation		—	5	—	—	—	5
Deemed tax		—	—	—	(30)	—	(30)
Balance as of December 31, 2019		**$ 285,700**	**$ 84**	**$ 4,177**	**$ (30)**	**$ 2,181**	**$ 292,112**

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

Costa Norte LNG Terminal, S. de R. L.
Statements of Cash Flows
For the year ended December 31, 2019, 2018 and 2017
(Expressed in thousands of dollars of the United States of America)

Notes		2019	2018	2017
	Cash Flow from operating activities			
	Net (loss) income	$ (4,145)	$ 14,889	$ (3,785)
	Adjustment to reconcile net (loss) income before income tax to net cash provided by (used in) operating activities:			
7 & 12	Depreciation and amortization	11,592	3,157	26
11 & 18	Loss on early extinguishment of debt	2,178	—	—
10	Right-of-use asset amortization	3,212	—	—
17	Interest income	(364)	(499)	(174)
17	Interest expense	10,695	624	835
17	Amortization of deferred financial costs	1,072	2	—
17	Write-off of deferred financing costs	7,088	—	—
16	Income tax expenses	(605)	(2,186)	390
	Share-based compensation	5	22	41
	Cash flows before working capital movements	30,728	16,009	(2,667)
	Decrease (increase) in accounts receivable	2,034	(22,091)	2,364
	Increase in inventories	(394)	(150)	—
16	Increase in income tax, net	(673)	(32)	(57)
	Decrease (increase) in prepaid expenses	193	(564)	(185)
	Increase other long-term assets	(1,478)	—	—
8	(Decrease) increase in accounts payable	(10,618)	3,248	(2,125)
	Increase (decrease) in accrued expenses and other liabilities	3,232	(134)	359
	(Decrease) increase in seniority premium	(47)	18	56
10	Decrease in deferred rent	—	(1,367)	(1,442)
	Increase in deferred income	—	4,769	5,031
11	Commitment fee paid	—	(1,612)	(1,013)
	Interest received	—	499	174
	Net cash flows provided by (used in) operating activities	22,977	(1,407)	495
	Carried forward...	**$ 22,977**	**$ (1,407)**	**$ 495**

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

		2019	2018	2017
	Brought forward...	**$ 22,977**	**$ (1,407)**	**$ 495**
	Cash flows from investing activities			
	Advances for the acquisition of terminal equipment	(2,338)	(3)	(1,299)
7	Acquisition of terminal equipment	(44,667)	(47,225)	(91,558)
5	Restricted cash	(2,752)	28,880	(11,585)
6	Intercompany loan disbursement	—	(12,000)	—
6	Collection of intercompany loan receivable	11,000	1,000	—
	Net cash used in investing activities	(38,757)	(29,348)	(104,442)
	Cash flows from financing activities			
11	Payment of loans	(183,683)	—	—
11	Proceeds from new loans	250,292	57,371	32,000
18	Premium payment of early extinguishment debt	(2,178)	—	—
11	Payment of financing costs	(3,890)	(932)	(1,232)
	Payment of financing for terminal equipment	(54,985)	(94,985)	(19,461)
	Capital contribution	20,000	69,100	93,100
	Net cash provided from financing activities	25,556	30,554	104,407
	Increase (decrease) in cash and cash equivalents	9,776	(201)	460
	Cash and cash equivalents at the beginning of the year	283	484	24
	Cash and cash equivalents at the end of the year	**$ 10,059**	**$ 283**	**$ 484**
	Supplementary disclosure			
	Terminal equipment purchases not paid at year end	$ 8,214	$ 56,007	$ 73,007
	Accrued interest capitalized in terminal equipment	$ —	$ 5,446	$ 2,457
	Interest paid capitalized in terminal equipment	$ 7,689	$ 1,408	$ 1,009

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

1. Organization and Nature of Operations

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

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

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

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

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

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

2. Basis of Preparation

The financial statements of Costa Norte LNG Terminal, S. de R.L. have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements were authorized by the Controller for issuance on April 30, 2020.

Basis for measurement

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

2. Basis of Preparation (continued)

Presentation currency

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

Estimates and significant accounting assumptions

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

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

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

3. Summary of Accounting Policies

The accounting policies described below have been consistently applied in the years presented in these financial statements by the Company, except for IFRS 16.

Financial instruments

Initial recognition and measurement

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

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

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Initial recognition and measurement (continued)

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

Classification and measurement

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

The Company measures financial assets at amortized cost if both of the following conditions are met:
- It is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is measured at fair value through Other Comprehensive Income (OCI) if the following conditions are met:
- It is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

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

All financial assets that are not measured at amortized cost or fair through OCI, as described above, are measured at fair value through profit or loss. This measurement category includes all derivative financial instruments.

Evaluation of the business model

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

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

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

Impairment of financial assets

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

For the determination and valuation of the expected credit losses, the Company adopted the simplified approach and the presumption of "default" after 90 days for all customers.

3. Summary of Accounting Policies (continued)

Impairment of financial assets (continued)

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

The Company used historical information and analyzed variables that affect and help to predict the behavior of the recoverability of financial assets, none of which showed an adequate correlation. However, the Company periodically performs qualitative risk analyzes to identify changes in the estimated losses. As of December 31, 2019 and 2018, the Company determined that there were no indications of doubtful accounts.

Financial asset derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; or when the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow in full without material delay to a third party under a pass-through arrangemet and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Cash and cash equivalents

The Company considers as cash and cash equivalents its petty cash and bank deposits.

Restricted cash

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

3. Summary of Accounting Policies (continued)

Inventory

The inventories, which mainly consist of materials and spare parts are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories 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 statements of comprehensive income.

Terminal (LNG facility, dock, pipeline) and equipment

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

When the assets are sold or written off, the corresponding cost and accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is reflected in the statements of comprehensive income. When terminal and equipment have different useful lives, they are accounted for separately.

Depreciation

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

	Useful lives
LNG Facility, dock and pipeline	5 to 37 years
Office furniture and equipment	3 to 5 years
Transportation equipment	3 to 5 years

The useful lives of the assets of the LNG Facility, dock and pipeline, was determined based on their technical use life, having as legal limitation the term of the lease contract for the land where the Company operates. The remaining period of the lease is 37 years from the date the LNG Facility, dock and pipeline were put into operation during phase 1. The residual value is considered only for those assets with a useful life of less than the concession term.

A component of the LNG facility, dock, pipeline and equipment is derecognized upon disposal or when the Company considers that no further benefits will be received from the asset in the future. Any loss or gain resulting from the disposal of an asset, calculated as the difference between its net carrying amount and the proceeds of the sale, is recognized in the statements of comprehensive income of the period in which the transaction occurs.

3. Summary of Accounting Policies (continued)

Major and minor maintenance

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

Construction in progress

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

Impairment of non-financial assets

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

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

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

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the assets.

3. Summary of Accounting Policies (continued)

Leases (continued)

Right-of-use asset

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

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

- Land 28 years

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

Lease liabilities

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

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.

3. Summary of Accounting Policies (continued)

Leases (continued)

Short term leases and leases of low value assets

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

Sub-leases

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

Amounts due from lessees under finance lease are recorded as receivable at the amount of the Company's net investment in the lease. Finance lease income is allocated to accounting periods as to reflect a constant period rate of return on the Company's net investment in the lease.

Deferred financing costs

Financing costs related to long-term debt are deferred and amortized using the effective interest method, over the term of such financings. The total net balance of deferred financing costs are presented as a direct reduction from the face amount of the related debt. The Company recorded amortization expense of $1,072, and $2, net of capitalization, for the years ended December 31, 2019 and 2018. In 2017, 100% of deferred financing costs were capitalized.

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

Financial liabilities

Recognition and measurement

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

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 statements of comprehensive income over the period of the loans using the effective interest method. The Company recognizes gains or losses in the statements of comprehensive income of the period when the financial liability is written off.

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

Derecognition of financial liabilities

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

Provisions

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

Revenue recognition and concentration

Revenue from terminal services (services for ship docking, unloading, receiving and temporary storage of LNG, regasification and delivery of LNG) are recognized upon the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services, valued at the rated specified in the respective contracts. The performance obligations are generally satisfied over time and use the same method to measure progress and is billed to the customer, the performance obligations meet the criteria to be considered a series.

3. Summary of Accounting Policies (continued)

Revenue recognition and concentration

For the years ended December 31, 2019 and 2018 100% of the revenues were derived from the agreement with Gas Natural Atlántico, S. de R. L., a subsidiary of the Corporation and Total Gas & Power Limited London. No revenue was recorded during 2017 since the Company was under development stage.

Interest income

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

Income tax

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

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

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

Commitments and contingencies

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

3. Summary of Accounting Policies (continued)

Derivative instruments

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

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

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

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

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

New and amended standards and interpretations

The Company has initially adopted some standards and modifications effective January 1, 2019 are described below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires leases to recognize most leases on the statements of financial position.

3. Summary of Accounting Policies (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases **(continued)**

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application at January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application, therefore previous period comparative figures were not adjusted in the financial statements. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at January 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Leases previously accounted for as operating leases

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low value assets.

The right-of-use assets for most leases were recognized based on the carrying amount of the asset as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The effect of adoption IFRS 16 as of January 1, 2019 was as follows:

As a Lessee:

- Right-of-use asset of $90,432 were recognized and presented separately in the statements of financial position.
- Lease liability of $143,752 were recognized and presented in the statements of financial position in accrued expenses and other current liabilities and other non-current liabilities.
- Deferred tax asset increased by $13,330 because of the deferred tax impact of the change in assets and liabilities.

(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 (continued)

IFRS 16 Leases **(continued)**

The lease liability as of January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018, as follows:

Reconciliation of commitments to lease liability:		
Operating lease commitments as of December 31, 2018	$	397,779
Weighted average incremental borrowing rate as of January 1, 2019		7.58%
Discount operating lease commitments as of January 1, 2019		143,752
Lease liability as of January 1, 2019	**$**	**143,752**

In connection with the transition to the new standard, management has applied judgment and formed assumptions in relation to assessing the incremental borrowing rate, service component and extension options of leasing arrangements. Management has formed its judgments and assumptions based on historical experience, internal and external data points.

As a lessor:
Trade receivable- sub-lease $40,950 was recognized and presented in the statements of financial position on January 1, 2019, as trade receivable current and trade receivable non-current.

Reconciliation of interest income to trade receivables:		
Finance lease income as of December 31, 2018	$	114,030
Weighted average incremental borrowing rate as of January 1, 2019		7.58%
Net investment as of January 1, 2019	$	40,950
Trade receivable - sublease as of January 1, 2019	**$**	**40,950**

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation did not have an impact on the financial statements of the Company.

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.

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

4. Cash and cash equivalents

As of December 31, 2019 and 2018, cash and cash equivalents is composed of the following:

	2019	2018
Bank deposits	$ 10,052	$ 276
Petty cash	7	7
	$ 10,059	**$ 283**

5. Restricted cash

On May 2016, the Company signed a syndicated loan for up to $127,891 with the objective of financing the construction of its terminal equipment. The loan agreement establishes a structured mechanism for the administration of syndicated loan funds, which stipulates the segregation of cash balances, generating the classification of current and non-current restricted cash within the statements of financial position. As of December 31, 2018, the balance of current restricted cash derived from this loan agreement was $1,126 and does not maintain a non-current restricted. This syndicated loan was paid on August 2019.

On August 2, 2019, the Company entered into a syndicated loan with some senior Lenders and the Bank of Nova Scotia, acting as administrative agent. The loan proceeds were used to repay the Company's outstanding principal, accrued interest and other fees associated with the syndicated loan obtained on May 2016. As required under the terms of the loan, the Company entered into a cash management agreement which sets the mechanism for the use and classification of the loan proceeds. As of December 31, 2019, the balance of current restricted cash derived from this loan agreement is $3,814.

6. Balances and Transactions with Affiliates and Related Parties

In the statements of comprehensive income, the transactions with related parties during the years ended December 31, 2019, 2018 and 2017, are as follows:

	2019	2018	2017
In the statements of comprehensive income			
Terminal services:			
Gas Natural Atlantico, S. de R.L.	$ 34,390	$ 21,930	$ —
Total Gas & Power Limited, London	3,227	—	—
	$ 37,617	**$ 21,930**	**$ —**

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

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

	2019	2018	2017
In the statements of comprehensive income			
Operating, general and maintenance expenses:			
ASSA Compañía de Seguros, S.A.	$ 468	$ 241	$ 187
Petróleos Delta, S. A.	2	1	1
Vale General, S. A	4	—	—
	$ 474	**$ 242**	**$ 188**
Other expenses, net:			
Banco General, S.A.	**$ 711**	**$ 17**	**$ 61**

Use of the LNG Terminal

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

As of December 31, 2019 and 2018, the accounts receivable from GANA, related to this contract amount to $19,828 and $21,930, respectively. For the years ended December 31, 2019 and 2018, revenues associated with this contract were $34,267 and $21,930 respectively. During 2017, the Company's facility was under construction.

Use, operation and coordination of the LNG Terminal

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

Affiliates

The balances with affiliates as of December 31, 2019 and 2018, are as follows:

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

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

In the statements of financial position	**2019**	**2018**
Accounts receivable affiliates:		
Gas Natural Atlántico, S. de R. L	$ 19,828	$ 22,205
AES Panamá S.R.L.	54	—
	$ 19,882	**$ 22,205**
Loams receivable from affiliates:		
Gas Natural Atlántico, S. de R. L	**$ —**	**$ 11,000**
Accounts payable affiliates:		
Gas Natural Atlántico, S. de R. L	$ 5,861	$ —
The AES Corporation	—	32
AES Engineering, LLC	—	73
AES Panamá S.R.L.	1	—
AES Solutions, LLC	1,017	23
AES Latin América S. de R.L.	25	—
AES Andres DR, S.A.	8	—
Dominican Power Partners	5	—
	$ 6,917	**$ 128**

Loans to affiliate

During 2018, the Company granted two loans to GANA for a total of $12,000. The loans have a maturity date for one year, accruing an annual rate of 1% plus 1-month LIBOR. In December 2018, the Company received a partial payment of principal in the amount of $1,000. The remaining $11,000 associated to this loan were paid during 2019. As of December 31, 2019 and 2018, the interests income associated with these loans were $91 and $40, respectively and it is included in the statements of comprehensive income as interest expense, net.

Expense Reimbursement

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

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

On December 7, 2017, the Company signed a unanimous consent to reimburse expenses with AES Latin America S.R.L., a subsidiary of the Corporation, for an amount of $19.

6. Balances and transactions with affiliates and related parties (continued)

Administrative services

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

On August 1, 2016, the Company signed an administration services contract with AES Solutions LLC, effective from May 13, 2016, for an annual amount of $390, until the start date of operations of the LNG facility in August 2019.

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

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

Capital contributions

As of December 31, 2019, and 2018, the Company had received contributions from AES Global Power Holdings, B.V. and Deeplight Holdings, S. R. L. for an amount of $20,000 and $69,100, respectively.

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 $654 and $599 for the years ended December 31, 2019, 2018, respectively. During 2017, the Company's facility was under construction. These amounts are presented as operating, general and maintenance expense in the statements of comprehensive income.

As of December 31, 2019, and 2018, the Company maintains compliance bonds with ASSA, to guarantee the obligations of the operation and administration contract of a Fuel Free Zone effective until May 31, 2021 for an amount of $30,000.

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

7. Terminal and equipment, net

The terminal and equipment, net is detailed as follows:

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

	December 31, 2018				
	LNG facility, dock and pipeline	Office furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:					
Beginning balance	$ —	$ 61	$ 67	$ 301,050	301,178
Additions	18	16	52	129,262	129,348
Reclasifications	258,625	—	—	(258,625)	—
Ending balance	258,643	77	119	171,687	430,526
					—
Accumulated depreciation:					
Beginning balance	—	19	24	—	43
Depreciation	3,129	14	14	—	3,157
Ending balance	3,129	33	38	—	3,200
Net balance	**$ 255,514**	**$ 44**	**$ 81**	**$ 171,687**	**$ 427,326**

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

7. Terminal and equipment, net (continued)

	December 31, 2017			
	Office furniture and equipment	Transportation equipment	Construction in progress	Total
Cost:				
Beginning balance	$ 61	$ 67	$ 127,219	$ 127,347
Additions	—	—	173,831	173,831
Ending balance	61	67	301,050	301,178
				—
Accumulated depreciation:				
Beginning balance	7	10	—	17
Depreciation	12	14	—	26
Ending balance	19	24	—	43
Net balance	**$ 42**	**$ 43**	**$ 301,050**	**$ 301,135**

As of December 31, 2019, the balances of construction in progress mainly include the costs of design, supply, construction and commissioning of the terminal loading truck.

On September 1, 2018, GANA's commercial operation date was declared. As a result, the commercial operation date to the Company's LNG terminal was partially declared in order to permit the reception of LNG vessels at the Company's terminal for the purpose of the generation of electricity at GANA's power plant.

As result of the partial commercial operation an amount of $258,625 was transferred from construction in progress to LNG facility dock and pipeline. On August 20, 2019, the remaining portion of the LNG terminal and the LNG storage tank were placed into service and a balance of $213,980 was transferred from construction in progress to LNG Facility, dock and pipeline.

For the years ended December 31, 2019 and 2018, interest and deferred financing costs of $8,745 and $11,699, respectively, have been capitalized.

The total value of the LNG facility, wharf and pipeline of the Company guarantees the obligations acquired in the financing (Note 11).

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

8. Accounts payable to suppliers

As of December 31, 2019 and 2018, the main accounts payable includes:

		2019		2018
Suppliers	$	8,878	$	53,896
Other accounts payable		191		287
Commitment fees		—		149
	$	**9,069**	**$**	**54,332**

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

9. Accrued expenses and other liabilities

As of December 31, 2019 and 2018, the accrued expenses and other liabilities balances are as follows:

		2019		2018
Accrued benefits	$	993	$	334
Other tax payables		350		334
Labor accruals		292		208
Other accruals		125		88
Lease liability (Note 10)		2,437		—
	$	**4,197**	**$**	**964**

10. Lease

As Lessee:

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

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

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

10. Lease (continued)

For 2018, the lease expense was recognized using the straight-line method, which generates a difference between the amount paid monthly and the expense. This difference is presented within the item of deferred income in the statements of financial position. As of December 31, 2018 the deferred income amounts in $17,771 and is presented in the statements of financial position as other liabilities non-current. During the years ended December 31, 2018 and 2017, the lease expense was $13,726 and $13,726, for each, of which $7,900 and $9,791 were capitalized, respectively. The rent expenses included in operating, general and maintenance expenses in 2018 and 2017 were $5,826 and $3,935, respectively.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019 and recognizes right-of-use assets and a lease liability measured at the present value of lease payments to be made over the lease term related to this lease. (Note 3).

Land lease:

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

		Land
As of January 1, 2019	$	90,431
Amortization expense		(3,212)
As of December 31, 2019	**$**	**87,219**

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

		2019
As of January 1, 2019	$	143,752
Accretion of interest		10,897
Payments		(9,225)
As of December 31, 2019	**$**	**145,424**
Current (Note 9)	**$**	**(2,437)**
Non-current	**$**	**(142,987)**

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

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

10. Lease (continued)

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

Amortization expense of right-of-use asset (included in operating, general and maintenance expense)	$	3,212
Interest expense on lease liabilities (included in interest expense, net)		10,897
Expense relating to leases of low-value assets (included in operating, general and maintenance expenses)		320
Total amount recognized in statements of comprehensive income	**$**	**14,429**

As Lessor:

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

For the periods prior to the adoption of IFRS 16 the revenue related to the portion of land subleased to GANA was recognized on a straigh-line basis. The differences between the invoiced balance and the straight-line income was accrued as a deferred income in the statements of financial position, as of December 31, 2018 the amount was $5,094.

The Company concluded that under IFRS 16 sub-lease shall be accounted as a finance lease because its term is for the whole contractual remaining period of the principal-Lease. The interest income recorded during 2019 from the sub-lease in the statements of comprehensive income is $3,121.

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

		2019
Less than one year	$	2,644
One to two years		2,724
Two to three years		2,805
Three to four years		2,890
Four to expiration date		102,967
Total of undiscounted lease payments		114,030
Unearned income		(72,603)
Net investment as of December 31, 2019	**$**	**41,427**
Current	**$**	**2,644**
Non-current	**$**	**38,783**

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

10. Lease (continued)

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

11. Loans payables, net

On May 13, 2016, the Company acquired a syndicated loan for a total of $138,105 with a group of banks and The Bank of Nova Scotia (Panama), S.A. as an administrative agent, in order to finance the project described in Note 1. The loan was valid for 12 years for commercial banks and 18 years for multilateral banks, accruing interest at an annual rate of 4% plus LIBOR 6 months for commercial banks and 4.50% plus LIBOR 6 months for multilateral banks, and semiannual interest payments beginning at as of March 15, 2017 and semiannual principal payments beginning as of September 15, 2019. During the years ended December 31, 2019, 2018 and 2017, the disbursements received from this loan amount in $55,792, $57,371 and 32,000, respectively.

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

On August 2, 2019, the Company acquired a syndicated loan for up to $194,500, with a group of banks and The Bank of Nova Scotia (Panama), as an administrative agent, in order to refinance all amounts outstanding under the syndicated loan of May 2016. Due to early extinguishment of previous debt, the Company paid a penalty of $2,178, presented in the statements of comprehensive income as other (expense) income, net and recognized a write-off of deferred financing cost by $7,088, presented as interest expense, net in the statements 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% throughout the term of the loan. The interest payments are required on a quarterly basis and principal payment is required at loan maturity date

As of December 31, 2019 and 2018, loan balances payable, net of deferred financing costs are detailed below:

	2019	2018
Current loan	$ —	$ 127,891
Deferred financing costs, net	—	(7,430)
Current loan payable, net	**$ —**	$ 120,461
Non-current loan	$ 194,500	$ —
Deferred financing costs, net	(2,559)	—
Non-current loan payable, net	**$ 191,941**	$ —

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

11. Loans payables, net (continued)

	2019	2018
Deferred financing costs at the beginning of the year	$ 7,430	$ 7,424
Writte off - extinguishment of debt	(7,088)	—
Payment of financing costs	3,890	8
Capitalized financing costs	624	685
Amortization of financing cost during the year	(2,297)	(687)
Total deferred financing cost at the end of the year	**$ 2,559**	**$ 7,430**

For the years ended December 31, 2019, 2018 and 2017, deferred financing costs have been amortized for $2,297, $687 and $592, respectively, of which $624, $685 and $592, have been capitalized, respectively. The amortization of these deferred financial costs is in the interest expense, net in the statements of comprehensive income.

As of December 31, 2019 and 2018, commissions for commitments associated with the loan had been recorded for the amounts of $30 and $591, respectively. For the years ended December 31, 2019, 2018 and 2017 interest expenses associated with the loan for $10,549, $6,886 and $3,010 respectively, of which $7,688, $6,854 and $3,010 were capitalized during the periods of 2019, 2018 and 2017. Both expenses are included in interest expense, net in the statements of comprehensive income.

12. Derivative Financial Instrument

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

On October 18, 2016, the Company executed an interest rate swap with a maturity date on March 15, 2034. This instrument 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 rate for a fixed interest rate of 1.988% until its expiration.

During the construction period, the Company recorded the interests received and paid from the swap as realized derivative instruments, as other compehensive income in the statements of changes in stockholders' equity. As of December 31, 2018 and 2017, the swap interest income, net were $88 and $363, respectively.

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

12. Derivative Financial Instrument (continued)

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

As consequence of the realized derivative instrument balance, for the year ended December 31, 2019, the Company has been amortized $2, include in depreciation and amortization and $115 in interest expenses, net in the statements of comprehensive income. For the years ended December 31, 2018 and 2017 there were no amortization expense related to realized derivatives.

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

The derivatives has been designated as a cash flow hedge instrument, therefore the unrealized portion is presented in the Company's financial statements as other accumulated comprehensive income. Any realized portion is accumulated during the construction period of the project and will be amortized from its commencement of commercial operation and during the useful life of the LNG terminal. The fair value of the derivative is presented on a separate line from the Company's statements of change in equity in other comprehensive income.

As of December 31, 2019 and 2018, the classification of the derivative asset is as follows:

	2019	2018
Derivative asset		
Current	$ —	$ 444
Non-current	8,443	4,297
	$ 8,443	**$ 4,741**

13. Fair Value of Financial Instruments

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

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

13. Fair Value of Financial Instruments (continued)

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

	2019		2018	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Current derivative instruments	$ —	$ —	$ 444	$ 444
Non-current derivative instruments	8,443	8,443	4,297	4,297
	$ 8,443	**$ 8,443**	**$ 4,741**	**$ 4,741**

	2019		2018	
	Book Value	Fair Value	Book Value	Fair Value
Financial Liabilities				
Current loan payable, net	$ —	$ —	$ 120,461	$ 120,461
Non-current loan payable, net	191,941	191,941	—	—
	$ 191,941	**$ 191,941**	**$ 120,461**	**$ 120,461**

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

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

- The fair value of the loans payable estimated as of December 31, 2019, and 2018, are based on information available at the date of the statements of financial position. The Company is not aware of any factors that may significantly affect the fair value estimate as of that date. These loans were contracted at variable rate, therefore, the Company considers that the fair value approximates to the carrying amount.

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

Hierarchy of fair value of reasonable financial instruments

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

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

13. Fair Value of Financial Instruments (continued)

The fair value hierarchy consists of the following three levels:

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

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

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

The classification of the derivative is presented below:

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

		2018			
		Derivative Asset		Derivative Liabilities	Other comprehensive income
Derivative instrument	Clasification	Current	Non current	Current	
SWAP	Financial assets and liabilities at fair value with changes in other comprehensive income	$ 444	$ 4,297	$ 59	$ 659
	Total of derivative Level 2	**$ 444**	**$ 4,297**	**$ 59**	**$ 659**

As of December 31, 2019 and 2018, the Company has not made reclassifications between hierarchy levels.

14. Authorized capital

On August 6, 2018, the Company increased its authorized share capital to $350,000, of which $285,700 has been subscribed and paid, represented by 2,857,000 shares with a nominal value per share of $100.

During the periods ended December 31, 2019 and 2018, the Company received capital contributions of $20,000 and $69,100, respectively.

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

15. Operating, General and Maintenance Expenses

For the years ended December 31, 2019, 2018 and 2017, the operating, general and maintenance expenses are as follows:

	2019	2018	2017
Right-of-use asset amortization (Note 10)	$ 3,212	$ —	$ —
Rent expense	—	5,831	4,044
Contract services	2,645	1,133	292
Professional fees	677	933	389
Salaries and other benefits	1,300	815	512
Expenses related to leases of low value and short term contracts (Note 10)	320	—	—
Insurance	765	241	187
Others	598	582	354
Administrative expenses	—	171	199
Other taxes	87	70	499
Maintenance expenses	199	41	—
Advertising expenses	107	38	87
Training and travel expenses	189	26	92
	$ 10,099	**$ 9,881**	**$ 6,655**

16. Income tax

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

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

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

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

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

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

16. Income tax (continued)

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

For the years ended December 31, 2019, 2018 and 2017, the income tax expense (benefit) is as follows:

	2019	2018	2017
Current	$ 584	$ 327	$ 29
Deferred	(1,189)	(2,513)	361
	$ (605)	**$ (2,186)**	**$ 390**

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

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

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

During the year ended December 31, 2019, the Company generated net operating losses and as such, the current income tax was determined under CAIR rules.

During the years ended December 31, 2018 and 2017, the Company generate taxable income therefore, the estimated current income tax has been determined under the traditional method, applying the 30% rate.

The provisions of article 710 of the current Tax Code establishes that taxpayers will present an estimated income statement that they will obtain in the year following that covered by the sworn statement, which must not be less than the income indicated in the affidavit. Taxpayers must make advance payments based on the determination of the estimated statement divided into three installments to be paid quarterly in the months of June, September and December.

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

16. Income tax (continued)

For the period year ended December 31, 2019, the Company paid advance tax payments for an amount of $321 which were made based on the results obtained in the previous year. For 2018, the company paid advance tax payments for an amount of $29 which were made based on the results obtained in 2017.

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, 2019.

As of December 31, 2019 and 2018, the deferred income tax asset, net was composed of the following items:

	2019	2018
Deferred tax assets:		
Lease	$ 2,581	$ 3,169
Net operating loss carry forward	1,765	—
Accumulated depreciation	928	964
Total	5,274	4,133
Deferred tax liabilities:		
Accelerated depreciation	(872)	(872)
Non deductible amortization - sub lease capitalized	(1,612)	(1,674)
Salvage value of fixed assets	(19)	(5)
Derivative - OCI	(727)	(1,060)
Total	(3,230)	(3,611)
Total deferred tax asset, net	**$ 2,044**	**$ 522**

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.

Sub Lease

The Company entered into a sub-lease agreement with Gas Natural Atlantico, S, de R.L. with the purpose of lease a land space of 8.8 hectares, for the construction, development and operation of a LNG power generation plant. The Company concluded that under IFRS 16 the sub-lease shall be accounted as a finance lease because its term, the deferred tax was modified considering the balances at December 31, 2019.

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

16. Income tax (continued)

Net operating Loss Carry Forward

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

Year		Amount
2020	$	223
2021		223
2022		223
2023		223
2024		223
Total	$	1,115

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 "Deemad Tax" and is considered an advance on the dividend tax. During the years ended December 31, 2019, 2018 and 2017, the Company did not pay deemad tax because it did not paid dividends.

Transfer Pricing Law

During the three years ended December 31, 2019, transfer pricing regulations remain in force. They cover any transaction the taxpayer carries out with related parties that are tax residents of other jurisdictions, provided that such transactions have an effect such as income, cost or deductions in determining the tax base for income tax purposes, in the fiscal period in which the transaction is carried out.

Taxpayers must comply annually, with the obligation to submit a transfer pricing report (report 930) 6 months after the closing date of the fiscal period. In addition, they must have a study containing the information and analysis supporting whether its transactions with related parties are in accordance with the provisions established in the fiscal code. The Company estimates that transactions carried out with related parties will not have a significant impact on the provision of income tax for 2019, 2018 and 2017.

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

17. Interest expense, net

The interest expense, net for the years ended December 31, 2019, 2018 and 2017, was as follow:

	2019	2018	2017
Interest expense - financial	$ (3,006)	$ (624)	$ (835)
Interest expense - lease	(10,897)	—	—
Subtotal	(13,903)	(624)	(835)
Deferred financing costs	(1,072)	(2)	—
Write-off of deferred financing costs due to early extinguishment of debt (Note 11)	(7,088)	—	—
Interest income - lease (Note 10)	3,121	—	—
Interest income - financial	364	499	174
Subtotal	**3,485**	**499**	**174**
Total	**$ (18,578)**	**$ (127)**	**$ (661)**

18. Other Income (expense), net

For the years ended December 31, 2019, 2018 and 2017, other income (expense), net is as follows:

	2019	2018	2017
Loss on early extinguishment of debt	$ (2,178)	$ —	$ —
Sublease	—	3,934	3,944
Other income, net	80	4	2
Total other (expense) income, net	**$ (2,098)**	**$ 3,938**	**$ 3,947**

19. Commitments and Contingencies

EPC Contract

On July 11, 2019, the Company entered into a construction contract for the design and construction of the Company's Truck Loading Station. The contracts were jointly signed with CBI Panama, S.A. and CSA Trading Company, Ltd. The contracts are for a one year period and it is expected that the total amount to be paid amounts to $13,000.

Letter of credit

On February 22, 2019, the Company entered into a line of credit with Banco Aliado, S.A. (formerly Banco Panamá, S.A.) which will provide of up to $16,500 to guarantee the payments of the land lease agreement signed between the Company and Panama Ports Company, S.A. through a letter of credit. This letter of credit is part of a credit facility totaling $31,500 with a cross-guarantee with Gas Natural Atlántico S. de R. L. The maturity date of this facility is on August 2, 2020.

20. Risk and Capital Management

Risk Management

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

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

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

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

Market risk

Market risk is the risk that changes in the market prices of gas sales as well as interest rates affect the Company's income or the value of financial instruments. The objective of market risk management is to manage and control exposures to market risk within acceptable parameters, while optimizing risk performance. On the other hand, considering the previous evaluation and the approval of the administration, the Company only invests in savings accounts with fixed rates.

Credit risk

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

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

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

Liquidity risk

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

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

20. Risk and Capital Management (continued)

Liquidity risk (continued)

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

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

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

	Less than 3 months	*From 3 to 12 Months*	*From 1 to 5 years*	*More than 5 years*	*Total*
As of December 31, 2019					
Loan payable, net	$ —	$ —	$ 191,941	$ —	$ 191,941
Accounts payable - supplier	9,069	—	—	—	9,069
Accounts payable -affiliaties		6,917			6,917
Accrued interest	—	54	—	—	54
Accrued expenses and other liabilities	1,760	2,437	—	—	4,197
Other liabilities	—	—	—	142,987	142,987
	$ 10,829	**$ 9,408**	**$ 191,941**	**$ 142,987**	**$ 355,165**

	Less than 3 months	*From 3 to 12 Months*	*From 1 to 5 years*	*More than 5 years*	*Total*
As of December 31, 2018					
Loan payable, net	$ —	$ 120,461	$ —	$ —	$ 120,461
Accounts payable - supplier	54,332	—	—	—	54,332
Accounts payable -affiliaties	—	128	—	—	128
Accrued interest	—	2,514	—	—	2,514
Accrued expenses and other liabilities	965	—	—	—	965
	$ 55,297	**$ 123,103**	**$ —**	**$ —**	**$ 178,400**

Interest rate risk

On August 2, 2019, the Company acquired a syndicated loan for up to $194,500, with a group of banks and The Bank of Nova Scotia (Panama), as an administrative agent. This loan is for a 2 years period bearing an interest rate of 3 month LIBOR plus a margin that increase from 2% to 3.75% throughout the term of the loan. The funds of this loan were used to pay off the principal and balance of interest pending under the syndicated loan of May 13, 2016.

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

20. Risk and Capital Management (continued)

Interest rate risk (continued)

The LIBOR rate is an international reference rate that fluctuates based on interbank market conditions. The Company is exposed to the impact of the volatility of the LIBOR rate changes on its obligations at floating rates.

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 the loan. During 2019 the market conditions were favorable and in accordance with the considerations projected by the Company and in a prospective manner it is expected to replace, in the medium term, the balance of your current loan with a long-term fixed-rate loan.

Capital management

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

21. Changes in liabilities of financing activities

The changes in liabilites of financing activities are as follow:

2019

	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	As of December 31, 2019
Loan payable, net	$ 120,461	$ 250,292	$ (187,573)	$ 1,673	$ 7,088	$ —	$ —	$ 191,941
Other liabilities	—	—	(9,225)	—	—	10,897	143,752	145,424
	$ 120,461	$ 250,292	$ (196,798)	$ 1,673	$ 7,088	$ 10,897	$ 143,752	$ 337,365

2018

	As of January 1, 2018	Cash flow received	Cash flow payments	Deferred financing cost	Write off of deferred financing cost	Accretion of interest	Non-cash movements	As of December 31, 2018
Loan payable, net	**$ 63,096**	**$ 57,371**	**$ (932)**	**$ 926**	**$ —**	**$ —**	**$ —**	**$ 120,461**

22. Subsequent Events

COVID-19:

Last March 11, 2020 the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The quick evolution of the events, nationally and internationally, represents an unprecedented health crisis that will have macroeconomic and business effects. To face the economic and social impacts of COVID-19, among other measures the government of Panama has declared a state of national emergency, a state of public calamity and natural disaster, through resolution No.11 on March 13, 2020, and through the executive order No.489 on March 16, 2020, the Ministry of Health establishes additional sanitary measures to reduce, mitigate and control of the coronavirus COVID-19 disease pandemic in the country.

The government also published other decrees during the month of March 2020, to establish sanitary control in epidemic areas and a curfew imposed throughout the country.

The Company believes that these events do not represent an adjustment to the annual accounts of the year ended December 31, 2019; should there be an impact on operations, it would be reflected in its future results and cash flows.

Given the complexity of the situation and its quick evolution, it is not practical at this time to conduct a reliable, quantified estimate of its potential impact on the Company, which will be recorded prospectively in the 2020 annual accounts.

The Company is conducting the necessary measures to face this situation and minimize its impact, considering that it is a temporary situation that, based on more updated estimates and treasury's position on that date, do not compromise the application of the going concern principle.

Additionally, since December 31, 2019 and until the reporting date, no additional relevant events have occurred that would require disclosures or adjustments to the financial statements.

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THE ISSUER

AES Panamá Generation Holdings, S.R.L.
Panamá Pacífico, International Business Park
Building 3855, office 206
Arraiján District
Panamá Oeste Province, Panamá
Telephone: +506 206-2600
Contact Person: Miguel Bolinaga
Email: Miguel.Bolinaga@aes.com

GLOBAL COORDINATORS & JOINT BOOKRUNNING MANAGERS

Citigroup Global Markets Inc.
388 Greenwich Street
New York, NY 10013
United States of America
Telephone: +1 (800) 831-9146
Facsimile: +1 (646) 291-1469
Contact Person: Adam D. Bordner
Email: TEG.NewYork@citi.com

J.P. Morgan Securities LLC
383 Madison Avenue
New York, NY 10179
United States of America
Telephone: +1 (212) 834-5402
Facsimile: +1 (212) 834-6326
Contact Person: Ana Silva-Klarish
Email: ana.silva@jpmchase.com

Scotia Capital (USA) Inc.
250 Vesey Street
New York, NY 10281
United States of America
Telephone: +1 (212) 225-5714
Contact Person: Carlos G. Garcia
Email: US.Legal@scotiabank.com

LOCAL COORDINATOR & JOINT BOOKRUNNING MANAGER
Banco General, S.A.
Calle Aquilino de la Guardia y Ave B Sur, Piso E-4, Torre BG
Ciudad de Panamá, República de Panamá
Telephone: +507 303-5001
Facsimile: +507 269-0910
Contact Person: Michelle Nuñez / Gary Chong-Hon
Email: minunez@bgeneral.com / gchong@bgeneral.com

JOINT BOOKRUNNING MANAGER
Credit Suisse Securities (USA) LLC
Eleven Madison Avenue
New York, NY 10010-3629
United States of America
Telephone: +1 212 325 1617
Facsimile: +1 212 322 7628
Contact Person: Dennis Emil Eisele
Email: dennis.eisele@credit-suisse.com

INDEPENDENT AUDITORS
Ernst & Young Limited Corp. (Panama)
PH Dream Plaza, Piso 9
Costa del Este, Avenida Centenario
Panama City, Republic of Panama
Telephone: + 507 208-0100
Contact Person: Victor Ramirez
Email:victor.ramirez@pa.ey.com

INDENTURE TRUSTEE, INTERCREDITOR AGENT, NEW YORK ACCOUNT BANK, REGISTRAR, PRINCIPAL PAYING AGENT, TRANSFER AGENT, DUTCH COLLATERAL AGENT; OFFSHORE COLLATERAL AGENT
Citibank, N.A.
388 Greenwich Street
New York, NY 10013
United States of America
Telephone: (212) 816-5648
Contact Person: Jenny Cheng
Email: jenny.cheng@citi.com / cts.spag@citi.com

ONSHORE COLLATERAL TRUSTEE
BG Trust, Inc.
Calle Aquilino de la Guardia y Ave B Sur, Piso E-4, Torre BG
Ciudad de Panamá, República de Panamá
Telephone: (+507 303 7000)
P.O. Box: 0816-00843, Panamá, República de Panamá
Attention: Departamento de Fideicomisos, Valerie Voloi / Gabriela Zamora
Email address: vvoloj@bgeneral.com / gzamora@bgeneral.com

DUTCH ACCOUNT BANK
Citibank Europe plc, NL Branch
c/o Citibank, N.A.
388 Greenwich Street
New York, NY 10013
Telephone: (212) 816-5648
Contact Person: Jenny Cheng
Email: jenny.cheng@citi.com / cts.spag@citi.com

LEGAL ADVISORS

To the Issuer and the Companies as to U.S. law
Clifford Chance US LLP
31 West 52nd Street
New York, NY 10019
United States of America
Telephone: +1 212 878-8000
Facsimile: +1 212 878-8375
Contact Person: Jonathan Zonis
Email: Jonathan.Zonis@CliffordChance.com

To the Issuer as to Panamanian law
Alemán, Cordero, Galindo & Lee
2nd Floor, Humboldt Tower, 53rd Street East, Marbella
Panama, Republic of Panama
Telephone.: + 507 269-2620
Facsimile: + 507 264-3257
Contact Person: Arturo Gerbaud
Email: agerbaud@alcogal.com

To the Issuer as to Dutch law
Clifford Chance LLP
IJsbaanpad 2, 1076
CV Amsterdam
The Netherlands
Telephone: +31 (0) 20 711 9000
Facsimile: +31 (0) 20 710 0146
Contact Person: Tineke Kothe
Email: tineke.kothe@cliffordchance.com

To the Initial Purchasers as to U.S. law
Shearman & Sterling LLP
599 Lexington Avenue
New York, NY 10022
United States of America
Telephone: +1 212-848-4000
Contact Person: Manuel A. Orillac
Email: morillac@shearman.com

To the Initial Purchasers as to Panamanian law
Arias, Fábrega & Fábrega
PH ARIFA, 9th and 10th Floor, West Boulevard
Santa Maria Business District, Panama
Tel: +507 205 7000
Contact: Estif Aparicio
Email: eaparicio@arifa.com

To the Initial Purchasers as to Dutch law
Houthoff New York B.V.
120 W 45th St, 19th floor
New York, NY 10036
United States of America
Telephone: +1 212-403-6701
Contact Person: Bouke Boersma
Email: b.boersma@houthoff.com

To the Indenture Trustee and Collateral Agent as to U.S. law
Hinkley Allen
28 State Street
Boston, MA 02109
United States of America
Tel: +1 617-345-9000
Facsimile: +1 617-345-9000
Contact: Michael J. Tentido
Email: mtentindo@hinckelyallen.com

PANAMA STOCK EXCHANGE
Bolsa de Valores de Panama, S.A.
Bolsa de Valores Building
Ave. Federico Boyd y Calle 49
Apartado Postal 0823-00963, Zone 7
Panama City, Republic of Panama

SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
Singapore Exchange Securities Trading Limited
2 Shenton Way, #02-02
SGX Centre 1
Singapore 068804

Unaudited interim condensed financial statements

AES Panama Generation Holdings, S.R.L.

As of March 31, 2020

AES Panama Generation Holdings, S.R.L.
Statements of Financial Position
As of March 31, 2020

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

ASSETS		
Other account receivable		100
Total assets	**$**	**100**
LIABILITIES AND STOCKHOLDERS´ EQUITY		
Stockholders´equity		
Authorized capital		100
Total liabilities and stockholders´ equity	**$**	**100**

Yessenia I.Quintero
CPA 8686