

\$300,000,000



AES ANDRES B.V.

**5.700% Senior Notes due 2028**

The Notes offered hereby consist of \$300,000,000 in aggregate principal amount of 5.700% senior notes due 2028 to be issued by AES Andres B.V., a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) organized and existing under the laws of the Netherlands and resident for tax purposes in Spain, with its place of effective management in Madrid, Spain as of January 2016, as issuer, or Andres BV, or the Issuer, and unconditionally and irrevocably guaranteed, on a joint and several basis, by (i) Dominican Power Partners, an exempted company incorporated with limited liability and existing under the laws of the Cayman Islands, or DPP, and (ii) AES Andres DR, S.A., a corporation (*sociedad anónima*) organized under the laws of the Dominican Republic, or Andres DR. The guaranties of the obligations of the Issuer under the Notes provided by DPP and Andres DR are referred to in this offering memorandum as the Guaranties.

The Notes will be the unsecured senior obligations of the Issuer. Each Guaranty will be the unsecured senior obligation of DPP and Andres DR, or the Guarantors, respectively.

Interest on the Notes will be payable semi-annually in arrears on May 4 and November 4 of each year, commencing on November 4, 2021. The Notes will mature on May 4, 2028. The Issuer may elect to redeem the Notes at the prices and as described under “Description of the Notes—Optional Redemption,” or in the event of certain changes in tax laws as described under “Description of the Notes—Redemption for Taxation Reasons.”

**Investing in the Notes involves risks. See “Risk Factors” beginning on page 17.**

**None of the Notes or the Guaranties have been or will be registered under the Securities Act or any state securities laws. The Notes are being offered and sold (i) in the United States of America only to qualified institutional buyers in reliance on Rule 144A of the Securities Act and (ii) outside of the United States of America in reliance on Regulation S of the Securities Act. See “Transfer Restrictions.”**

**Price: 100.000% plus accrued interest, if any, from May 4, 2021.**

The Notes are being offered for sale by Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Scotia Capital (USA) Inc., or together, the Initial Purchasers, and subject to their acceptance and right to reject orders in whole or in part. It is expected that delivery of the Notes will be made in book-entry form only through the facilities of The Depository Trust Company, or DTC, in New York, New York, including for the account of Euroclear Bank S.A./N.V., as operator of the Euroclear System, or Euroclear, and Clearstream Banking, *société anonyme*, or Clearstream Luxembourg, on or about May 4, 2021.

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*Global Coordinators and Joint Book-Running Managers*

**Citigroup**

*Joint Book-Running Manager*  
**J.P. Morgan**

**Scotiabank**

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April 29, 2021

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The distribution of this offering memorandum and the offering and sale of the Notes offered hereby in certain jurisdictions may be restricted by law. Persons in possession of this offering memorandum are required to inform themselves about and to observe any such restrictions. This offering memorandum may not be used for, or in connection with, and does not constitute an offer to sell, or a solicitation of an offer to buy, the Notes offered by this offering memorandum by any person in any jurisdiction in which it is unlawful for that person to make an offer or solicitation. Neither the delivery of this offering memorandum nor any sale made under this offering memorandum will under any circumstances imply that there has been no change in the affairs of the Issuer or the Guarantors or that the information set forth in this offering memorandum is correct as of any date subsequent to the date of this offering memorandum.

This offering memorandum is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. Distribution of this offering memorandum to any person other than the prospective investors to whom it has been delivered by the Initial Purchasers and those persons, if any, retained to advise such prospective investors with respect hereto is unauthorized, and any disclosure of any of the contents hereof without the prior written consent of the Issuer or the Guarantors and the Initial Purchasers is prohibited.

You should only rely on the information contained in this offering memorandum. None of the Issuer or the Guarantors has authorized anyone to provide information different from that contained in this offering memorandum. The Issuer is offering to sell, and is seeking offers to buy, the Notes only in jurisdictions where offers and sales are permitted. The information contained in this offering memorandum is accurate only as of the date of this offering memorandum, regardless of the time of delivery of this offering memorandum or of any sale of the Notes.

Prospective investors are not to construe the contents of this offering memorandum or any previous or subsequent communications from the Issuer, the Guarantors, the Trustee, the Initial Purchasers or any of their respective officers, employees or agents as investment, legal, accounting, regulatory or tax advice. Before investing in any Notes, a prospective investor should consult with its own business, legal, accounting, regulatory and tax advisors to determine the appropriateness and consequences of an investment in the Notes in such prospective investor's specific circumstances and arrive at an independent evaluation of the investment based upon, among other things, its own views as to the risks associated with the Notes, the Issuer or the Guarantors. Investors whose investment authority is subject to legal restrictions should consult their legal advisors to determine whether and to what extent the Notes constitute legal investments for them.

Each investor acknowledges that (i) it has been afforded an opportunity to request from the Issuer and the Guarantors and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein, (ii) it has not relied on the Trustee or the Initial Purchasers or any person affiliated with the Trustee or the Initial Purchasers in connection with any investigation of the accuracy of such information or its investment decision and (iii) no person has been authorized to give any information or to make any representation concerning the Issuer, the Guarantors, the Notes or the Guaranties (other than as contained herein and information given by duly authorized officers and employees of the Issuer and the Guarantors in connection with investors' examination of the Issuer and the Guarantors and the terms of this offering) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Guarantors, the Initial Purchasers or the Trustee.

In connection with the issue of the Notes, the Initial Purchasers (or persons acting on their behalf) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Initial Purchasers (or persons acting on their behalf) will undertake any stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes.

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See "Risk Factors" for a description of specified factors relating to an investment in the Notes. None of the Issuer, the Guarantors, the Initial Purchasers, the Trustee or any of their or its respective representatives is making any representation to you regarding the legality of an investment by you under appropriate legal investment or similar

laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes.

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### **NOTICE TO DOMINICAN REPUBLIC RESIDENTS**

THE OFFER OF THE NOTES IS NOT MADE IN THE DOMINICAN REPUBLIC NOR SPECIFICALLY DIRECTED TO DOMINICAN RESIDENTS. THE ISSUER HAS NOT REQUESTED AUTHORIZATION TO PERFORM A PUBLIC OFFERING OF THE NOTES IN THE DOMINICAN REPUBLIC, EITHER BEFORE THE SUPERINTENDENCE OF SECURITIES MARKET OF THE DOMINICAN REPUBLIC (*SUPERINTENDENCIA DEL MERCADO DE VALORES DE LA REPÚBLICA DOMINICANA*) OR ANY OTHER GOVERNMENTAL OR PRIVATE INSTITUTION. THE NOTES ARE NOT REGISTERED IN THE SECURITIES MARKET REGISTRY OF THE DOMINICAN REPUBLIC (*REGISTRO DEL MERCADO DE VALORES DE LA REPÚBLICA DOMINICANA*). THE OFFERING OR SALE OF SECURITIES IN THE DOMINICAN REPUBLIC, THROUGH ANY MEANS OF COMMUNICATION OR BROADCAST, REQUIRES APPROVAL BY THE SUPERINTENDENCE OF SECURITIES MARKET OF THE DOMINICAN REPUBLIC AND/OR THE MONETARY BOARD, AS WELL AS COMPLIANCE WITH CERTAIN OTHER LEGAL REQUIREMENTS PURSUANT TO THE PROVISIONS OF THE SECURITIES MARKET LAW NO. 249-17 (*LEY DEL MERCADO DE VALORES NÚM. 249-17*), DATED DECEMBER 19, 2017, AND ITS SUPPLEMENTAL REGULATIONS — IN PARTICULAR, THE PROVISIONS OF THE REGULATION ON PUBLIC OFFERS ADOPTED THROUGH RESOLUTION OF THE NATIONAL COUNCIL OF THE SECURITIES MARKET ON OCTOBER 28, 2019 (R-CNMV-2019-24-MV) AND PUBLISHED ON OCTOBER 28, 2019. FURTHERMORE, NOTE THAT THE SUPERINTENDENCE OF SECURITIES MARKET OF THE DOMINICAN REPUBLIC HAS BROAD DISCRETIONARY POWERS TO DETERMINE WHETHER CERTAIN OFFERS, ANNOUNCEMENTS OR SELLING EFFORTS QUALIFY AS PUBLIC OFFERS OF SECURITIES IN THE DOMINICAN REPUBLIC. THEREFORE, NON-AUTHORIZED OFFERS OR SALES OF NOTES IN THE DOMINICAN REPUBLIC COULD BE DETERMINED TO BE A VIOLATION OF THE SECURITIES MARKET LAW NO. 249-17 (*LEY DEL MERCADO DE VALORES NÚM. 249-17*).

### **PROHIBITION OF SALES TO EEA RETAIL INVESTORS**

THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA (“EEA”). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF MIFID II; (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE “IDD”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN REGULATION (EU) 2017/1129 (THE “PROSPECTUS REGULATION”).

CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014, AS AMENDED (THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

### **PROHIBITION OF SALES TO UK RETAIL INVESTORS**

THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE UNITED KINGDOM. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) NO 2017/565 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (THE “EUWA”); (II) A CUSTOMER WITHIN THE MEANING OF THE PROVISIONS OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE “FSMA”) AND ANY RULES OR REGULATIONS MADE UNDER THE FSMA TO IMPLEMENT IDD, WHERE THAT

CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO 600/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN ARTICLE 2 OF THE PROSPECTUS REGULATION AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA (THE “UK PROSPECTUS REGULATION”).

CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY THE PRIIPS REGULATION AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA (THE “UK PRIIPS REGULATION”) FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE UNITED KINGDOM HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE UNITED KINGDOM MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

THIS OFFERING MEMORANDUM IS FOR DISTRIBUTION ONLY TO PERSONS WHO (A) HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE “ORDER”); (B) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) (“HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS ETC.”) OF THE ORDER; (C) ARE OUTSIDE THE UNITED KINGDOM; OR (D) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE LAWFULLY BE COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THIS OFFERING MEMORANDUM IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING MEMORANDUM RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

The distribution of this offering memorandum and the offering and sale of the notes in certain jurisdictions may be restricted by law. We and the Initial Purchasers require persons in possession of this offering memorandum to inform themselves about and to observe any such restrictions. This offering memorandum does not constitute an offer of, or an invitation to purchase, any of the notes in any jurisdiction in which such offer or invitation would be unlawful.

## ENFORCEMENT OF FOREIGN JUDGMENTS

### Enforceability in the Dominican Republic

As a general rule, the Dominican Republic recognizes foreign judicial decisions of contradictory nature (Law 544-14 on International Private Law). A final conclusive judgment rendered by a foreign court against each party in respect to the Guaranties thereto, would be recognized by the Dominican courts for purposes of its enforcement in the Dominican Republic. Such courts should recognize and grant enforceability to such judgment without any retrial or re-examination of the merits of the original action, subject to obtaining an *exequatur* in the Dominican Republic issued by the competent court, which currently is the Civil and Commercial Chamber of the Court of First Instance of the National District. The decision granting an *exequatur*, however, may be subject to appeal. The Dominican courts will deny *exequatur* to the foreign judgment: (i) if recognition would be manifestly contrary to the public order of the Dominican Republic; (ii) when the court has entered into a default judgment against the defendant without effective evidence of the proper service given to him/her in person or in his/her domicile; (iii) if the judgment is irreconcilable with a previous judgment rendered in a different State, among the same parties, regarding the same subject matter and purpose, and such previous judgment met the requirements for its recognition in the Dominican Republic; (iv) if the provisions of article 11 of Law 544-14 on International Private Law (matters in which Dominican courts have exclusive jurisdiction) have been violated; and, (v) if the judgment does not meet the requirements for the same to be considered valid and authentic set forth in both, the country in which it has been rendered and in the Dominican Republic.

An application for *exequatur* is filed by the party interested in the enforcement of the decision through an *ex parte* process (wherein the applicant is not obliged to give notice of the *exequatur* application to any counterpart) by filing a motion, along with the foreign decision, duly apostilled or legalized by the corresponding authorities. If the decision is in a foreign language, an official translation into Spanish shall be also included. The Civil and Commercial Chamber of the Court of First Instance of the National District is the court with exclusive jurisdiction to decide motions for *exequatur*. The decision from the Dominican court can be subject to appeal before the Court of Appeals, and although not specifically indicated in the law, to a *certiorari* review before the Dominican Supreme Court of Justice.

In accordance with precedents of the Dominican Supreme Court of Justice, a judge reviewing an *exequatur* application shall not review the merits of the case. However, local defendants may assert defenses or motions regarding the merits to try to avoid enforcement, which may delay proceedings.

A majority of the directors and all of the external auditors of the Issuer and DPP reside outside the United States. Substantially all of the assets of the Issuer and the Guarantors are located outside the United States. As a result, it may not be possible for Holders of the Notes (“Noteholders”) to effect service of process within the United States upon the Issuer, DPP, or the persons mentioned above in order to enforce judgments obtained against them in United States courts predicated upon the civil liability provisions of the United States federal securities laws, other federal laws of the United States or laws of the several states of the United States.

No treaty currently exists between the United States and the Dominican Republic specifically providing for reciprocal enforcement of foreign judgments. However, the United States and the Dominican Republic are parties to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, 1958) and the Inter-American Convention on International Commercial Arbitration (Panama, 1975). And, for instance, article 4 of the Inter-American Convention may be interpreted as the will of the contracting States to treat equally foreign arbitral awards and foreign judicial decisions for purposes of their enforcement: “*An arbitral decision or award that is not appealable under the applicable law or procedural rules shall have the force of a final judicial judgment. Its execution or recognition may be ordered in the same manner as that of decisions handed down by national or foreign ordinary courts, in accordance with the procedural laws of the country where it is to be executed and the provisions of international treaties.*” Hence, the public international acknowledgement of the Dominican Republic to foreign arbitral awards established in the conventions may be interpreted also in favor of foreign judicial decisions. The Issuer and the Guarantors have been advised by their Dominican counsel, Squire Patton Boggs, that it is possible:

- pursuant to Article 15 of the Dominican Civil Code and the Dominican International Private Law, for a plaintiff to bring an original action in a Dominican court, which is predicated solely upon the United States federal securities laws, other federal laws of the United States or laws of the several states of the United States, against a Dominican party, as long as and only if a valid choice of such laws has been agreed between the parties to be part of the process, provided that those laws do not contravene the public policy of the Dominican Republic. It is important to note that the plaintiff will need to present evidence about the meaning of such foreign laws to the Dominican court; and
- to enforce judgments of United States courts obtained in actions predicated upon civil liability provisions of the United States federal securities laws, other federal laws of the United States or laws of the several states of the United States in Dominican courts, after an *exequatur* has been granted by the Civil and Commercial Chamber of the Court of First Instance of the National District.

Access to the courts of the Dominican Republic will not be subject to any conditions that are not applicable to residents, citizens or companies incorporated under the laws of the Dominican Republic.

The Dominican legal system is based upon civil law principles, according to which judges of the Court of First Instance and the Court of Appeals review both the facts and legal issues of a case and they are not bound by judicial precedents, except with respect to constitutional matters. However, if a Court of First Instance or a Court of Appeal decides a matter under a reasoning that differs from a precedent established by the Supreme Court of Justice, it shall explain the rationale for the change in the precedent. The Supreme Court of Justice reviews whether the Court of Appeal has applied the law correctly.

Because the Guarantors conduct substantially all of their business in the Dominican Republic, under Dominican laws, the courts of the Dominican Republic would be vested with jurisdiction in any insolvency proceedings involving the Guarantors and would apply the laws of the Dominican Republic in any insolvency proceedings. Currently, bankruptcy in the Dominican Republic is governed by the Restructuring and Liquidation of Corporations and Merchant Individuals Law No. 141-15 dated August 7, 2015, and its general application norm issued through Presidential Decree No. 20-17 dated February 13, 2017 (the “Dominican Bankruptcy Regulations”).

The Dominican Bankruptcy Regulations provide a specialized legal framework for restructuring plans proposed (*acuerdos previo de plan*), and court-ordered restructurings or liquidation proceedings, as well as recognition of cross-border restructuring and insolvency proceedings. It applies to both Dominican and foreign physical persons engaged in commercial activities in the Dominican Republic as well as business entities. It also applies to Dominican business entities and to foreign business entities that are domiciled in the Dominican Republic or have a permanent presence in Dominican territory. Consequently, it would apply to any insolvency proceedings involving the Guarantors.

The Dominican Bankruptcy Regulations create a specialized jurisdiction for handling matters related to insolvency proceedings, which is the First Instance Court of Restructuring and Liquidation (*Tribunal de Reestructuración y Liquidación de Primera Instancia*) and the Court of Appeals of Restructuring and Liquidation (*Corte de Apelación de Reestructuración y Liquidación*). Any insolvency proceedings involving the Guarantors would be heard by the aforementioned courts, following the procedures and rules set forth in the Dominican Bankruptcy Regulations.

Under the Dominican Bankruptcy Regulations, a company facing financial distress or any creditor whose claim represents at least 50 minimum wages in the Dominican Republic (qualified creditors), may petition the restructuring of the company, if one or several of the following conditions are met: (i) default for more than 90 days of at least one payment obligation, due and payable, in favor of any creditor, after a payment notice has been furnished; (ii) when current liabilities exceeds current assets for a period higher than six months; (iii) payment default to the tax administration of any withholding tax, by virtue of the provisions of the Tax Code of the Dominican Republic as amended, including, any Transfer of Industrialized Goods and Services Tax (ITBIS) or any other tax obligation of at least six fiscal installments; (iv) the failure to pay at least two consecutive employee’s salaries when due (except in cases of labor contract suspensions or judgments issued by a court ordering the garnishment or distraction of salaries in favor of a third party); (v) when the management of the company has remained vacant for a reasonable period of

time without appointing a representative who can fulfill its obligations; (vi) when the business offices of the company have been ordered to close due to the absence of the company's managers; or the partial or total assignment of its assets and rights to a third party with the intention to divide them between all or certain creditors; (vii) when the company resorts to malicious, fraudulent or criminal practices to attend or breach its obligations; (viii) when the company has notified to its creditors the suspension of any payments or the intention to suspend the payment of debts; (ix) when a restructuring, bankruptcy, insolvency or payment suspension proceeding exists in a foreign country in which the parent company of the company is located or where it has its principal business establishment or center of interests; (x) when there are real property attachments or real estate foreclosures affecting more than 50% of the company's total assets; and, (xi) when there are judgments or enforcement procedures regarding judgements that could affect more than 50% of the company's total assets.

If the company facing financial distress meets one or more of the aforementioned conditions, it may try to reach a direct agreement with its creditors (restructuring plan proposed)—which must be filed before the restructuring and liquidation court in order to obtain recognition—or petition a court-ordered restructuring in the interest to remedy the financial deficiencies.

If it decides to request the court-ordered restructuring, the company will seek to reach a restructuring plan with its creditors—through a conciliation and negotiation procedure—to remedy the deficiencies that originated the restructuring petition. If these deficiencies cannot be remedied or in the event that a restructuring plan cannot be agreed, the debtor or the trustee appointed by the restructuring and liquidation court during the restructuring proceeding may request the bankruptcy liquidation of the company.

In order to protect the company facing financial distress and to guaranty the rights of creditors, in general, until the restructuring plan has been approved or the conciliation and negotiation procedure has ended, the restructuring petition causes the suspensions or automatic stays of the following actions: (i) all legal, administrative or arbitration actions of economic content exercised against the debtor (excluding cases where there is an adjudication judgment provided that it is not susceptible of annulment, and legal actions regarding contracts related to securities of public offering originated prior to the request, but with a settlement date after the restructuring petition); (ii) any enforcement procedures, evictions or garnishments executed by creditors on the assets and real estate properties of the debtor company; (iii) the performance by the debtor company of any asset dispositions or sales, except for certain permitted dispositions afforded by law; (iv) the computation of contractual or legal interest, as well as any contractual penalties, which provision shall be extendable to guarantors and co-debtors for the amount of interests applicable pursuant to the credit agreement; (v) payments by the debtor of any debts contracted prior to the date of the restructuring petition, including payment obligations generated by the issuance of securities of public offering (excluding compulsory child support payments, labor credits and payments necessary for the ordinary course of business which are duly justified); and, (vi) tax credit enforcement proceedings.

The management of the company will continue managing the company's operations during the restructuring proceeding<sup>1</sup>. During this proceeding, the company may only dispose of assets necessary for the ordinary course of business (unless authorized by the court). For such purposes, it will file before the restructuring and liquidation court

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<sup>1</sup> However, from the moment the restructuring petition is filed by the company or notified to the company by a qualified creditor, the managers of the company must notify to the trustee appointed by the court to manage the restructuring proceeding and to the restructuring and liquidation court, the performance of any management actions or dispositions that, directly or indirectly, involve the following: (i) amending the corporate bylaws or articles of incorporation; or carrying out mergers, acquisitions or spin-offs; (ii) granting or enforcing security interest on its assets and rights; (iii) executing setoffs, payments, settlements, discharges, garnishments, unilateral contractual terminations or by mutual agreements of ongoing processes or assumed obligations; (iv) carrying out settlements or transactions of any kind regarding their obligations; (v) entering into agreements with any of the creditors outside the cases provided by law; and, (vi) disposing of assets or rights that do not correspond to the ordinary course of business of the company (unless authorized by the court).



a list of essential suppliers. Debts arising after the restructuring proceeding has initiated due to the ordinary course of business of the company must be paid in the agreed form and with priority to all other credits.

In general, the acceptance of a restructuring petition will not partially or totally terminate the current agreements maintained by the company facing financial distress. The restructuring and liquidation court will determine the continuation or termination of such agreements. Therefore, the agreements pending for execution maintained by the company facing difficulties will be fulfilled unless the restructuring and liquidation court refuses after determining that it is unfavorable for the interests of the bankruptcy estate.

Regarding bankruptcy liquidation proceedings under the Dominican Bankruptcy Regulations, the First Instance Court of Restructuring and Liquidation (*Tribunal de Reestructuración y Liquidación de Primera Instancia*) is the court with special matter jurisdiction to declare the initiation of the procedure. The court and the liquidator will assume the oversight and development of the procedure. The procedure can be initiated before the court by any of the following parties as a consequence of the occurrence of any one of the following circumstances: (i) petition of the debtor; (ii) petition of the verifier motivated by the lack of information or resistance presented by the debtor or when the debtor's restructuring is unfeasible as per the verification report; (iii) by petition of the conciliator during the conciliation and negotiation phase due to the inability to perform its functions because of the lack of cooperation by the debtor, the unfeasibility of the restructuring proceeding or due to the termination of the term granted for the approval of the restructuring plan; and (iv) by the debtor, the conciliator, a recognized creditor or by decision of the majority of creditors filed by the creditors' advisor as result of a breach of the provisions of the restructuring plan.

If the liquidation is initiated, the court shall designate a liquidator. After appointed, the liquidator has the prerogative to require the debtor, or execute directly, all necessary actions to preserve all rights involved. The liquidator has rights to file in favor of the debtor all mortgages, pledges and privileges that the debtor has not filed or renovated.

The Dominican Restructuring and Liquidation of Corporations and Merchant Individuals Law No. 141-15 provides that the liquidation judgment leaves without effects the automatic stay provisions mentioned before and all legal procedures shall resume from the procedural point suspended—however, note that the general application norm issued through Presidential Decree No. 20-17 dated February 13, 2017, provides that any garnishment, embargo, or eviction pursued by creditors against debtor's moveable or real estate assets; any dispositions of assets by the debtor, the compounding of interest, as well as any liquidated damages clause; any payments to debtor of any debts incurred before the petition date, including any payment obligations generated under any indenture; and, any procedure of enforcement regarding tax credits, shall remain stayed under the liquidation proceeding and only court legal actions, administrative and arbitral legal actions of economical nature exercised against the debtor shall resume.

The liquidation judgment implies by operation of law, after notification, the relinquishment of the debtor with regards to the administration and disposition of the assets acquired through any means until the liquidation is completed. The liquidator assumes from that moment all prerogatives and faculties of management. The rights and actions of the debtor concerning the debtor's estate are exercised by the liquidator during the course of the liquidation. In the case of entities, the liquidator assumes all rights of corporate bodies.

After the publication of the liquidation judgment, the liquidator shall acknowledge all credits declared and verified by the court during the conciliation and negotiation procedure, including those related to tax and workers compensations. After the approval of the definitive schedule of assets and liabilities lists, and taking into consideration the asset determination, the liquidator shall present before the court a liquidation plan for the sale of assets and rights that integrate the bankruptcy estate. The liquidation plan shall observe the priority order rules with respect to the different claims and the assets shall be realized pursuant to the liquidation plan approved by the court. The awarding of assets erases any security interest registered. The liquidator shall distribute the product of the sales and adjust the order of claims among the creditors.

Payment of claims in liquidation must be realized pursuant to the law. According to the Dominican Bankruptcy Regulations, the amount of assets, after deducting expenses, liquidation court fees and the amounts paid to privileged and secured creditors on a pro rata basis, shall be distributed to pay, on a pro rata basis as well, the total sums of unsecured claims (including any remaining balances of privileged and secured claims that were not cancelled with the product of the sale of the secured assets). If there are any remaining funds, these shall be distributed on a pro

rata basis to subordinate creditors, then to pay on a pro rata basis any interest suspended as a result of the judicial proceeding and, lastly, if any balance remains, it shall be returned to the debtor's shareholders.

In the case of multinational companies that are experiencing financial distress and that possess assets located in Dominican territory, the Dominican Bankruptcy Regulations include a legal framework for international judicial cooperation in cross-border insolvency, recognize foreign restructuring or liquidation proceedings, and validate the participation of foreign representatives in restructuring or liquidation proceedings governed by the Dominican Restructuring and Liquidation of Corporations and Merchant Individuals Law No. 141-15.

Consequently, a foreign court or a foreign representative—defined as the person or body, even if appointed provisionally, that is appointed in a foreign proceeding to administer the restructuring or liquidation of the debtor's assets or companies—may request assistance in the Dominican Republic in relation to a foreign bankruptcy proceeding.

Likewise, the restructuring and liquidation court or an official appointed within a restructuring or liquidation proceeding under the Restructuring Law, may request assistance from a foreign state in relation to a restructuring or liquidation proceeding that is being administered under this law.

In that same order, the Restructuring Law allows creditors or other interested persons who are in a foreign state to request the commencement of a court-ordered restructuring or liquidation proceeding involving a debtor located in the Dominican Republic, or to participate in proceedings that are being administered in accordance with the Dominican Restructuring and Liquidation of Corporations and Merchant Individuals Law No. 141-15.

For such purposes, the foreign representative must submit a request to the restructuring and liquidation court for the recognition of the foreign proceeding. As soon as such request is filed, the foreign representative may request the restructuring and liquidation court to grant relief orders to protect the assets of the debtor company or the interests of creditors in Dominican territory. These measures could involve: suspending any enforcement measures against the assets of the debtor company subject to an international insolvency proceeding; appointing an administrator or judicial custodian of all or a portion of the debtor's assets that are located in Dominican territory; suspending the right to transfer or pledge the debtor's assets; and appointing a conciliator or liquidator for the administration or realization of all or a portion of the debtor's assets that are in Dominican territory; amongst others.

### **Enforceability in the Netherlands**

In the absence of an applicable treaty or convention providing for the recognition and enforcement of judgments in civil and commercial matters between the United States or the Dominican Republic, on the one hand, and the Netherlands, on the other hand, a judgment rendered by any court in the Dominican Republic or any federal or state court in the United States against the Issuer will not be recognized and enforced by the courts of the Netherlands. In order to obtain a judgment which is enforceable against the Issuer, it will be necessary to relitigate the matter before the competent court of the Netherlands and to submit the judgment rendered by a court in the Dominican Republic or any federal or state court in the United States in the course of such proceedings, in which case the Netherlands court will have to decide whether and to what extent it, given the circumstances of the case, it will recognize the foreign judgment. According to current practice, based upon Supreme Court case law, Dutch courts will generally render a judgment in accordance with a foreign judgment, if and to the extent that the following conditions are met:

- (1) the foreign court rendering the judgment has jurisdiction over the matter on internationally acceptable grounds (e.g. if the parties have agreed, for example in a contract, to submit their disputes to the foreign court) and has conducted the proceedings in accordance with generally accepted principles of fair trial (e.g. after proper service of process);
- (2) the foreign judgment is not in conflict with Dutch public policy (i.e. a fundamental principle of Dutch law);
- (3) the foreign judgment is not in conflict with a decision rendered by a Dutch court between the same parties, nor with an earlier judgment rendered by a foreign court in proceedings involving the same

cause of action and between the same parties, provided that the earlier decision can be recognized in The Netherlands; and

- (4) the foreign decision is – according to the law of its country of origin – formally capable of being enforced (e.g. is readily enforceable, has not been annulled in appeal or its enforceability has not been subject to a certain time frame).

There is doubt as to whether courts of the Netherlands will uphold judgments predicated upon the civil liability provisions of U.S. federal securities laws or the securities laws of any state within the United States. In addition, it is doubtful whether a Dutch court would accept jurisdiction and impose civil liability in an original action commenced in the Netherlands and predicated solely upon U.S. federal securities laws.

### **Enforceability in Spain**

A non-appealable judgment duly rendered by any U.S. or Dominican Republic court, in response to a legal action filed before such courts may be enforceable in Spain, provided that the requirements set out in Law 29/2015, of July 30, on International Cooperation in Civil Matters (“Law 29/2015”) are complied with.

Law 29/2015 sets out that any non-appealable judgment rendered outside of Spain (apart from those countries bound by Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters) may be enforced in Spain: (i) pursuant to any applicable international treaty, in accordance with its own terms and provisions; or (ii) in the absence of any such treaty, pursuant to the rules set forth under Title V of Law 29/2015, including in particular those applicable to *exequatur* proceedings.

Since as of the date hereof there is no applicable treaty between the United States nor the Dominican Republic, on the one hand, and Spain, on the other hand, the conditions referred to under point (ii) in the above paragraph must be satisfied in order to enforce a non-appealable judgment of a U.S. or Dominican Republic court in Spain.

These conditions mainly consist of the following: (i) the relevant judgment shall not be irreconcilable with any other previous judgment issued in Spain or in another country provided, in this latter case, that such earlier foreign judgment fulfills the conditions to be recognized in Spain; (ii) there shall be no outstanding prior proceedings on the same matter pending in Spain between the same parties; (iii) the relevant judgment to be enforced in Spain shall not infringe public policy or have been issued with manifest violation of the rights of defense of any of the parties; (iv) the relevant matter does not fall within the exclusive jurisdiction of the Spanish courts; and (v) the jurisdiction of the court of origin responds to a reasonable connection.

### **Enforceability in the Cayman Islands**

Although there is no statutory enforcement in the Cayman Islands of judgments obtained in New York or the Dominican Republic, a judgment obtained in such jurisdiction will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment:

- (a) is given by a foreign court of competent jurisdiction;
- (b) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given;
- (c) is final;
- (d) is not in respect of taxes, a fine or a penalty; and

- (e) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

## **WHERE YOU CAN FIND MORE INFORMATION**

The Issuer will make available to the prospective Noteholders at the corporate trust office of the Trustee under the Indenture governing the Notes (which includes the Guaranties provided by the Guarantors), and at the office of the Luxembourg Special Paying Agent in Luxembourg: (i) copies of the Indenture described in this offering memorandum; (ii) the memorandum and articles of association of the Issuer and the Guarantors; (iii) all reports, letters, and other documents, historical financial information, any part of which is included or referred to in this offering memorandum; and (iv) the historical financial information of Andres and DPP for each of the three financial years preceding the date of this offering memorandum as included in this offering memorandum.

## FORWARD-LOOKING STATEMENTS

Certain matters discussed in this offering memorandum contain forward-looking statements, estimates, assumptions and statements of intention by Andres or DPP or of the current views of Andres or DPP which are inherently subject to significant uncertainties, many of which are beyond the control of Andres or DPP, including, among other things:

- political and economic conditions in the Dominican Republic;
- changes in the sovereign credit rating of the Dominican Republic;
- the willingness of multilateral financing institutions to support the Dominican Republic;
- a decline in foreign direct investment, which could adversely affect the Dominican Republic's balance of payments, the stability of the exchange rate and the level of the Central Bank's international reserves, and a decrease in remittances from Dominicans residing and working abroad;
- the impact of changes in exchange controls and currency restrictions in the Dominican Republic;
- deterioration in relations between the Dominican Republic and its regional partners as well as main trading partners, such as the United States and the European Union;
- lower-than-expected fiscal revenues, which could result in higher domestic interest rates and an appreciation of the real exchange rate. These factors could lead to lower economic growth, a decline in exports and income from tourism and a decrease in the Central Bank's international reserves;
- the result of local and national elections and any changes to economic and social policies that may be implemented by a new administration;
- pandemics, or the future outbreak of any other highly infectious or contagious disease, including the COVID-19 pandemic, and their impact on the Dominican Republic in general and the operations of Andres and DPP in particular;
- the continuing adverse economic effects of the crisis in the Dominican electricity sector;
- the Dominican Government's future plans and growth in the Dominican electricity market;
- the effects of internal and external shocks on the Dominican financial and energy sectors and the Dominican economy generally;
- trends and events affecting Andres' or DPP's financial condition and results of operations;
- Andres' or DPP's assets, growth and future plans, including Andres' current construction of the Santanasol project, a photovoltaic power plant with an installed capacity of 50 MWn located in Santana, Peravia Province, Dominican Republic;
- the ability of each of Andres or DPP to implement its growth strategy, including completion of current expansion projects;
- the financial condition of the customers of Andres or DPP and these customers' ability to collect from end consumers of electricity;
- the cost, availability and price volatility in the markets of fuel, particularly liquid natural gas and spare parts;

- the ability of each of Andres and DPP to meet its obligations under their power purchase agreements;
- the ability of each of Andres and DPP to diversify its customers' portfolios;
- the impact of competition and regulations, including regulations affecting the tariffs that DISCOs may collect;
- the impact of changes in taxation of Andres or DPP;
- the impact of any unavailability of Andres' or DPP's power generation units;
- Andres' or DPP's relationship with the regulators;
- the ability of Andres or DPP to access the capital or other financing markets on favorable terms or at all;
- the uncertainties of current pending and threatened litigation;
- the international economic environment and the potential effects on the global economy;
- disruptions caused by hurricanes or other natural disasters; and
- other adverse factors, such as climatic, geological or political events.

Such forward-looking statements are principally contained in the sections "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and "Selected Financial and Operating Data of Andres and DPP" and include the expectations of Andres or DPP with respect to their business following the completion of the offering. In addition, in these and other sections of this offering memorandum, the words "anticipates," "believes," "estimates," "expects," "plans," "intends" and similar expressions as they relate to Andres or DPP are intended to specifically identify forward-looking statements.

None of the Issuer, the Guarantors, the Initial Purchasers or the Trustee can assure prospective purchasers of the Notes that these forward-looking statements, estimates, assumptions or intentions will prove to be correct or that the information, interpretations and understandings on which they are based will prove to be valid.

None of the Issuer, the Guarantors, the Initial Purchasers or the Trustee undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of the risks and uncertainties underlying the forward-looking statements, there can be no assurances that the events described or implied in the forward-looking statements contained in this offering memorandum will in fact transpire. Accordingly, readers are cautioned not to place undue reliance on the forward-looking statements.

## PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

In this offering memorandum, references to “Dollars,” “U.S. dollars” and “\$” are to the currency of the United States of America and references to “Dominican Pesos,” “Pesos” and “RD\$” are to the currency of the Dominican Republic.

Andres prepares its consolidated financial statements and DPP prepares its financial statements in Dollars in conformity with International Financial Reporting Standards, or “IFRS,” as issued by the International Accounting Standards Board, or “IASB.” Andres prepares consolidated financial statements for the company and its subsidiaries, therefore, Andres DR does not prepare individual financial statements.

The consolidated financial statements of Andres and the financial statements of DPP as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 included in this offering memorandum have been audited by Ernst & Young, S.R.L. (formerly Ernst & Young Asociados), Andres’ and DPP’s independent auditor.

This offering memorandum also includes certain unaudited combined financial information of Andres and DPP (entities under AES common control) as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020. Such unaudited combined financial information of Andres and DPP has been prepared by the management of Andres and DPP for inclusion in this offering memorandum and has not been audited by Ernst & Young, S.R.L. (formerly Ernst & Young Asociados). The unaudited combined financial information of Andres and DPP included herein is not necessarily indicative of combined results of Andres and DPP to be expected for any future periods. Accordingly, prospective investors should not place undue reliance on such unaudited combined financial information.

Andres and DPP present combined EBITDA (earnings before interest, taxes, depreciation and amortization) as a supplemental measure of performance. Andres and DPP calculate combined EBITDA by adding depreciation, right-of-use assets amortization, amortization of intangible assets (included in operating, general and maintenance expenses), interest expense, net, equity loss in investment in affiliate, debt discount amortization, other income (expense), net, exchange gain, net and income tax expense to net income. EBITDA is not a IFRS measure and should not be considered as an alternative measure to any measure of operating results as promulgated under IFRS, such as operating income or net income, or as an alternative indicator of liquidity, such as cash flows from operations, nor should it be considered as an indicator of Andres and DPP’s combined overall performance. Moreover, Andres’ and DPP’s method for calculating EBITDA may differ from the method utilized by other companies and therefore comparability may be limited. The definition of EBITDA used here differs from the definition of “Consolidated EBITDA” used in the “Description of the Notes.”

EBITDA is a supplemental measure of financial performance that is not required under, or presented in accordance with, IFRS. EBITDA is presented because Andres and DPP believe that some investors find it to be a useful tool for measuring a company's financial performance. EBITDA should not be considered as an alternative to, in isolation from, or as a substitute for analysis of a companies' financial condition or results of operations, as reported under IFRS. Other companies in the Andres’ or DPP’s industries may calculate EBITDA differently than Andres and DPP have for purposes of this offering memorandum, limiting EBITDA's usefulness as a comparative measure.

None of Andres or DPP makes any representation that the Peso or Dollar amounts shown in this offering memorandum could have been or could be converted into Dollars or Pesos at the rates shown in this offering memorandum or at any other rate. The Federal Reserve Bank of New York does not report a noon buying rate for Dominican Pesos. The translation of amounts expressed in Dominican Pesos as of a specified date at the then-prevailing exchange rate may result in presentation of Dollar amounts that differ from Dollar amounts that would have been obtained by translating Dominican Pesos as of another specified date.

Certain numbers included in this offering memorandum have been subject to rounding adjustments. Accordingly, numbers shown as totals in certain tables may not be an arithmetic aggregation of the numbers that precede them



## TECHNICAL AND REGULATORY TERMS

In this offering memorandum, references to:

- “availability factor” are to the percentage of hours a power generation unit is available for generation of electricity in the relevant period, whether or not the unit is actually dispatched or used for generating power;
- “Btu” are to British thermal units;
- “Btu/kWh” are to British thermal units consumed for each generated kWh;
- “CIF” are to Cost, Insurance and Freight, an international commercial term published by the International Chamber of Commerce that is used in operations of international maritime commerce and indicates that the selling price includes the cost of the goods and the cost of insurance and freight as an automatic condition of a contract involving international transportation;
- “FOB” are to Free on Board, an international commercial term published by the International Chamber of Commerce that is used in operations of international maritime commerce and requires the seller to deliver goods on board a vessel designated by the buyer so that the seller fulfills its obligations to deliver at the time such goods have passed over the vessel’s rail;
- “GW” and “GWh” are to gigawatts and gigawatt-hours, respectively;
- “HHV” are to High Heating Value, which is the maximum potential energy released during complete oxidation of a unit of fuel;
- “km” are to kilometers;
- “kV” are to kilovolts;
- “kW” and “kWh” are to kilowatts and kilowatt-hours, respectively;
- “mcf/day” are to metric cubic-feet per day ;
- “MMBtu” are to millions of British thermal units;
- “MW”, “MWh”, “MWn” and “MWp” are to megawatts, megawatt-hours, megawatts-net and megawatts-peak, respectively;
- “NYMEX Henry Hub Index” are to the specific pricing point for natural gas future contracts on the New York Mercantile Exchange, or NYMEX;
- “Panamax vessels” are to ships of the maximum dimensions that fit through the locks of the Panama Canal;
- “Tbtu” are to trillions of British thermal units; and

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

In this offering memorandum, references to:

- “ABS” are to Atlantic Basin Services Ltd., a Cayman Islands subsidiary of AES;
- “ABS Contract” are to the contract between AES Andres (BVI) Ltd. and ABS, a Cayman Islands subsidiary of AES, and between AES Andres (BVI) Ltd. and Andres DR, through which Andres DR obtains its supply of LNG, which it re-gasifies to natural gas used to operate its power generation facilities;
- “ADRE” are to AES Dominicana Renewable Energy, S.R.L.;
- “AES” are to The AES Corporation;
- “AES Dominicana” are to, collectively, Andres and DPP;
- “AES Hispanola” are to AES Hispanola Holdings II B.V.;
- “Andres” are to AES Andres B.V., including its subsidiaries Andres DR and ADRE;
- “Andres BV” are to AES Andres B.V., a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) organized and existing under the laws of the Netherlands and resident for tax purposes in Spain, with its place of effective management in Madrid, Spain as of January 2016;
- “Andres DR” are to AES Andres DR, S.A.;
- “Andres Facilities” are to, collectively, the Andres Power Plant and the Andres Terminal;
- “Andres Power Plant” are to a combined cycle natural gas fired power plant with an installed capacity of 319 MW located in Punta Caucedo, Dominican Republic, owned by Andres DR;
- “Andres Terminal” are to an LNG unloading terminal which includes a 160,000 m<sup>3</sup> tank located in Punta Caucedo, Dominican Republic, owned by Andres DR;
- “Bayasol” are to a photovoltaic power plant with an installed capacity of 50 MWn located in Baní, Peravia Province, Dominican Republic, owned by ADRE;
- “BP” are to BP Gas Marketing Limited, a company registered in England, with its registered offices at Brittanica House, Finsbury Circus, London EC4V 3DF;
- “CDE” are to *Corporación Dominicana de Electricidad*, or the Dominican Electricity Corporation, a state-owned entity that, between 1955 and 1999, provided electricity services to both the public and private sector, covering electricity generation, transmission, distribution and commercialization;
- “CDEEE” are to *Corporación Dominicana de Empresas Eléctricas Estatales*, or the Dominican Corporation of State Electric Businesses, the state-owned utility created by Article 138 of the General Electricity Law No. 125-01, or the General Electricity Law, in 2001, whose functions consist of leading and coordinating the state-owned electricity sector companies, in carrying out the programs of the Dominican Government relating to rural and suburban electrification in the communities of limited economic resources, as well as to the administration and enforcement of contracts to provide electricity from the IPPs;
- “CI” are to combustion turbine inspection;
- “CNE” are to the *Comisión Nacional de Energía*, or the National Energy Commission of the Dominican Republic, which is vested with authority to propose and adopt policies and regulations for the energy sector; to elaborate indicative plans relating to the operation and development of the energy sector, and to propose such plans to the executive branch of the Dominican Government to ensure their fulfillment; to promote investment decisions

consistent with such plans and to advise the executive branch of the Dominican Government in all matters related to the sector;

- “DISCOs” are to EDE-Este, EDE-Norte and EDE-Sur, collectively, three of the four Dominican electricity distribution companies;
- “Dominican Central Bank” or “Central Bank” are to the *Banco Central de la República Dominicana*, or the Central Bank of the Dominican Republic;
- “EDE-Este” are to *Empresa Distribuidora de Electricidad del Este, S.A.*, the distributor of electricity in the eastern region of the Dominican Republic;
- “EDE-Norte” are to *EDENORTE Dominicana, S.A.*, the distributor of electricity in the northern region of the Dominican Republic;
- “EDE-Sur” are to *EDESUR Dominicana, S.A.*, the distributor of electricity in the southern region of the Dominican Republic;
- “Effective Capacity” are to the actual maximum net output that a generation unit can reach after discounting its internal consumption of auxiliary services;
- “ENADOM” are to *Energia Natural Dominicana ENADOM, S.R.L.*;
- “Firm Capacity” are to the amount of capacity calculated by the OC in accordance with the power that a given system can ensure at a 95% to 98% security level; for each power generation unit that is available to cover demand during peak hours, the firm capacity is recognized in proportion to its contribution and remunerated with the related marginal power cost;
- “HGPI” are to hot gas path inspection;
- “IDB” are to Interamerican Development Bank;
- “IMF” are to International Monetary Fund;
- “Installed Capacity” are to name plate capacity on a given electrical generation unit;
- “IPPs” are to independent producers of electricity;
- “Itabo” means *Empresa Generadora de Electricidad Itabo, S.A.*, a corporation (*sociedad anónima*) organized under the laws of the Dominican Republic that used to comprise one of the companies of AES Dominicana until April 8, 2021 when AES (indirectly through a subsidiary) consummated the sale 100% of its ownership in Coastal Itabo Ltd. (“Coastal Itabo”) (and indirectly 100% of its ownership of Itabo’s class B shares, which represent 50% of the total number of Itabo’s subscribed and paid-in shares) to Inversiones Radiante, S.R.L. (“Inversiones Radiante”), for \$103.2 million.
- “MCA&C SBU” are to the Mexico, Central American and Caribbean Strategic Business Unit, through which AES provides financial, operational, commercial and management services to its regional affiliates, including AES Dominicana;
- “MEM” are to the *Ministerio de Energía y Minas*, or the Ministry of Energy and Mines created by Law 100-13, which regulates exploration, exploitation, transforming and benefits of the minerals in the Dominican Republic, as well as ensuring Dominican electricity security;
- “MI” are to major maintenance;

- “MIC” are to the *Ministerio de Industria y Comercio*, or the Ministry of Commerce and Industry created by Law 290-66, which regulates commercial and industrial activities in the Dominican Republic;
- “MIMARENA” are to the *Ministerio de Medio Ambiente y Recursos Naturales*, or the Ministry of the Environment and Natural Resources created by Law 64-00, which monitors the preservation, protection, and sustainable use of natural resources and the environment in the Dominican Republic;
- “NRUs” are to non-regulated users of electricity in the Dominican Republic, primarily in the industrial sector;
- “OC” are to the *Organismo Coordinador del Sistema Eléctrico Nacional Interconectado de la República Dominicana*, or the Coordinating Entity for the National Interconnected Electricity System of the Dominican Republic, whose function is to plan and coordinate the operations of the power providers with those of the transmission, distribution and commercialization systems that form the SENI;
- “ONE” are to the *Oficina Nacional de Estadística*, or the National Statistical Office of the Dominican Republic;
- “PPA” are to those certain bilateral power purchase agreements between Andres and DPP, on the one hand, and EDE-Este, EDE-Sur, EDE-Norte and NRUs, on the other hand, as the case may be;
- “PP&E” are to property, plant and equipment;
- “Santanasol” are to a photovoltaic power plant with an installed capacity of 50 MWn located in Santana, Peravia Province, Dominican Republic, owned by Andres DR;
- “Seaboard” are to Seaboard Corporation, which, through its subsidiary Transcontinental Capital Corporation, manages an electric power generating facility in the Dominican Republic consisting of a system of diesel engines mounted on floating barges with a combined rated capacity of approximately 108 MW;
- “SENI” are to the *Sistema Eléctrico Nacional Interconectado*, or the National Interconnected Electrical System;
- “SIE” are to *Superintendencia de Electricidad*, or the Superintendency of Electricity of the Dominican Republic, which is responsible for coordinating and regulating the activities of the Dominican electricity sector following the privatization process completed in 1999; establishing, enforcing compliance with and systematically analyzing the price levels for electricity and their structure; setting by resolution all tariffs and tolls that are subject to regulation; supervising and enforcing compliance with legal and regulatory provisions; and precluding manipulative practices from occurring in the sector; and
- “TOTAL” are to Total Gas & Power Limited London, a company registered in England, with registered offices at 10 Upper Bank Street Canary Wharf London, E14 5BF United Kingdom.

See “Electricity Sector in the Dominican Republic” and “Regulation of Electricity Generation in the Dominican Republic” for more information.

## **STATISTICAL INFORMATION**

Statistical information contained in this offering memorandum regarding the economy of, and energy industry in, the Dominican Republic, and regarding Andres' or DPP's competitors, is based on materials obtained from public sources, including publications and materials from participants in the energy industry and from government entities, such as the OC, the Dominican Central Bank and the ONE, among others.

The Issuer and the Guarantors believe such statistical information is accurate, but none of the Issuer, the Guarantors, the Independent Auditors, the Initial Purchasers or the Trustee has independently verified it.

## SUMMARY

*This summary highlights information contained elsewhere in this offering memorandum. It does not contain all the information that you may consider important in making your investment decision. Therefore, you should read the entire offering memorandum carefully, including in particular the “Risk Factors” section and the Andres and DPP individual and consolidated financial statements and the related notes thereto appearing elsewhere in this offering memorandum. In this offering memorandum: (i) “Issuer”, “Andres BV”, “we” or “us” and words of similar effect refers to AES Andres B.V., a private limited liability company (besloten vennootschap met beperkte aansprakelijkheid) organized and existing under the laws of the Netherlands and resident for tax purposes in Spain, with its place of effective management in Madrid, Spain as of January 2016, the issuer of the Notes; (ii) “DPP” refers to Dominican Power Partners, an exempted company incorporated with limited liability under the laws of the Cayman Islands and one of the guarantors of the Notes; (iii) “Andres DR” refers to AES Andres DR, S.A., a corporation (sociedad anónima) organized under the laws of the Dominican Republic and one of the guarantors of the Notes; (iv) “Andres” refers to AES Andres B.V., as issuer of the Notes, including its subsidiaries, Andres DR and ADRE; and (v) the “Guarantors” refers to DPP and Andres DR, the guarantors of the obligations of the Issuer under the Notes. In this offering memorandum, “AES” refers to The AES Corporation, the indirect owner of a majority equity interest in Andres and DPP.*

### Overview

AES is the largest investor in the Dominican Republic’s energy sector, with investments in excess of \$1.3 billion. AES’ presence in the Dominican Republic’s energy sector is comprised of its operating subsidiaries Andres and DPP, which are each indirect majority-owned subsidiaries of AES. Andres and DPP have a total Installed Capacity of 678 MW and in 2020 generated 3,541.03 GWh of electricity, approximately 20% of the total electricity generated in the country.

Andres, through its 319 MW natural gas-fired combined-cycle plant, and DPP, through its 359 MW natural gas-fired combined-cycle plant, together have an aggregate 678 MW of Installed Capacity, representing 13.8% of the current total Installed Capacity in the Dominican Republic. Andres has the only liquefied natural gas facilities in the country, which includes an on-load and off-load pier, a 160,000 cubic meter storage LNG tank, an LNG re-gasification plant with a 375,000 mcf/day capacity, and a 34 km gas pipeline that connects the on-load pier with DPP’s processing facilities located further inland.

In terms of renewable energy related projects, Andres added 1.24 MWn of solar panels in 2016 within the premises of the Andres Facilities. In addition, Andres and DPP each added 10 MW of battery energy storage system, or BESS, within their own facilities in 2017.

Furthermore, Andres is currently developing the following projects:

- ***Bayasol:*** In 2018, Andres BV acquired a special purpose company, AES Dominicana Renewable Energy S.R.L. (formerly Parque Eólico Beata, S.R.L.), or ADRE, to develop and construct a 50 MWn solar farm in Baní, Peravia Province of the Dominican Republic. The project is in its commissioning stage and started dispatching electricity into the transmission grid in March 2021. ADRE is installing more than 149,760 solar PV panels, divided in 13 arrays and one 138kV sub-station. The total cost of the Bayasol project is \$48.0 million and it is partially financed through a \$50.0 million credit facility entered into by ADRE with Banco Multiple BHD Leon, S.A. and BHD International Bank Panama, S.A. and guaranteed by Andres DR, Andres BV and DPP, of which only \$45.0 million were disbursed. The remainder was financed with Andres DR’ available cash. The Bayasol project has been fully contracted with PPAs with NRUs, having similar characteristics as those described below.
- ***Santanasol:*** Andres DR is developing a 50 MWn photovoltaic farm in the Dominican Republic and issued a notice to proceed (“NTP”) on April 7, 2021. The total cost of the Santanasol project is expected to be approximately \$45.0 million. During or around May 2021, Andres DR expects to enter into a credit facility with a commercial bank to finance the project.

Additionally, Andres has made the following investments:

- *Domi Trading / ENADOM*: On June 7, 2019, Andres BV entered into a partners' agreement with the Energas Group, which led to a 50/50 joint venture implemented through Domi Trading, S.L., a private limited liability company (*sociedad limitada*) incorporated in the Kingdom of Spain ("Domi Trading"). Andres BV and the Energas Group are each the direct owners of 50% of the shares in Domi Trading. Domi Trading formed a subsidiary named Energia Natural Dominicana ENADOM, S.R.L., a limited liability company (*sociedad de responsabilidad limitada*) incorporated in the Dominican Republic, or ENADOM, with the sole purpose of developing, constructing and operating LNG assets. Domi Trading expects to commercialize LNG in the Dominican Republic through ENADOM. ENADOM currently owns a 50 km regasified LNG pipeline that runs from the Andres Terminal to the municipality of San Pedro de Macoris in the Dominican Republic. Through this pipeline, ENADOM supplies LNG to two power plants and one mining company for generation of electricity. On December 30, 2020, ENADOM achieved financial close and issued an NTP for the construction of two truck loading bays and a 120,000 m<sup>3</sup> LNG storage tank, located within the Andres Facilities; ENADOM currently expects to complete the truck loading and the LNG storage tank projects during the second quarter of 2022 and the second quarter of 2023, respectively. The total cost of the ENADOM project is expected to be approximately \$253.0 million, of which \$180.0 million is being financed through a project finance facility with a syndicate of international banks, with the ENADOM pipeline serving as part of the collateral package. ENADOM is expected to own the pipeline, the LNG storage tank and the truck loading bays, while Andres DR will be in charge of the construction management, O&M services, administrative services and leases the land where the LNG storage tank will be built. Andres BV does not consolidate Domi Trading or ENADOM's results into its consolidated results of operations. Instead, Andres BV accounts for its ownership interest in these companies in its consolidated income statement under the equity method, recording its share of the net income of each of these companies' net income in the line item "equity gain/(loss) investment in affiliates." This line item forms part of Andres' total income and, hence, net income for any relevant period.

Andres and DPP have contracted a total of 655 MW of their aggregate capacity through PPAs with: (i) CDEEE, the leader and coordinator of the state-owned electric companies in the Dominican Republic (totaling 270 MW); (ii) EDE-Este, a distributor of electricity in the eastern region within the interconnected system of the Dominican Republic (totaling 82.5 MW); (iii) EDE-Norte, a distributor of electricity in the northern region within the interconnected system of the Dominican Republic (totaling 82.5 MW); (iv) EDE-Sur, a distributor of electricity in the southern region within the interconnected system of the Dominican Republic (totaling 110 MW); and (v) non-regulated users, or NRUs (totaling 110 MW).

Furthermore, Andres has contracted a total of 75 MW with NRUs that will be supplied from its solar farm projects: (i) 50 MWn to be supplied by ADRE through the Bayasol project, and (ii) 25 MW to be supplied by Andres DR through the Santanasol project. The delivery of renewable energy will start once each project reaches its commercial operation date.

The main characteristics of Andres' and DPP's PPAs are as follows:

- The contracts are denominated in U.S. dollars.
- The price structures of the PPAs provide monthly indexation for changes in U.S. CPI and, in the case of thermal power plants, for changes in natural gas prices.
- The fuel pricing components of the contracts are closely linked to Andres' and DPP's fuel cost structures. Small deviations are due to power plant efficiencies as defined in the PPAs, which on average are lower than actual values.

The PPA contracts with NRUs also contemplate:

- A performance bond or a stand-by letter of credit as guarantee from the clients for the equivalent of two months of invoices.
- Maximum yearly energy demand limits on the clients.
- An average initial duration of the contracts of five years, with a remaining average life of 4.3 years.

Additionally, Andres is currently the only importer and supplier of natural gas in the Dominican Republic. The imported gas is used for the generation of Andres' and DPP's power plants, and for the sale to third parties, either directly or via distributors. For the year ended December 31, 2020, third party natural gas sales accounted for \$ 231.5 million of Andres' and DPP's combined revenues, representing 32.4% of Andres' and DPP's combined total revenues.

Andres imports LNG pursuant to a 20-year contract expiring in 2023 for up to 33.6 TBtu per year with BP Gas Marketing Ltd., a subsidiary of BP plc, through Atlantic Basin Services Ltd., an AES subsidiary, or ABS, strictly for the consumption of the Andres and DPP power plants. For supplying third parties, ABS entered into a LNG sale and purchase agreement with TOTAL that expires in 2032. Andres may contract additional volumes year to year on a spot basis in order to support LNG sales to third parties. Currently, the supply of LNG is primarily imported from the United States and the Republic of Trinidad and Tobago. Andres' LNG capabilities have helped transform the energy market in the Dominican Republic and have reduced dependency on fuel oil from approximately 90% in 2000 to approximately 15% in 2020.

Andres' current natural gas agreements have the following characteristics:

- Denominated in U.S. dollars.
- The agreements' duration varies from three to twelve years.
- Minimum natural gas volumes are required to be declared annually.
- Pass-through of the LNG procurement conditions (price and take-or-pay obligations), with the price metric being based on the client's requirements (such as the Brent Oil Index, NYMEX HHI Index or other).
- Clients must provide financial guarantees to cover one to six months of the declared volumes during the year.
- Fees vary depending on the distribution channel and the point of delivery (clients may be supplied through the truck loading terminal or through the pipeline). Fees are adjusted annually as per U.S. CPI.
- Declared volumes become subject to the take-or-pay condition under each agreement.
- Prepaid bill on a monthly basis.

#### Historical Information of Andres and DPP

The following tables summarize energy production and energy sales for Andres and DPP for the years ended December 31, 2020, 2019 and 2018:

	<b>For the years ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>ENERGY BALANCE</b>			
<b>(in GWh)</b>			
Andres .....	1,424.29	1,935.71	1,941.66



	<b>For the years ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
DPP .....	2,116.74	2,394.05	2,522.74
<b>Production</b> .....	<b>3,541.03</b>	<b>4,329.76</b>	<b>4,464.40</b>
Backup Contract.....	-	-	-
<b>Total energy available for sale</b> .....	<b>3,541.03</b>	<b>4,329.76</b>	<b>4,464.40</b>
Sales Contract.....	4,729.64	4,845.03	5,089.20
Surplus (Deficit).....	-1,188.61	-515.27	-624.80
<b>NET ENERGY SALES</b> .....	<b>3,541.03</b>	<b>4,329.76</b>	<b>4,464.40</b>

## Assets

### *Andres*

Andres BV was incorporated in the Netherlands on September 14, 1999 to construct a new combined-cycle power plant in the Dominican Republic and began operations in 2003. In September 2014, all assets and liabilities of Andres BV located in the Dominican Republic were contributed to Andres DR. In January 2016, Andres relocated its place of effective management to Madrid, Spain and became resident for tax purposes in Spain and subject to Spanish taxation. It remains, however, incorporated under the laws of the Netherlands. Currently, Andres owns and operates a 319 MW LNG combined-cycle power plant in Punta Caucedo, Dominican Republic, and, through ADRE, a 50 MWn photovoltaic power plant located in the Peravia Province, Dominican Republic.

In addition, Andres has an LNG shipment-receiving terminal, a storage facility and a re-gasification facility located in the southeastern tip of the Caucedo Peninsula, in the Dominican Republic, as well as a 34 km re-gasified LNG pipeline from Caucedo to Los Mina, Santo Domingo. The LNG received by Andres is re-gasified and the resulting natural gas is used by Andres and DPP to operate their combined-cycle power generation units and to sell natural gas to third parties. In January 2010, Andres also began commercial operations of the first truck terminal for LNG unloading in the Dominican Republic, with two loading bays that can operate simultaneously. In addition, Andres has developed the projects described above in “—Overview.”

### *DPP*

DPP was incorporated as an exempted company with limited liability in the Cayman Islands on November 14, 1995, after a consortium of Turbine Energy Inc. and Destec Cayman Islands Holdings Ltd. was formed with the objective of rehabilitating the 236 MW power plant located in Los Mina and selling the energy produced thereby to CDE. In 1997, AES acquired 100% of DPP’s outstanding shares and currently remains as the indirect majority owner of DPP. DPP has a combined-cycle power plant that has 359 MW of Installed Capacity. In addition, DPP has developed the projects described above in “—Overview.”

## Electricity Sector in the Dominican Republic

After the Dominican electricity sector’s privatization in late 1999, competition among electricity generation companies in the Dominican Republic increased significantly. Investments in new electricity generation units and significant upgrades to, and conversions of, existing electricity generation units from 2000 to 2020 resulted in a 94% increase in the Installed Capacity of the Dominican electricity market. This increase tracked an increase in the annual consumption from 9,510 GWh in 2001 to 17,663 GWh in 2020.

As of December 31, 2020, SENI’s Installed Capacity in the Dominican Republic was 4,921 MW, with 2,614 MW of Effective Capacity. Electricity generation in the Dominican Republic is highly dependent on thermal generation, which for 2020 represented approximately 84% of total energy generation (of which approximately 16% was generated using fuel oil, approximately 31% using natural gas and approximately 37% using coal). In addition, approximately 7% was provided by hydroelectric energy generation, approximately 6% was provided by wind energy generation, approximately 2% was provided by solar energy generation and approximately 1% was provided by biomass. The electricity wholesale market is based on centralized economic dispatch. The OC regulates planning and supervises the operation through the *Centro de Control de Energía*, which determines real-time dispatch.

Dispatches of electricity generation units are based on declared variable costs subject to audit by the OC. The hydroelectric, wind and solar generation units' variable cost is equal to zero, which means that they are always the first for dispatch. The Andres and DPP thermal generation units are among the first units to be dispatched after the wind and solar generation units and are currently running as base load units, which means that they are dispatched to fulfill base demand and not just during times of peak demand. Electricity is transported via transmission lines at voltages of 69 kV, 138 kV, 230 kV and 345 kV via a network owned by the Dominican Republic.

Currently, it is expected that several renewable generation units will be completed and generate energy within the next few years. These additions to the Installed Capacity of the Dominican Republic are expected to continue to help support growing demand and will impact the dispatch order of the existing units once they become operational.

### **Impact of COVID-19**

The ongoing COVID-19 pandemic has caused severe disruptions in the world economy. In order to contain the spread of COVID-19 in the Dominican Republic, the Dominican Government announced and implemented several measures such as: (i) the declaration on March 19, 2020 of a state of emergency at a national level; (ii) the establishment of a curfew and restrictions on freedom of transit, association and assembly; (iii) the temporary closure of air, sea and land borders; (iv) the implementation of a "Stay at Home" program; (v) the creation of the Employee Solidarity Assistance Fund, or FASE, aimed at assisting formal employees in the private sector whose employment agreements had been suspended; (vi) the implementation of a liquidity facility program for up to RD\$15 billion to be channeled into loans to small and medium-sized businesses and personal loans for smaller amounts through *Banco de Reservas*; (vii) the reduction by the Dominican Central Bank of the monetary policy rate with the objective of encouraging a general decrease in interest rates in the financial system and the implementation of other interest rate cuts; and, (viii) an increase in the resources released from *Banco de Reservas*' legal reserve to channel new loans to the different productive sectors and households. While some of these restrictions have since been lifted, we can offer no assurance that they will not be re-imposed.

For the year ended December 31, 2020 and through the date of this offering memorandum, Andres' and DPP's operations have not been materially affected by the COVID-19 pandemic or the measures implemented by the Dominican Government. However, the construction and development of the Bayasol project underwent certain delays, mainly due to disruptions in the logistics sector (import of equipment and parts) and restrictions on workable hours of the construction personnel.

Nonetheless, the ultimate severity of the pandemic's impact on Andres and DPP remains uncertain. See "Risk Factors—Risk Factors Relating to Andres and DPP—The COVID-19 pandemic has severely impacted global economic activity, including electricity and energy consumption" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations" below for further information. The implementation of mandatory health protocols such as social distancing, employee quarantines, and regular COVID-19 screenings may restrict Andres' and DPP's operational capacity or increase costs. In addition, changes in existing regulations or implementation of future regulations in response to the spread of COVID-19 may restrict Andres' and DPP's existing operations and require extensive system and operating changes that may be difficult or costly for Andres and DPP to implement. The ultimate impact of the COVID-19 outbreak on Andres' and DPP's operations remains uncertain at this time.

### **Competitive Strengths**

*Base load thermal generation plants with world class infrastructure in the Dominican Republic.* The Andres and DPP power plants both operate as base load plants, demonstrating their cost effectiveness. Andres' combined-cycle natural gas fired plant is the most efficient thermal plant in the Dominican Republic. The quality of the assets has also permitted Andres and DPP to generate additional revenues through frequency regulation services to the SENI since, as gas-fired plants, they have relatively short ramp-up and ramp-down rates for their turbine generators, which makes them well-suited to provide frequency regulation and other ancillary services. We believe that these services are important to achieve service quality and stability of the power system in the Dominican Republic and make them integral participants in the power industry and provide for better dispatch characteristics.

Andres and DPP have developed the infrastructure to support their core operations that is best-in-class. This infrastructure includes the LNG terminal, the gas pipeline, the LNG truck loading terminal, the LNG storage tank, and the port facilities at Andres. Andres, by itself or through its subsidiaries, is developing two renewable energy projects. The Bayasol project, currently under development by ADRE, consists of the construction of a 50 MWn solar farm in Baní, Peravia Province of the Dominican Republic. The Santanasol project is being developed by Andres DR and consists of the construction of a 50 MWn photovoltaic farm in the Dominican Republic. Moreover, Andres, together with the Energas Group, is also spearheading the commercialization of LNG in the Dominican Republic through the ENADOM projects described above. Andres is certified ISPS for port security.

*Diversified and reliable sources of revenue with low foreign exchange risk.* As of December 31, 2020, Andres' and DPP's current revenue mix is 65.7% from contracted sales of capacity and energy to the DISCOs and NRUs, 32.4% from contracted sales of LNG and the remaining 1.9% through sales in the spot market. As Andres (directly or indirectly) continues to invest in its LNG infrastructure, it expects the percentage of sales of LNG will continue to increase.

Further, Andres' and DPP's revenues and costs are largely denominated in U.S. dollars. 96.5% of the combined revenues of Andres and DPP for the year ended December 31, 2020, were derived from U.S. dollar-linked sales of capacity and energy, LNG and other non-electricity sales. Since substantially all of Andres' and DPP's costs, primarily fuel and maintenance costs are in U.S. dollars, these U.S. dollar revenues largely mitigate their foreign currency exchange rate risk.

*Only LNG terminal in the Dominican Republic.* Andres built and operates the only LNG terminal in the Dominican Republic, including an on-load pier, an LNG storage tank, an LNG re-gasification plant, cryogenic truck loading facilities and a 34-km gas pipeline. Andres, through the ABS contract, has contracted for a period of 20 years for the supply of LNG with BP Gas Marketing Ltd., a subsidiary of BP plc, for up to 33.6 TBtu per year expiring in 2023. In addition, Andres is sourcing up to 15 additional tankers of LNG (approximately 45 TBtu) on the market per year in order to support LNG sales to third parties. In the last six years, the third-party LNG sales have risen from negligible to accounting for approximately 48% of the LNG being imported into the Dominican Republic. Andres' LNG customer base has expanded to encompass one generator (DPP), one direct user (Seaboard), one distributor (ENADOM) and five retailers, who in turn sell natural gas to various players in the natural gas market.

*Competitive fuel procurement contracts.* All of Andres and DPP benefit from the global AES fuel procurement platform. As part of AES, Andres has benefited in the past and is expected to continue to benefit from the launch of regional tenders that aggregate the fuel needs of several AES subsidiaries, a global platform for forging relationships with suppliers and intercompany transactions. In terms of natural gas, Andres and DPP have largely met their demand through a long-term contract that is linked to natural gas prices in the U.S. (NYMEX Henry Hub Index) that, as of December 31, 2020, showed a lower delivered price than all public contracts of LNG facilities outside of the U.S. This platform currently allows the plants to maintain a very competitive position in the Dominican electricity sector. Further, by acting as a demand aggregator for natural gas clients and leveraging existing relationships with LNG suppliers, Andres enables customers to access the international natural gas market at competitive prices, which they would not be able to individually procure. In addition, market prices are consistently monitored in order to identify and capture value-added opportunities.

*Solid financial performance.* Andres and DPP, on a combined basis, have exhibited solid financial performance over the past three years. Collectively, the companies have moderate leverage and strong cash generation as demonstrated by the Debt/EBITDA ratio which was 2.70x in 2020 and 2.18x in 2019.

*Proactive, constructive relationship with stakeholders, regulators and market participants.* Andres and DPP have been active participants with the Dominican Government in seeking to resolve the various challenges to the Dominican electricity sector and consider their relationship with the regulators to be strong and constructive. AES has also attracted the investment of Grupo Estrella and Linda, two of the Dominican Republic's leading economic groups, as equity investors in the holding company for AES' Dominican assets, which AES believes demonstrates the strength of its business in the Dominican Republic as well as its commitment to the Dominican electricity sector.

*World-class management team.* Andres' and DPP's management team has an average of over 15 years of experience in the Dominican electricity sector and/or operating generation assets, and is responsible for implementing

a strategy that has resulted in the development of the LNG market in the Dominican Republic and delivered stable and solid growth.

*Benefits from the relationship with AES.* AES is one of the largest U.S. private investors in the energy sector in the Dominican Republic and one of the largest private investors in the power sector in Latin America. AES began to make investments in the Dominican Republic in 1997; operates more than 16,500 MW in Latin America; and serves more than nine million customers in Latin America through its distribution companies. Andres and DPP benefit from the operational and technical expertise and best practices of AES in optimizing their operational performance and improving their margins. Both companies have contracts to receive technical, administrative and management services from AES and its affiliates.

## **Business Strategy and Objectives**

The following key projects and initiatives will drive the business strategy for the following years:

*Maximize plant availability.* Andres and DPP seek to maximize plant availability to enable the highest levels of energy generation available for dispatch. To achieve this objective, Andres and DPP intend to continue to implement their reliability program, which enables them to improve preventive maintenance, to benefit from AES' technological and global operational expertise and practices, and to continue to execute their comprehensive asset management program. Andres' and DPP's asset management program is a series of coordinated and systematic activities and practices by which they can manage and operate their physical assets and their related risks and costs, in a sustainable and optimal way, so as to achieve their goals under their strategic business plan. This systematic approach to management enables the maximization of value and the effective management of their assets through their life cycles.

*Continue to optimize and diversify commercial sales portfolio for the electricity business.* Andres and DPP intend to capitalize on this high level of production capability resulting from high availability by having a commercial portfolio of short-, mid- and long-term contracts with the DISCOs and NRUs, which range from three to 15 years, and a defined amount of sales to the spot market. Historically, Andres and DPP have relied on long-term contracts with the DISCOs for a stable revenue stream. We expect that the Dominican Government will tender for approximately 500 MW of capacity in the near future and we expect energy blocks from these tenders to be allocated to Andres and DPP. From time to time, however, Andres has entered into short-term contracts with the DISCOs at higher prices than those for long-term contracts, in order to optimize its short-term position and improve its financial results. In addition, Andres and DPP will continue to enter into more PPAs with NRUs in sectors such as hotels, mining and manufacturing. This is expected to allow them to reduce their exposure to the DISCOs and, through them, to the Dominican Government, thus, on average, improving their collection cycles and risk profile. Andres and DPP believe that these methods are the best way to balance commodity price risk, margin volatility and counterparty risk in the Dominican Republic electricity market.

*Continue to expand the natural gas market in the Dominican Republic and develop a natural gas market in the Caribbean and Latin America.* Andres has developed a strong and diversified market for natural gas in the Dominican Republic. It intends to continue to encourage the expansion by helping smaller generators and industrial users to convert from fuel oil and diesel to natural gas. Andres is seeking to enter into new contracts with power generators and industrial users to sell them LNG for their operations. We believe the development of the natural gas market is based on three fundamentals: (i) optimization of the use of the current LNG infrastructure; (ii) maximization of value in the LNG and natural gas supply chain; and (iii) guaranteeing sustainable growth of the LNG market by promoting modern regulation in the Dominican Republic.

Andres' LNG terminal is the only operating LNG facility in the Caribbean capable of exporting LNG. As a result, we have a competitive advantage that could allow Andres and DPP to serve Caribbean and Central American markets with a potential aggregated demand of up to 422.8 TBtu by 2025, estimates published in studies conducted by the Oxford Institute for Energy Studies. These markets currently are unable to receive large vessels due to infrastructure limitations, so they will need mid- and small-scale solutions to fulfill their energy needs.

Therefore, in order to take advantage of the strategic location of Andres' LNG terminal, Andres has re-configured it to allow for imported LNG to be re-loaded into smaller vessels. It also has the capability to fill ISO

containers in its existing truck loading facility to be shipped to clients through the Dominican Republic's two major international ports that are serviced frequently by most of the world's major shipping lines.

In addition, increasing environmental regulation on the world's shipping fleets has opened up the market for LNG-propelled vessels. Due to its strategic location, in the middle of one of the busiest trade routes in the world, the Dominican Republic is perfectly located to capture this growing market.

*Increase revenues through new projects and maximizing utilization of existing assets.* Andres and DPP remain invested in increasing revenues through the development of new projects and maximizing utilization of existing assets, while also providing increasingly sustainable, affordable and reliable energy solutions to the region. Transitioning to a low-carbon economy presents both a significant opportunity and a challenge for the energy sector, and Andres and DPP have been spearheading efforts to address these new challenges in the Dominican Republic. Besides the renewable energy projects currently under development directly and indirectly by Andres, Andres and DPP have:

- *DPP Combined-Cycle Project.* In 2017, DPP converted its facility from an open-cycle gas-fired power plant to a combined-cycle power plant at Los Mina, which involved the installation of two heat recovery steam generators and a steam turbine. The combined-cycle power plant expanded its generation capacity by 123 MW.
- *LNG Expansion Project.* Andres is seeking to develop a natural gas market elsewhere in the Caribbean to take advantage of its rights to re-sell LNG outside of the Dominican Republic. In connection with the expansion of this market, Andres has finished the construction of an in-and-out terminal to allow the large LNG tankers currently coming into the Dominican Republic to offload their LNG cargo into smaller vessels which could dock at other islands in the region.
- *ENADOM Projects.* As described above, Andres, together with the Energas Group, is spearheading the efforts to commercialize LNG in the Dominican Republic through the ENADOM projects. See “—Overview.”

*Invest in community development and environmental sustainability.* Given the diverse challenges of operating power plants, development of projects and a gas pipeline in populated areas and the possibility of more demanding environmental requirements, Andres and DPP are committed to investing in the communities where they operate. Andres and DPP are engaged in community outreach, education and programs through Fundación AES Dominicana. These include school and sport facilities construction, sponsoring sports programs, education on safety issues relating to the plants and financial support for local government initiatives, among others.

*Investment in renewable energy projects and reduction of greenhouse emissions.* At a global level, AES has targeted to reduce significantly the carbon intensity of its energy generation portfolio, selling or retiring approximately 8.9 GW of coal-fire generation units and expanding its renewable energy portfolio by approximately 9.9 GW as from 2016. AES' goal is to have zero carbon emissions from its energy generation portfolio by 2040. In the Dominican Republic, Andres and DPP remain committed to continuing their focus on enhancing their capabilities to better serve the region's energy needs, with Andres integrating renewable energy projects into its portfolio and setting a target to generate 250 MW through solar energy projects by 2025. Andres DR is currently developing the Santanasol project and ADRE is developing the Bayasol project, each of which is described above under “—Overview” and in further detail under “Business—Overview—Facilities.” In terms of the reduction of greenhouse emissions, Andres' and DPP's current carbon intensity is measured at 561.4 and 513.5 CO<sub>2</sub> metric tonnes/MWh (equity adjusted values) at the end of 2020, respectively, and they expect to decrease that carbon intensity in the medium term.

*Maintain strong multilateral and government relationships.* Andres and DPP continue to collaborate with the Dominican Government in its discussions with the multilateral sector, including the IMF, the IDB and the World Bank to assist the Dominican Government in addressing the various challenges facing the electricity sector in the country. Andres and DPP intend to continue to be engaged and to facilitate the development of permanent solutions to these challenges.

*Strategic alliances oriented to new projects and into the stakeholder structure.* Andres and DPP will continue to explore strategic partnerships in new projects as they continue to expand their business in the Dominican Republic.

### **Concurrent Tender Offer**

On May 11, 2016, Andres BV, DPP and Itabo issued an aggregate principal amount of \$370.0 million (collectively, the “Notes Units”) consisting of (i) \$99.9 million aggregate principal amount of 7.950% Senior Notes due 2026 issued by Itabo (the “Itabo Notes”) and (ii) \$270.1 million aggregate principal amount of 7.950% Senior Notes due 2026 co-issued jointly and severally by Andres BV and DPP, and unconditionally and irrevocably guaranteed by Andres DR (the “2026 Andres-DPP Notes”).

Pursuant to the terms thereof, the Notes Units have been separated due to the fact that, on April 8, 2021, AES (indirectly through a subsidiary) consummated the sale of 100% of its ownership in Coastal Itabo (and indirectly 100% of its ownership of Itabo’s class B shares, which represent 50% of the total number of Itabo’s subscribed and paid-in shares) to Inversiones Radiante, for \$103.2 million. The sale represented a transfer of all of AES’ 43% indirect ownership of Itabo. This constituted a “Separation Date” under the terms of the indentures governing the 2026 Andres-DPP Notes and the Itabo Notes and the Notes Units were separated into the 2026 Andres-DPP Notes and the Itabo Notes, respectively. The Notes Units no longer trade as a unit and instead the 2026 Andres-DPP Notes and the Itabo Notes trade separately under new CUSIP and ISIN identifiers.

On April 19, 2021, Andres and DPP commenced an offer to purchase for cash any and all of the \$270.1 million outstanding of the 2026 Andres-DPP Notes (the “Tender Offer”) pursuant to the terms of, and subject to the conditions set forth in, an offer to purchase dated as of April 19, 2021 and related documents (the “Tender Offer Documents”). The Tender Offer is conditional upon our receipt of the financing necessary for the payment of the purchase price offered thereby and accrued interest to tendering holders of the 2026 Andres-DPP Notes, plus fees and expenses, and other general conditions set forth in the Tender Offer Documents. Andres and DPP expect to finance the Tender Offer with the proceeds from the issuance of the Notes. Andres and DPP may waive any of these conditions at their sole discretion. Andres and DPP cannot assure you that the Tender Offer will be consummated. This offering is not conditioned on the successful consummation of the Tender Offer.

This offering memorandum does not constitute an offer to purchase 2026 Andres-DPP Notes pursuant to the Tender Offer. An offer to purchase the 2026 Andres-DPP Notes is being made solely on the terms and subject to the conditions set forth in a separate offer to purchase that is being directed to holders of the 2026 Andres-DPP Notes.

### **Recent Developments**

#### ***Recent Regulatory Developments***

On March 12, 2021, the CDEEE and other energy sector authorities established the guidelines to launch a long-term bidding process for power purchase agreement to meet the Dominican Republic’s future electricity demand growth as follows:

- *MWs to be awarded:* between 700 and 800 MWs. Exclusively for LNG combined-cycle facilities.
- *Blocks to be awarded:*
  - One for the construction of a 350 to 400 MW LNG combined cycle facility and an LNG terminal.
  - Two for the construction of a 350 to 400 MW LNG combined cycle facility.
- *Term of PPAs:* 36 months for the construction of the facilities and 15 years as from the commercial start date.
- *Deadline for Registration of Interested Parties:* April 20, 2021.
- *Reception and Opening of Bids:* August 25, 2021.

The Dominican Government has not provided guidance as to when it would be releasing the results of the auction following the submission of bids. Andres currently intends to participate in this auction.

***2021 First Quarter Preliminary Results.***

As of the date of this offering memorandum, Andres and DPP do not have consolidated or individual financial statements as of March 31, 2021 and for the three-month period ended March 31, 2021 available. However, based on the best available interim financial information, Andres and DPP currently expect their unaudited combined results for the first quarter of 2021, compared to the first quarter of 2020, to reflect the following:

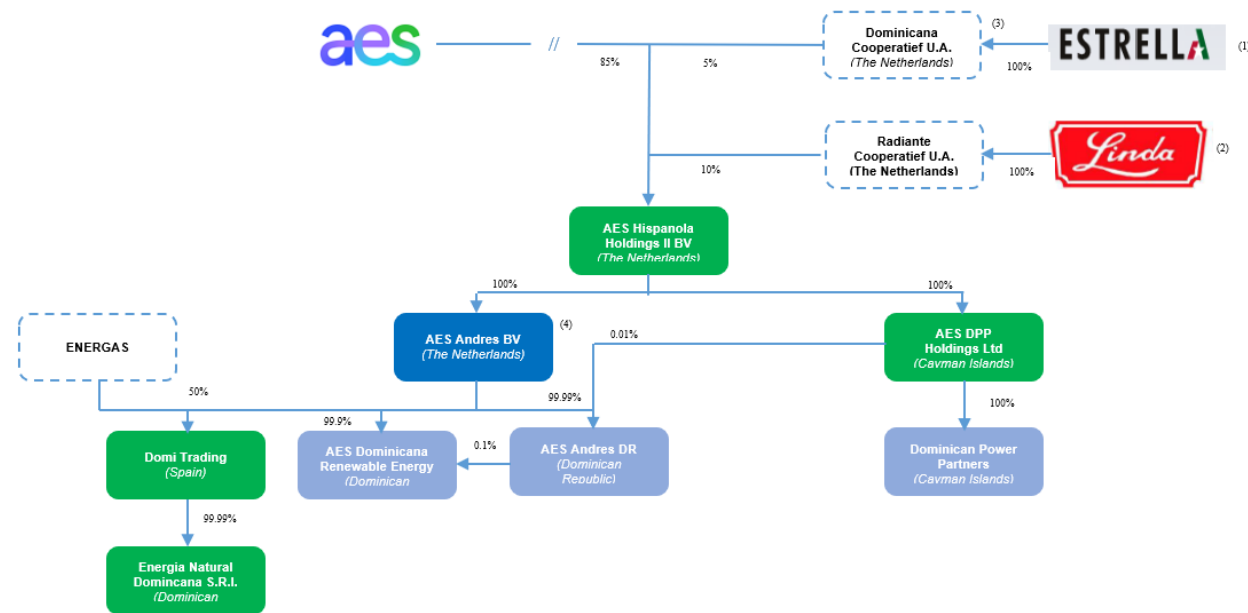
- An increase in combined total revenues, primarily as a result of a higher volume of LNG sales given that there were LNG sales to third parties during the entire first three months of 2021, whereas there was only one month of such sales during the corresponding period of 2020 as the LNG gas pipeline did not commence operations until February 2020. Furthermore, there was an increase in energy revenues for the three-month period ended March 31, 2021, primarily due to higher availability in 2021.
- An increase in combined operating income, primarily as a result of the increase in combined total revenues, as explained above. This increase was partially offset by (i) increases in fuel and related costs used for generation and fuel purchased for resale, and (ii) lower electricity purchases, which in turn was due to higher generation.
- An increase in combined net income, primarily as a result of the increase in combined total revenues and combined operating income, as explained above.

These factors are in large part similar to those driving the combined results of Andres and DPP for the year ended December 31, 2020 as compared to the year ended December 31, 2019, as further described in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of this offering memorandum.

This preliminary combined financial information for the three-month period ended March 31, 2021 may be subject to changes, it has not been subject to a limited review by Andres’ and DPP’s auditors and is subject to normal recurring and other period-end adjustments. Therefore, Andres’ and DPP’s actual 2021 first quarter combined results may differ from the current expected results presented herein. This preliminary financial information is derived from calculations or figures that have been prepared internally by Andres’ and DPP’s management.

## Organizational Structure

The following chart, which does not reflect all intermediary holding companies, presents the Issuer's and Guarantors' corporate structure as of the date of this offering memorandum:



(1) Ingeniería Estrella S.R.L., a subsidiary of Estrella S.A., the holding company for the Estrella Group, is an engineering company. The Estrella Group has extensive experience in the construction sector in the Dominican Republic, with a presence throughout the Caribbean region in Antigua and Barbuda, Costa Rica, Haiti, Jamaica, Panama, Turks and Caicos and Tortola.

(2) Envases Antillanos S.R.L., a subsidiary of Linda S.A., which is holding company for several entities in the agricultural and food sectors in the Dominican Republic, is the first and largest metal packaging facility in the Caribbean. In addition to serving the Dominican market, Envases Antillanos SRL exports to Haiti, the Lesser Antilles, Miami and Puerto Rico.

(3) Pursuant to a shareholders agreement, dated as of December 19, 2014, by and among AES Hispanola Holdings II B.V. and Dominicana Coöperatief U.A. (the "AES Hispanola Shareholders Agreement"), Dominicana Coöperatief U.A. has the option to purchase an additional 10% of shares in AES Hispanola from December 19, 2014 until December 31, 2016. Further, Dominicana Coöperatief U.A. currently holds a Minimum Governance Percentage (defined in the AES Hispanola Shareholders Agreement as 10% of issued and outstanding shares) and, therefore, (i) has the right to designate nominees to the board of directors of AES Hispanola in proportion to its ownership interest, provided that it may designate at least two members at any time that it continues to hold a Minimum Governance Percentage, and AES Hispanola is to use its best efforts to cause the board of directors of each of its subsidiaries, except Itabo, to include the directors designated by Dominicana Coöperatief U.A. and (ii) holds a veto power with respect to customary minority veto matters.

(4) In January 2016, Andres BV relocated its place of effective management to Madrid, Spain and became resident for tax purposes in Spain and subject to Spanish taxation. It remains, however, incorporated under the laws of the Netherlands.

## Controlling Shareholder

AES is a global energy company which manages and operates over \$34.6 billion in assets as of December 31, 2020. The company is organized in four strategic business units: US and Utilities (United States, Puerto Rico and El Salvador), South America (Chile, Colombia, Argentina and Brazil), MCA&C (Mexico, Central America and the Caribbean); and Eurasia (Europe and Asia). As of December 31, 2020, AES operated a global energy generation portfolio of 30,308 MW and had a backlog of renewables of 6,909 MW, which included 1,850 MW under construction coming on-line through 2022. In the MCA&C strategic business unit, AES has an installed capacity of 3,459 MW, of which 39% is located in Mexico, 33% in Panama and 28% in the Dominican Republic.



## The Offering

The following summaries are qualified in their entirety by reference to detailed information appearing elsewhere in this offering memorandum. See “Description of the Notes.”

<b>Issuer</b> .....	AES Andres B.V. (the “ <b>Issuer</b> ”).
<b>Notes</b> .....	\$300,000,000 aggregate principal amount of 5.700% senior notes due 2028 (the “ <b>Notes</b> ”).
<b>Guarantors</b> .....	Dominican Power Partners and AES Andres DR, S.A. (the “ <b>Guarantors</b> ”).
<b>Guaranties</b> .....	The Notes are unconditionally and irrevocably guaranteed by the Guarantors pursuant to each of their separate guarantees (the “ <b>Guaranties</b> ”).
<b>Closing Date</b> .....	May 4, 2021 (the “ <b>Closing Date</b> ”).
<b>Maturity</b> .....	May 4, 2028 (the “ <b>Maturity Date</b> ”).
<b>Interest</b> .....	Interest on the Notes accrues at the rate of 5.700% per annum. Interest is payable semi-annually in arrears on each May 4 and November 4, commencing on November 4, 2021 until the Maturity Date. Interest on the Notes is computed on the basis of a 360-day year comprising twelve 30-day months.
<b>Principal</b> .....	The principal amount of the Notes will be paid on the Maturity Date.
<b>Use of Proceeds</b> .....	From the gross proceeds of the Notes, Andres BV will pay fees and expenses of the offering in an amount estimated at approximately \$5.1 million. Andres BV will use up to \$270.1 million of the remaining proceeds to purchase for cash any and all of the \$270.1 million aggregate principal amount of the outstanding 2026 Andres-DPP Notes that are tendered, not withdrawn and accepted for purchase pursuant to the Tender Offer Documents, excluding the tender premium. Any remaining proceeds will be used to redeem any of the 2026 Andres-DPP Notes that are not tendered in the Tender Offer, to partially repay the \$45.0 million credit facility entered into on September 26, 2019 between Andres BV and Banco Multiple BHD Leon, S.A., guaranteed by Andres DR and DPP, in order to make an equity contribution to Domi Trading (the “Domi Trading Credit Facility”) and the remainder, if any, for general corporate purposes.
<b>Ranking</b> .....	The Notes are the general senior unsecured unsubordinated indebtedness of the Issuer, ranking <i>pari passu</i> in right of payment with all other existing and future senior unsecured and unsubordinated indebtedness of the Issuer (other than indebtedness preferred by statute or operation of law) and senior in right of payment to all existing and future subordinated indebtedness of the Issuer.

The Notes are effectively subordinated to the existing and future secured indebtedness of the Issuer to the extent of the value of the collateral securing any such indebtedness.

The obligations of the Guarantors under the Guaranties rank *pari passu* in right of payment with all other unsecured and unsubordinated indebtedness of the Guarantors, other than indebtedness granted preferential treatment pursuant to the laws of the Dominican Republic, the Netherlands, Spain or the Cayman Islands, as applicable.

The Guaranties are effectively subordinated to the existing and future secured indebtedness of the Issuer and the Guarantors to the extent of the value of the assets securing any such indebtedness.

**Restrictive Covenants**.....

In the Indenture, the Issuer and the Guarantors will agree to certain restrictive covenants, including, but not limited to, the following:

- Limitation on Indebtedness,
- Limitation on Restricted Payments,
- Limitation on Layering,
- Limitation on Liens,
- Limitation on Transactions with Affiliates,
- Consolidation, Merger, Conveyance, Sale or Lease,
- Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries, and
- Limitation on Sale and Lease-Back Transactions.

**Payment of Additional Amounts**.....

Subject to certain limited exceptions, all payments in respect of the Notes (including pursuant to the Guaranties) will be made free and clear of and without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Taxing Jurisdiction (as defined in “Description of the Notes”) (collectively, “**Taxes**”), unless such Taxes are imposed by applicable law. See “Tax Considerations” and “Description of the Notes—Additional Amounts.”

**Repurchase at the Option of the Holders of the Notes Upon a Change of Control Triggering Event** .....

If a Change of Control Triggering Event occurs, each holder of Notes has the right to require the Issuer to repurchase all or any part of that holder’s Notes pursuant to an Offer to Purchase (as defined in “Description of the Notes”) on the terms set forth in the Indenture. In the Offer to Purchase, the Issuer will offer a payment in cash equal to 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased, to the date

of purchase (subject to the right of the holders of record on the relevant record date to receive interest and Additional Amounts, if any, on the relevant interest payment date). See “Description of the Notes—Repurchase at the Option of Holders—Change of Control Triggering Event.”

**Optional Redemption .....**

The Notes are redeemable, at the option of the Issuer:

- (i) in whole or in part, at any time prior to May 4, 2024, at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest and Additional Amounts (if any) on the Notes to be redeemed from the date of redemption to May 4, 2024, in each case discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable treasury rate plus 50 basis points, in each case plus accrued and unpaid interest on the principal amount being redeemed to the redemption date; or
- (ii) in whole or in part, at any time on or after May 4, 2024, at the redemption prices set forth under “Description of the Notes—Optional Redemption,” plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption.

See “Description of the Notes—Optional Redemption.”

**Redemption for Taxation Reasons .....**

In the event of certain changes affecting taxes in a Taxing Jurisdiction, pursuant to which the Issuer will become obligated to pay Additional Amounts on the Notes, the Notes are redeemable at the option of the Issuer, in whole, but not in part, at 100% of their principal amount plus accrued and unpaid interest through the date of redemption and any Additional Amounts due thereon. For more information see “Description of the Notes—Redemption for Taxation Reasons.”

**Transfer Restrictions .....**

None of the Notes or the Guaranties has been, or will be, registered under the Securities Act of 1933 or under any state securities laws and are subject to certain restrictions on transfer and resale. There is currently no market for the Notes and there can be no assurance as to the development or liquidity of a market for the Notes. See “Transfer Restrictions.”

**Governing Law .....**

State of New York.

**Trustee.....**

Citibank, N.A.

**Principal Paying Agent,  
Transfer Agent and Registrar .....**

Citibank, N.A.

## Summary Financial and Operating Data

Andres' and DPP's Unaudited Condensed Combined Financial and Operating Data for the years ended December 31, 2020, 2019 and 2018 and as of December 31, 2020 and 2019.

<b>SELECTED COMBINED STATEMENT OF INCOME DATA</b>	<b>For the years ended December 31, (unaudited)</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<i>(in thousands of U.S. dollars, except for percentages and ratios)</i>		
<b>Revenues:</b>			
Electricity sales (contracts and spot market) .....	478,912	520,656	522,551
Natural gas sales .....	231,531	153,225	129,486
Other sales (non-electricity) .....	3,440	2,991	510
<b>Total Revenues</b> .....	<b>713,883</b>	<b>676,872</b>	<b>652,547</b>
Costs of revenues <sup>(1)</sup> .....	(413,598)	(342,694)	(359,611)
Commercial Margin <sup>(2)</sup> (\$) .....	300,285	334,178	292,936
Commercial Margin / Revenues (%) .....	42%	49%	45%
EBITDA <sup>(3)</sup> .....	234,735	271,907	240,005
Margin (%) .....	33%	40%	37%
Depreciation and amortization <sup>(4)</sup> .....	46,402	43,832	44,876
Operating income .....	188,333	228,075	195,129
Operating income / Commercial Margin (%) .....	26%	34%	30%
Financial interest (expense) income – net <sup>(5)</sup> .....	(43,587)	(36,435)	(37,151)
Net commercial interest (expense) income - net <sup>(6)</sup> .....	5,466	9,568	7,626
Net income .....	107,317	195,148	112,306
Margin (%) .....	15%	29%	17%
Capex <sup>(7)</sup> .....	75,733	159,530	43,435

- (1) Costs of revenues is the total of electricity purchases and fuel costs used for generation, fuel purchased for resale and related costs, transmission charges and gain (loss) on derivative financial instruments.
- (2) Commercial margin is comprised of total revenues, less costs of revenues, as defined in (1) above.
- (3) Andres and DPP present combined EBITDA (earnings before interest, taxes, depreciation and amortization) as a supplemental measure of performance. Andres and DPP calculate combined EBITDA by adding depreciation, right-of-use assets amortization, amortization of intangible assets (included in operating, general and maintenance expenses), interest expense, net, equity loss in investment in affiliate, debt discount amortization, other income (expense), net, exchange gain, net and income tax expense to net income. EBITDA is not a IFRS measure and should not be considered as an alternative measure to any measure of operating results as promulgated under IFRS, such as operating income or net income, or as an alternative indicator of liquidity, such as cash flows from operations, nor should it be considered as an indicator of Andres and DPP's combined overall performance. Moreover, Andres' and DPP's method for calculating EBITDA may differ from the method utilized by other companies and therefore comparability may be limited. The definition of EBITDA used here differs from the definition of "Consolidated EBITDA" used in the "Description of the Notes."
- (4) Depreciation and amortization are the total of depreciation, right-of-use assets amortization and amortization of intangible assets (included in operating, general and maintenance expenses).
- (5) Financial interest (expense) income - net is comprised of interest expense - financial plus amortization of deferred financing costs and write off of deferred financing costs due to early debt payment less interest income – financial (included in interest expense, net).
- (6) Net commercial interest (expense) income – net is comprised of interest income - commercial less interest expense – commercial (included in interest expense, net).
- (7) Capex is comprised by the total of acquisition of property, plant and equipment, advance payments for the acquisition of property, plant and equipment and acquisition of intangible assets (included in cash flows from investing activities).

<b>SELECTED COMBINED STATEMENT OF FINANCIAL POSITION DATA</b>	<b>As of December 31, (unaudited)</b>	
	<b>2020</b>	<b>2019</b>
	<i>(in thousands of U.S. dollars, except for percentages and ratios)</i>	
Cash and cash equivalents .....	67,029	75,525

Total debt net <sup>(1)</sup> .....	633,263	593,897
Total stockholders' equity .....	<u>319,422</u>	<u>356,189</u>
Credit Ratios <sup>(1)</sup> :		
EBITDA/Net Interest Expense (x) .....	6.16	10.12
(EBITDA-CAPEX)/Net Interest Expense (x) .....	4.17	4.18
<b>TOTAL DEBT/ EBITDA (x) .....</b>	<b>2.70</b>	<b>2.18</b>

(1) Total debt net is comprised of the total of lines of credit, loans payable net and bonds payable net.

**For the years ended December 31,  
(unaudited)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
	<i>(in thousands of U.S. dollars)</i>		
<b>EBITDA RECONCILIATION</b>			
Net income .....	107,317	195,148	112,306
Depreciation and amortizations (1)	46,402	43,832	44,876
Interest expense, net	38,121	26,867	29,525
Equity loss in investment in affiliate	687	1,160	-
Debt discount amortization	499	516	383
Other income (expense), net	(1,646)	(85,470)	5,374
Exchange gain, net	(11,929)	(3,954)	(78)
Income tax expense .....	55,284	93,808	47,619
<b>EBITDA (*) .....</b>	<b><u>234,735</u></b>	<b><u>271,907</u></b>	<b><u>240,005</u></b>

(1) Depreciation and amortization are the total of depreciation, right-of-use assets amortization and amortization of intangible assets (included in operating, general and maintenance expenses).

(\*) Andres and DPP present EBITDA (earnings before interest, taxes, depreciation and amortization) as a supplemental measure of performance. Andres and DPP calculate EBITDA by adding depreciation, amortization of right-of-use assets and amortization of intangible assets (included in operating, general and maintenance expenses) interest expense, net, equity loss in investment in affiliate, debt discount amortization, other income (expense), net, exchange gain, net and income tax expense to net income. EBITDA is not a IFRS measure and should not be considered as an alternative measure to any measure of operating results as promulgated under IFRS, such as operating income or net income, or as an alternative indicator of liquidity, such as cash flows from operations, nor should it be considered as an indicator of Andres' and DPP's overall performance. Moreover, Andres' and DPP's method for calculating EBITDA may differ from the method utilized by other companies and therefore comparability may be limited. The definition of EBITDA used here differs from the definition of "Consolidated EBITDA" used in the "Description of the Notes."

## RISK FACTORS

*Before making any investment decision, prospective purchasers of the Notes should carefully read this offering memorandum and should consider carefully, in light of their own financial circumstances and investment objectives, all of the information set forth in this offering memorandum and, in particular, certain matters relating to Andres or DPP and other matters associated with investments in securities of the Issuer in countries that do not have highly developed capital markets, including, without limitation, the risk factors set forth below. Additional risks not presently known to Andres or DPP or that Andres or DPP currently deem immaterial may also impair the business and operations of Andres or DPP.*

*Andres' and DPP's respective businesses, financial condition, results of operations, the Issuer's obligations to repay the Notes, and the Guarantors' ability to satisfy their respective obligations under each of their respective Guaranties, could be materially adversely affected by any of these risks, and the trading price of the Notes could decline due to these risks.*

### **Risk Factors Relating to the Dominican Republic**

***The novel coronavirus could continue to have an adverse effect on the Dominican Republic's economy, which may adversely affect the ability of the Dominican Government to make payments on its outstanding external and domestic debt and other payment obligations, including its ability to make subsidy payments to the DISCOs, which could adversely affect the financial condition of the Issuer and the Guarantors and their ability to satisfy their obligations under the Notes and the Guaranties.***

In December 2019, a novel form of pneumonia first noticed in Wuhan, Hubei province (COVID-19, caused by a novel coronavirus) was reported to the World Health Organization, with cases soon confirmed in multiple provinces in China. On March 11, 2020, the World Health Organization characterized the COVID-19 as a pandemic. Governments have undertaken several measures across the world to control the coronavirus, including mandatory quarantines and travel restrictions.

The measures implemented so far, together with lower external demand, have resulted in a slowdown in economic activity that the Dominican Government believes adversely affected economic growth in 2020, to a degree that we cannot fully quantify as of the date of this offering memorandum. Restrictive measures put in place to control the outbreak of contagious diseases or other public health developments in the Dominican Republic may, as in other countries, have an unintended adverse effect on the Dominican Republic's economy. GDP growth has been negative in 2020, and the Dominican Government's fiscal deficit has increased during such year.

Even though global economic activity is expected to increase in 2021 and the Dominican Republic projects real GDP growth during such year, given the uncertainty of the duration of the COVID-19 pandemic, at this time it is difficult to predict its impact on the Dominican Republic's economy in 2021 and the following years. In the medium-to-long term, if the spread of COVID-19 is prolonged, it could adversely affect the economies and financial markets of the Dominican Republic and of many other countries. The occurrence of these events could have an adverse effect on the Dominican Republic's economy.

Any adverse effect on the Dominican economy could affect the Dominican Government's ability or willingness to continue making subsidy payments to the DISCOs, which in turn could adversely affect the business, financial condition and results of operations of Andres and DPP. Moreover, any adverse effect on the Dominican economy could also have a negative effect on the NRUs and their ability to purchase electricity and/or make timely payments to Andres or DPP. Any and/or both of these scenarios could significantly affect the ability of the Issuer and the Guarantors to satisfy their obligations under the Notes and the Guaranties.

***The Dominican economy may further contract in the future, which could have a material adverse effect on public finances, as well as the financial condition of the Issuer and the Guarantors and their ability to satisfy their obligations under the Notes and the Guaranties.***

Economic growth depends on a variety of factors, including, among others, international demand for Dominican exports and services (mainly tourism), the stability and competitiveness of the peso against foreign

currencies, confidence among Dominican consumers and foreign and domestic investors and their rates of investment in the Dominican Republic, the willingness and ability of businesses to engage in new capital spending and the rate of inflation. Some of these factors are outside the Dominican Republic's control. An economic contraction could result in a material decrease in the Dominican Republic's revenues, which in turn would materially and adversely affect the ability of the Dominican Republic to service its public debt.

From 2015 to 2019, the Dominican economy experienced an annual average GDP growth rate of approximately 6.1%. However, due to the COVID-19 outbreak, the Dominican economy experienced an economic contraction throughout 2020.

A further contraction in the Dominican economy could in turn further adversely affect the business, financial condition and results of operations of Andres and DPP, and the ability of the Issuer and the Guarantors to satisfy their obligations under the Notes and the Guaranties.

***The Dominican Republic may be unable to obtain financing on satisfactory terms in the future, which could adversely affect its ability to make payments on its outstanding external and domestic debt and other payment obligations, including its ability to make subsidy payments to the DISCOs, and which could in turn adversely affect the financial condition of the Issuer and the Guarantors and their ability to satisfy their obligations under the Notes and the Guaranties.***

The Dominican Republic's future fiscal results (*i.e.*, tax receipts excluding interest payments on its public debt) may be insufficient to meet its debt service obligations or other payment obligations, and it may have to rely in part on additional financing from domestic and international capital markets in order to meet future debt service obligations. In the future, the Dominican Republic may not be able or willing to access international or domestic capital markets, and the Dominican Republic's ability to service the Dominican Republic's public debt or other payment obligations, including its bonds, may be adversely affected.

The Dominican Republic relies on multilateral lenders, including the IDB and the World Bank, for financing certain projects and for budget support. The IDB was the Dominican Republic's largest lender as of December 31, 2020. In certain cases, disbursements under these financing arrangements are subject to compliance by the Dominican Republic with specific fiscal, performance and other targets. Failure to comply with these undertakings may result in the suspension of disbursements under such financing arrangements with bilateral and multilateral lenders, which may materially affect the Dominican Republic's economic condition and access to sources of financing.

The electricity sector is highly dependent on government subsidies, which dependence is primarily driven by significant energy losses in the DISCOs and the lack of application of an economic tariff to end users that reflects the real cost of energy services, which is based on variables such as fuel prices, CPI and the exchange rate of the Dominican Peso to the U.S. dollar. A reduction or termination of the assistance provided by multilateral lenders or an inability to otherwise obtain satisfactory financing to and by the Dominican Republic may adversely affect the Dominican economy and the electricity sector in general, including Andres and DPP, and the Dominican Government may no longer be willing or able to continue providing government subsidies, which may in turn adversely affect the ability of the Issuer and the Guarantors to satisfy their obligations under the Notes and the Guaranties.

***A significant decrease in remittances from Dominicans living abroad may adversely affect the ability of the Dominican Republic to satisfy its payment obligations, which could in turn adversely affect the financial condition of the Issuer and the Guarantors and their ability to satisfy their obligations under the Notes and the Guaranties.***

Remittances from Dominicans living abroad are a significant source of foreign exchange to the Dominican Republic, providing a portion of the foreign currency required to purchase imports and service external debt and other government payment obligations, and are a source of net transfers to the Dominican Republic's current account. Since 2014, Central Bank remittance data is published using a reporting system which increased coverage for data from 2010 onwards. With this data, remittances totaled \$5.0 billion in 2015, \$5.3 billion in 2016, \$5.9 billion in 2017, \$6.5 billion in 2018, \$7.1 billion in 2019 and \$8.2 in 2020. The majority of remittances to the Dominican Republic originate in the United States. There can be no assurance that the level of remittances to the Dominican Republic will not decrease significantly in the future as a result of a reduction in the number of Dominicans abroad, contraction in

the source markets, or for any other reason. A significant decrease in remittances may lead to depreciation of the Dominican Peso and negatively affect the ability of the Dominican Republic to meet its external debt or other payment obligations. Such an event could in turn adversely affect the business, financial condition and results of operations of the Issuer and the Guarantors and their ability to satisfy their obligations under the Notes and the Guaranties.

***Volatility in the exchange rate between Dominican Pesos and the U.S. dollar may adversely affect the Dominican Republic's economy and its inflation levels, which could adversely affect the electricity sector and the financial condition of the DISCOs, as well as the business, financial conditions and results of operations of the Issuer and the Guarantors.***

Exchange rate volatility is a matter of concern mainly because of its pass-through effects on domestic prices. The Dominican Peso has depreciated in the past and may depreciate significantly in the future. As a result, the domestic prices of energy invoiced to customers by the DISCOs in Dominican Pesos may increase, which may affect the DISCOs' collection rates, which in turn may adversely affect the DISCOs' ability to make payments on their PPAs. Further, exchange rate depreciation may increase the level of inflation and consequently preclude the Dominican Republic from servicing its debt obligations denominated in foreign currency or affect the willingness or ability of the Dominican Government to continue subsidy payments to the DISCOs. Alternatively, exchange rate appreciation may have direct effects on Dominican exports, which could reduce the country's ability to receive foreign currency.

In order to mitigate the unfavorable effects of exchange rate volatility, the Central Bank intervenes from time to time in the foreign exchange market to achieve the Government's monetary policy and to avoid excessive volatility in the prevailing exchange rate. The Central Bank has an exchange market intervention framework that aims to keep the exchange rate level around its long-term equilibrium value, consistent with the fundamentals of the Dominican Republic's economy and its inflation targeting scheme. There can be no assurance, however, that these measures will be sufficient to prevent or manage exchange rate volatility.

***The Dominican economy remains vulnerable to external shocks, which could have a material adverse effect on economic growth and the Dominican Republic's ability to make payments on its obligations; such shocks could adversely affect the financial condition of the Issuer and the Guarantors and their ability to satisfy their obligations under the Notes and the Guaranties.***

A decline in the economic growth of any of the Dominican Republic's major trading partners, especially the United States, could have a material adverse effect on the Dominican Republic's balance of trade and adversely affect the Dominican Republic's economic growth. As of the date of this offering memorandum, the United States is the Dominican Republic's largest export market. The decline in demand for Dominican imports in the United States may have a material adverse effect on exports and the Dominican Republic's economic growth. In addition, because international investors' reactions to the events occurring in one emerging market economy sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavored by international investors, the Dominican Republic could be adversely affected by negative economic or financial developments in other emerging market countries. Furthermore, the recession in the United States between 2007 and 2009 resulted in declines in tourism and foreign direct investment, which are important factors in the Dominican Republic's economy. Economic conditions in the Dominican Republic may also be affected by political developments in the United States, including the policies of the new Biden Administration that took office in January 2021. The Dominican Republic cannot assure that events affecting other countries or markets will not have a material adverse effect on the Dominican Republic's growth and its ability to make payments on its obligations.

The Dominican economy is dependent on oil imports to satisfy domestic energy consumption. The average price for import per barrel of oil into the Dominican Republic was \$51.23 during 2015, \$43.63 during 2016, \$55.92 during 2017, \$72.80 during 2018, \$65.71 during 2019 and, as a preliminary estimate, \$49.60 for 2020. Any disruption in oil supply or increases in the cost of crude oil resulting, for example, from political or social instability or armed conflict in oil-producing states, such as Venezuela and countries in the Middle East, may have a material adverse effect on the Dominican economy and the achievability of the budget and could adversely affect the Dominican Republic's ability to make payments on its obligations.



Any of these events could in turn adversely affect the business, financial condition and results of operations of the Issuer and the Guarantors and their ability to satisfy their obligations under the Notes and the Guaranties.

***A significant increase in interest rates in developed economies such as the United States could have a material adverse effect on the economies of the Dominican Republic's trading partners and adversely affect the Dominican Republic's economic growth and the ability of the Dominican Republic to make payments on its obligations.***

If interest rates increase significantly in developed economies, including the United States, the Dominican Republic's trading partners could find it more difficult and expensive to borrow capital and refinance existing debt, which could adversely affect economic growth in those countries. Decreased growth on the part of the Dominican Republic's trading partners could have a material adverse effect on the markets for Dominican exports and, in turn, adversely affect the Dominican economy. An increase in interest rates in developed economies would also increase the Dominican Republic's debt service requirements with respect to its debt obligations that accrue interest at floating rates and would increase the rate that the Dominican Republic pays on its new borrowings in foreign currencies, including the U.S. dollar, which could adversely affect the ability of the Dominican Republic to service its public debt or other payment obligations, which may adversely impact the Dominican electricity sector in general, including the Issuer and the Guarantors and their ability to satisfy their obligations under the Notes and the Guaranties.

***The crisis in the electricity sector could have a material adverse impact on the Dominican Republic's economic growth and, ultimately, on the Dominican Republic's ability to make payments on its obligations.***

Electricity generators and distributors have been beset by financial problems that have resulted in frequent blackouts, widespread public protests and several temporary and permanent shutdowns of generating plants. Distributors, which have experienced financial difficulties because of late payments and collection problems, have been unable to meet all of their payment obligations to generators, which have consequently incurred significant debt to finance operations.

The Dominican Government coordinates the generation, transmission and distribution of energy primarily through the CDEEE. From 2015 to 2020, the Dominican Government has provided annual subsidies to CDEEE to cover operating deficits resulting from increases in fuel costs and continued inefficiencies in collections and operations.

The deficit for the electricity sector was \$471.7 million in 2015, compared to \$265.9 million in 2016, \$301.8 million in 2017. The decreases in the recorded deficits for 2015 and 2016 were primarily due to lower fuel costs during 2015 and the first half of 2016. During 2017, the deficit for the electricity sector was \$301.8 million, representing an increase of 11.9% compared to the deficit recorded in 2016, mainly due to an increase in international oil prices. During 2018, the deficit for the electricity sector was \$643.6 million, representing an increase of 113.2% compared to the deficit recorded in 2017, mainly due to an increase in international oil prices and the fact that the Andres power plant was inoperative, in whole or in part, during the last four months of the year, due to damage caused by lightning. During 2019, the deficit for the electricity sector was \$827.4 million, representing an increase of 28.6% as compared to the deficit recorded during 2018, mainly due to an increase in the provision of electricity service, payments due to generators and high non-technical losses.

***Decreases in the market price for commodities, particularly gold and silver, could have a material adverse effect on the Dominican Republic's economy and adversely affect the ability of the Dominican Republic to make payments on its obligations.***

The Dominican Republic's economy is exposed to commodity price volatility, especially with regards to gold and silver, which accounted for 13.5%, 16.7%, 15.2%, 13.6%, 14.3% and 16.8% of total exports in 2015, 2016, 2017, 2018, 2019 and 2020, respectively. A significant drop in the price of commodities, such as gold and silver, or the interruption of production of mines, could have a material adverse effect on the Dominican Republic's economy and adversely affect the ability of the Dominican Republic to make payments on its obligations.

***Stability and growth in the Dominican Republic may be adversely affected if the level of unemployment does not decline.***

The Dominican Republic has experienced high rates of unemployment in the past. According to the IMF World Economic Outlook, open unemployment stood at 7.3%, 7.1%, 5.5%, 5.7%, 6.2% and 5.7% in 2015, 2016, 2017, 2018, 2019 and 2020, respectively. This percentage has varied moderately during the previous years. Increases in the rate of unemployment or any failure to reduce unemployment may have negative effects on the Dominican Republic's economy and, as a result, a material adverse effect on the Dominican Republic's ability to make payments on its obligations.

***Future political support for the Dominican Government's economic reform program, including continued subsidies to the DISCOs, is not assured.***

The Abinader administration's party, the *Partido Revolucionario Moderno*, currently controls a majority in both houses of Congress. However, future changes in the political environment, including due to any changes enacted by the new Abinader administration, and commodities prices, may lead to a shift in economic policy and a reduction in the proportion of the Dominican Government's budget devoted to electricity subsidies, which could adversely affect the electricity sector, including the Issuer and the Guarantors and their ability to satisfy their obligations under the Notes and the Guaranties.

***Corruption activity may hinder the growth of the Dominican economy, and ongoing high-profile corruption investigations in the Dominican Republic may affect the perception of the Dominican Republic and its ability to access financing in the international markets.***

The Dominican Republic, like other countries in Latin America, has experienced allegations and/or cases of corruption involving members of the Dominican Government and other public officials which may have a negative effect on the Dominican Republic's reputation and ability to attract foreign investment and international financing, which, in turn, could affect the Dominican Republic's economic growth.

As of the date of this offering memorandum, the Dominican judicial system has several high-profile corruption cases relating to the activities of certain Brazilian companies in the energy, infrastructure and transportation sectors, which follow similar investigations conducted by Brazilian and U.S. authorities responsible for corruption and related investigations. Among other matters, there are ongoing proceedings in the Dominican judicial system against (i) six individuals in connection with corruption allegations made with respect to Odebrecht S.A. ("Odebrecht"), a prominent Brazilian construction company that was awarded a significant number of public works contracts in the Dominican Republic (including as a member of the consortium that was awarded the contract to construct the Punta Catalina Thermal Power Plant), (ii) Embraer S.A. ("Embraer"), a Brazilian aerospace conglomerate that produces commercial, military, executive and agricultural aircraft that was awarded a military supply contract in the Dominican Republic, along with other individuals and legal entities, and (iii) several former government officials, government contractors and related individuals connected to President Danilo Medina's administration, due to alleged administrative corruption.

The outcome of such judicial proceedings, or any other potential high-profile corruption proceeding, and the potential adverse impact on the ability of the relevant companies involved to comply with their obligations to the Dominican Government is uncertain. The Dominican Republic cannot predict how long these, or other corruption investigations may continue, whether these investigations will have negative effects or whether new allegations against Dominican Government officials or other companies with operations in the Dominican Republic will arise in the future.

Allegations of or concerns about corruption activity, or actual or alleged violations of applicable anticorruption, anti-bribery or similar laws and policies by governmental authorities, could materially and adversely impact the Dominican Republic's reputation, ability to attract foreign investment and access international financing, any or all of which could have a material and adverse effect on the Dominican Republic's economic growth and its ability to make payments on its obligations.

***Extreme weather conditions, natural disasters and climate change could adversely affect the Dominican Republic and its financial condition.***

The Dominican Republic is located on an island in the Caribbean region, which may be affected by meteorological events and extreme weather conditions from time to time. The location of the Dominican Republic often puts it in the path of hurricanes and tropical storms that sweep the region typically between the months of June and November, which have the potential to cause extensive physical and economic damage. The Dominican Republic is also located in a geographical area that has experienced earthquakes, such as the January 2020 earthquakes that affected Puerto Rico. A meteorological catastrophe, other extreme weather event or other natural disaster could, among other things, limit access to, damage or destroy one or more of the Dominican Republic's properties or parts of its infrastructure, including roads and bridges. A catastrophe or other extreme weather event may also result in disruption to the local economy, and may cause labor, fuel and other resource shortages. In addition, climate change is a threat to the Dominican Republic's economy and its future growth prospects. A global increase in the mean temperature is likely to lead to changed precipitation patterns, sea level rises and more frequent extreme weather events, such as prolonged droughts and flooding. The Dominican Republic's economy is dependent on climate sensitive sectors, including, for example, agriculture, tourism and energy. Droughts may negatively affect the supply of agricultural commodities, the food supply in general and the generation of hydroelectric power. A change in climate may have several consequences on the Dominican Republic, including lower agriculture productivity and damage to coastal infrastructure.

**Risk Factors Relating to Andres and DPP**

***Andres' and DPP's primary customers are the DISCOs, which have not made in the past, and may not always make in the future, timely payments. Such a delay may adversely affect Andres' and/or DPP's business, financial condition and results of operations.***

Andres' and DPP's revenues largely come from sales of electricity to the DISCOs (which are wholly owned by the Dominican Government), NRUs, spot sales and natural gas sales. The financial weakness of the DISCOs due to reduced collections from end-users or fraud on the part of end-users in the Dominican electricity system may result in their inability to pay for the electricity supplied by electricity generators, including Andres and DPP.

A continuous failure by the DISCOs or spot sale customers to pay material outstanding amounts owed to Andres or DPP or the failure of the Dominican Government to make financial contributions to the electricity sector may adversely affect the financial condition and results of operations of Andres and DPP. As of December 31, 2020, Andres and DPP had an aggregate amount of accounts receivable of \$111.0 million, representing approximately 2.6 months of sales outstanding (MSO). Accounts receivable outstanding, attributable only to the DISCOs and CDEEE, totaled \$91.1 million at December 31, 2020, representing approximately 2.6 MSO.

***There are inherent operational risks relating to the electricity generation and natural gas distribution businesses.***

Although Andres and DPP take special care with the maintenance of their generating plants and LNG terminal, both the plants and LNG terminal are subject to breakdown and resulting unavailability. Unplanned plant and/or terminal breakdown and subsequent unavailability negatively affect Andres' and DPP's generation ability. In addition, such an unplanned unavailability negatively affects the entities' financial performance as energy that cannot be generated must be bought at the spot market at a much higher price to fulfill their PPA obligations.

Further, a breakdown at Andres' LNG terminal means that natural gas cannot be delivered to DPP and third-party customers during the breakdown. Andres' financial performance could be negatively affected if (i) it cannot generate Terminal Fees during the breakdown, (ii) if it must substitute energy from its own generation or by purchases in the spot market for the natural gas that it cannot deliver due to an LNG terminal breakdown or (iii) if it is forced to pay for unused or undistributed natural gas under its take-or-pay supply agreements. An Andres LNG terminal breakdown could also negatively affect DPP's generation ability if Andres cannot deliver the natural gas that DPP needs for its generation.

To avoid such breakdowns, Andres and DPP each perform extensive planned maintenance programs. Despite such maintenance, breakdowns do occur and can cause equipment unavailability for extended periods of time. The causes for these extended breakdown events, called HILPs, or High Impact, Low Probability casualties, are regularly analyzed, and extensive mitigation plans are in place. Nevertheless, a HILP might occur that might have a severe effect on Andres' or DPP's financial performance.

***There are inherent safety risks relating to the electricity generation and natural gas distribution businesses.***

Andres and DPP are power generation companies and Andres further imports and distributes LNG. As a result, many of their employees work with complicated and often dangerous equipment and machinery. All of the operations of Andres and DPP must comply with local and corporate AES regulations that apply to the safety and health of their workers and contractors, including the AES Safety Management System, or SMS, which involves several standards that must be fulfilled by an AES entity in order for it to be qualified as an AES business. The SMS is audited every three years by an external team of other AES businesses around the world and we believe it to be a comprehensive examination of safety compliance. However, despite these safety standards, accidents may occur due to a breakdown in a safety system. Defending or settling a legal claim arising from any such accident could affect Andres' and DPP's financial results.

If, due to technical unavailability of their power generation units, interruptions in the supply of natural gas or other factors, Andres or DPP do not generate enough energy or their power generation units are deemed unavailable by the OC, Andres and/or DPP may be required to purchase energy and related capacity in the spot market in order to fulfill their PPA obligations.

If, due to a technical failure to a power generation unit, interruptions in the supply of fuel or other factors, Andres or DPP do not generate enough energy or their power generation units are deemed unavailable by the OC, Andres or DPP may be required to purchase energy and related capacity in the spot market in order to fulfill their PPA obligations. Depending on prevailing market and system conditions, such purchases could be at higher spot prices than the prices in their PPAs. Andres' and DPP's power generation units may not be available or generate sufficient energy to cover Andres' and DPP's obligations with their customers and they may need to purchase energy and related capacity in the spot market at unfavorable prices.

In addition, Andres and DPP may experience operational difficulties that could affect their ability to generate electricity and, as a result, adversely impact their operating results. These difficulties may affect their generation equipment, electromechanical components and, in general, any asset comprising their power generation units. If Andres and DPP have such operational difficulties in the future, their power generation units may not be available when requested for dispatch, resulting in the need to make spot market purchases, potentially at a price above what they are being paid on their PPAs customers. Any such events would have an adverse effect on the financial condition and results of operations of Andres and DPP, and consequently, on the ability of the Issuer and the Guarantors to satisfy their obligations under the Notes and the Guaranties.

***Andres' and DPP's power generation units have not been allocated firm capacity equivalent to their effective capacity, which may result in decreased gross margins for Andres and DPP due to the increased purchases of capacity in the spot market to fulfill their PPA obligations.***

The regulatory framework in the Dominican electricity market establishes a methodology for calculating the firm capacity for each power generation unit. This calculation is independent of the actual capacity that is technically available for such unit. The OC, which is entrusted with oversight of this calculation, allocates the amount of firm capacity based on many factors, including yearly peak demand, the number of power generation units installed in the system, the relative size of each power generation unit, the level of reliability required by the system, and, more significantly, the availability rate of each power generation unit. In turn, the calculation of the availability factor takes into account the ability to generate without contingencies for force majeure, lack of fuel or other traditional exceptions to availability calculations. Any change in the amount of firm capacity assigned to a power generation unit by the OC can impact a generator's gross margins. If a power generation unit is deemed unavailable as a result of the calculation by the OC, the firm capacity assigned to it as a measure of its ability to generate for the system may be

reduced. However, there is no corresponding reduction to a generator's contractual obligation to supply capacity and associated energy under its PPAs. Accordingly, the generator must purchase the difference in the spot market.

***A significant portion of the revenues and total Installed Capacity of Andres and DPP are derived from and devoted to their long-term PPAs, which expire in April 2022 and December 2022, respectively, and there is no assurance that they will be able to renegotiate their PPAs on favorable terms or at similar prices to those in effect today, or at all.***

In accordance with Dominican electricity sector regulations, the DISCOs are required to contract up to 80% of their supply needs with generation companies through long-term contracts following an auction process, supervised by the SIE. Andres currently sells energy and capacity through long-term PPAs with the DISCOs that expire in April 2022 (275 MW) and are scheduled to be auctioned for renewal. As a result of the auction process, Andres may experience lower prices or be required to accept terms and conditions that are less favorable in comparison to the current PPAs, thereby adversely affecting its financial results.

The landscape of the Dominican electricity market has changed since the time the current PPAs were entered into, as the Dominican Government completed the construction of the Punta Catalina facility consisting of two coal-fired generating units with a combined installed capacity of 782 MW. This change may negatively impact the ability of Andres to contract out its capacity once their current PPAs expire and therefore these entities may be required to sell more electricity on the spot market. If Andres' PPAs are not renegotiated on favorable terms, at similar prices to the current PPAs or at all, their financial condition or results of operations could be adversely affected. This, in turn, may negatively impact the ability of the Issuer and the Guarantors to satisfy their obligations under the Notes and the Guaranties.

***The development and construction of new LNG power plants with additional energy generation capacity and an LNG terminal in the northwest of the Dominican Republic could adversely affect the financial performance of Andres and DPP.***

On March 12, 2021, the CDEEE and other energy sector authorities established the guidelines to launch a long-term bidding process for power purchase agreements to meet the Dominican Republic's future electricity demand. The bidding process includes between 700 and 800 MWs to be awarded for the construction of LNG combined cycle facilities and the construction of a new LNG terminal in the northwest of the Dominican Republic. If the bidding is successful, the projects are projected to become operational within the next three to four years.

The new power plants will likely have a lower heat rate compared to Andres and DPP, which would negatively affect their dispatch. The reduction of the dispatch hours of the Andres and DPP units could adversely affect the financial performance of Andres and DPP. Moreover, the development and construction of new power plants and their incorporation into the energy grid could cause a reduction in the electricity spot price in the wholesale market, which could be a referenced point at the time of renegotiating Andres' and DPP's PPAs with NRUs and DISCOs in the future, and therefore adversely affect the financial performance of Andres and DPP.

Furthermore, the development and construction of a new LNG receiving and storage terminal could become a direct competitor of Andres in the local market in relation with clients that are supplied through LNG trucks and those supplied through smaller LNG cargo vessels. This could negatively affect Andres' LNG sales and, in turn, its financial condition and results of operations.

***The businesses of Andres and DPP are subject to governmental regulation, changes to which could adversely affect their financial condition and results of operations.***

As regulated electricity generators, Andres and DPP are subject to the government regulation of various aspects of their businesses. The current regulatory framework governing the electricity utility businesses has been in existence in the Dominican Republic since the reform of the electricity sector in 1997. Andres and DPP are also subject to environmental regulations, which, among other requirements, require them to perform environmental impact assessments of future projects and obtain regulatory permits.

The Dominican Government's oversight responsibilities over the electricity sector are carried out by the MIMARENA, MIC, MEM and SIE. The laws and regulations in the Dominican Republic may change or be interpreted in a manner that could adversely affect Andres and DPP, and required environmental permits may not be granted by the Dominican Government. In addition, the Dominican Government may increase or change regulations, and such revised regulations may adversely affect Andres' and DPP's business, financial condition and results of operations and, consequently, the ability of the Issuer and the Guarantors to satisfy their obligations under the Notes and the Guaranties. See "Electricity Sector in the Dominican Republic."

In addition, the Dominican Government has directly exercised varying degrees of regulation over Andres and DPP, and their businesses in the past, such as supervision of the negotiation of the PPAs, oversight responsibilities of the SENI and environmental controls. The Dominican Government may alter regulations in a way that will negatively affect Andres' and DPP's businesses, financial conditions and results of operations.

Furthermore, Andres' natural gas business is regulated by the MIC and the MEM, the latter of which has been working to approve regulation that would: (i) regulate the price of natural gas sold to natural gas vehicles, or NGVs; (ii) allow unlimited and unrestricted access to natural gas; and (iii) make the MEM a joint administrator of the natural gas market. Andres cannot offer any assurance as to when, in what form and what impact any such regulations can have on its business. Finally, while Andres' LNG business is currently not subject to formal regulation by the Dominican Government, we cannot guarantee that the Dominican Government will continue to leave the LNG business unregulated, especially if there is continuing growth within the LNG market or if additional participants enter the LNG market. The imposition of regulations by the Dominican Government on Andres' LNG business or the NGV market may adversely affect Andres' LNG business, its financial condition and its results of operations.

***The COVID-19 pandemic has severely impacted global economic activity, including electricity and energy consumption.***

COVID-19 or another pandemic could have material and adverse effects on Andres' and DPP's results of operations, financial condition and cash flows due to, among other factors:

- further decline in customer demand as a result of general decline in business activity;
- further destabilization of the markets and decline in business activity negatively impacting customers' ability to pay for Andres' and DPP's services when due or at all, including downstream impacts, whereby the utilities' customers are unable to pay monthly bills or receiving a moratorium from payment obligations, resulting in inability on the part of utilities to make payments for power supplied by Andres and DPP;
- decline in business activity causing Andres' and DPP's commercial and industrial customers to experience declining revenues and liquidity difficulties that impede their ability to pay for power that Andres and DPP supply;
- government moratoriums or other regulatory or legislative actions that limit changes in pricing, delay or suspend customers' payment obligations or permit extended payment terms applicable to customers of Andres' and DPP's utilities or to Andres' and DPP's offtakers under power purchase agreements, in particular, to the extent that such measures are not mitigated by associated government subsidies or other support to address any shortfall or deficiencies in payments;
- claims by Andres' and DPP's PPA counterparties for delay or relief from payment obligations or other adjustments, including claims based on force majeure or other legal grounds;
- further decline in spot electricity prices;
- the destabilization of the markets and decline in business activity negatively impacting Andres' and DPP's customer growth in their service territories at their utilities;

- negative impacts on the health of Andres' and DPP's essential personnel and on Andres' and DPP's operations as a result of implementing stay-at-home, quarantine, curfew and other social distancing measures;
- delays or inability to access, transport and deliver fuel to Andres' and DPP's generation facilities due to restrictions on business operations or other factors affecting Andres and DPP and third-party suppliers;
- delays or inability to access equipment or the availability of personnel to perform planned and unplanned maintenance, which can, in turn, lead to disruption in operations;
- a deterioration in Andres' and DPP's ability to ensure business continuity, including increased cybersecurity attacks related to the work-from-home environment;
- further delays to Andres' and DPP's construction projects, including at Andres' renewable energy projects, and the timing of the completion of Andres' renewable energy projects;
- delay or inability to receive the necessary permits for Andres' and DPP's development projects due to delays or shutdowns of government operations;
- delays in achieving Andres' and DPP's financial goals, strategy and digital transformation;
- deterioration of the credit profile of AES and/or its subsidiaries and difficulty accessing the capital and credit markets on favorable terms, or at all, and a severe disruption and instability in the global financial markets, or deterioration in credit and financing conditions, which could affect Andres' and DPP's access to capital necessary to fund business operations or address maturing liabilities on a timely basis;
- delays or inability to complete asset sales on anticipated terms or to redeploy capital as set forth in Andres' and DPP's capital allocation plans;
- increased volatility in foreign exchange and commodity markets;
- deterioration of economic conditions, demand and other related factors resulting in impairments to goodwill or long-lived assets; and
- delay or inability in obtaining regulatory actions and outcomes that could be material to Andres' and DPP's business, including for recovery of COVID-19 related losses.

The impact of the COVID-19 pandemic also depends on factors, including the effectiveness and timing of vaccine development and distribution efforts, the development of more virulent COVID-19 variants as well as third-party actions taken to contain its spread and mitigate its public health effects. The COVID-19 pandemic presents material uncertainty that could adversely affect Andres' and DPP's generation facilities, transmission and distribution systems, development projects, energy storage sales by Fluence, and results of operations, financial condition and cash flows. The COVID-19 pandemic may also heighten many of the other risks described in this section.

***Delays to construction projects, including at Andres' renewable energy projects and at ENADOM's construction of a second LNG storage tank and additional truck-loading bays, could adversely affect Andres' and DPP's respective businesses, financial conditions or results of operations.***

Andres is currently developing the Santanasol project and, through ADRE, is developing the Bayasol project, each of which is described above under "—Overview" and in further detail under "Business—Overview—Facilities." Moreover, Andres' joint venture affiliate, ENADOM, is currently constructing two additional truck-loading bays and a second LNG storage tank that are expected to be operative by the second quarter of 2022 and the second quarter of 2023, respectively.

Factors outside our control may increase the cost or delay the construction or commencement of operation of such projects or any others that Andres or DPP decide to develop in the near future. The successful execution and commencement of operation of Andres' and DPP's projects depends on numerous external factors, including: (i) delays in obtaining regulatory approvals, including environmental permits; (ii) court rulings against governmental approvals already granted, such as environmental permits; (iii) shortages or increases in the price of equipment reflected through change orders, materials or labor; (iv) the failure of contractors to complete or commission the facilities or auxiliary facilities by the agreed-upon date; (v) opposition by local and/or international political, environmental and ethnic groups; (vi) strikes; and (vii) adverse changes.

We cannot assure you that any delays in Andres' or DPP's projects will not adversely affect their development and consequently the companies' business, financial condition or results of operations. Any of these factors may increase the cost of the projects or cause delays in their completion or the cancellation of capital investments, resulting in adverse effects on Andres' or DPP's business, financial condition or results of operations.

***Andres may have to pay for the LNG that it is not able to consume pursuant to its take-or-pay obligations under the LNG Contracts. If Andres is unable to renegotiate, reduce or eliminate its take-or-pay obligations, such obligations may have a material adverse effect on Andres' financial condition or results of operations.***

Andres and DPP purchase LNG to fuel their electrical generation plants and Andres also resells it to its natural gas customers. Andres uses LNG to operate its power generation unit pursuant to LNG supply contracts, which we refer to, collectively, as the LNG Contracts.

Under the terms of all of the LNG Contracts, Andres is required to pay for a certain minimum amount of LNG, regardless of whether or not it takes delivery. Any amounts paid by Andres for LNG not taken are forfeited. In the future, should there occur a technical failure or other shut-down, Andres' and DPP's power generation units may not be available to be dispatched at the level required to consume all the LNG for which Andres is required to pay and Andres may not be able to sell natural gas to other customers at a price higher than the price it is obligated to pay under the LNG Contract, or at all. Andres does not currently hedge its take-or-pay liability under the LNG Contracts.

***Increases in fuel cost, including natural gas, may increase Andres' and DPP's respective costs of generating electricity, which could adversely affect Andres' and DPP's respective financial conditions and results of operations.***

Higher fuel prices are passed on to customers through higher end-user electricity prices increasing the overall collection risk of the DISCOs, which directly affects payment to the generators. Furthermore, an increase in the overall collection risk of the DISCOs may result in increased pressure for government subsidies to distribution companies, for which we cannot be certain that the Dominican Government will provide. Increased collection risk may result in increased accounts receivable for Andres and DPP, which would negatively affect working capital. Moreover, higher fuel prices may also have a direct negative affect on the working capital requirements of Andres and DPP and increase transportation costs. Any of these events could have an adverse effect on the financial condition and results of operations of Andres and DPP, and consequently, on the ability of the Issuer and the Guarantors to satisfy their obligations under the Notes and the Guaranties.

For Andres and DPP, spot margin depends on the spread between the cost of fuel oil, which is the main driver for the spot energy price, and the natural gas prices which are the base for the production costs of Andres' and DPP's generation units. Also, significant variations of the spread between those commodities may reduce the dispatch of the units affecting their ability to fulfill their commitments therefore negatively affecting Andres' and DPP's financial condition and results of operations.

Furthermore, LNG contracts for the supply of the Andres and DPP power plants expire in 2023 and there is an uncertainty on the commercial conditions under which the new supply agreements will be executed. New commercial terms for the supply of LNG may impact Andres' and DPP's competitiveness in the local energy market, which may have a material impact on the financial results of Andres and DPP and their ability to meet their obligations.



***Any default of a fuel provider's obligations may also increase Andres' and DPP's respective costs of generating electricity, which could adversely affect Andres' and DPP's financial condition and results of operations.***

Andres and DPP each have significant counterparty risk with respect to their respective fuel providers.

The inability of any of Andres' LNG suppliers to provide Andres with timely deliveries of LNG, may result in a reduction in the quantity or quality of the LNG supply inventory, which could in turn result in unavailability of Andres' generating plant adversely affecting its margins.

The inability of Andres' and DPP's suppliers to meet their supply obligations could have an adverse effect on the business, financial condition and results of operations of Andres or DPP, and, consequently, on the ability of the Issuer and the Guarantors to satisfy their obligations under the Notes and the Guaranties.

Further, Andres' and DPP's suppliers may source certain materials from areas impacted by the COVID-19 pandemic, which may cause delays and/or disruptions to their development projects or operations.

***The global energy market can be significantly disrupted by the effects of severe weather, such as hurricanes, especially hurricanes affecting the Gulf Coast of the United States or the Eastern Caribbean. The aftermath of hurricanes, or similar events, could have an adverse effect on the businesses of Andres and DPP.***

The result in the energy sector of a hurricane hitting the Gulf Coast of the United States could be severely negative. The Gulf Coast region is rich in oil and is a significant energy hub in the western hemisphere. Andres and DPP would likely be adversely affected in the event of a hurricane disrupting the Gulf Coast region or in the Eastern Caribbean, either through the impact of higher energy prices, as a result of shortages in LNG or damage to necessary infrastructure in or around the Dominican Republic. Certain of Andres' and DPP's generation terminals are located in coastal areas and are particularly susceptible to business interruption as a result of a hurricane hitting the Dominican Republic.

Natural disasters other than hurricanes, such as earthquakes, are also possible, such as the magnitude 7 earthquake which destroyed much of Port au Prince, Haiti in 2010. The results of hurricanes, earthquakes or other natural disasters could adversely affect the global economy and the financial condition and results of operations of Andres and DPP.

***Andres' and DPP's businesses could face risks from the promotion of decarbonization efforts both on a global and on a national scale and from a related shift in demand away from conventionally generated energy. In addition, potential legislative and regulatory actions addressing climate change and environmental issues could significantly impact Andres' and DPP's industry and their businesses.***

Decarbonization refers to the transition of the energy sector towards lower emission of carbon dioxide (CO<sub>2</sub>). At the World Climate Conference in Paris, France, held at the end of 2015, the participants agreed on the first global climate protection treaty that bindingly pledges a so-called two-degree cap (the reduction of global warming to less than two degrees Celsius compared to the pre-industrialization level) under international law and obligates the signatories to achieve greenhouse gas neutrality in the second half of the century. The agreement reached in Paris could also have a significant impact on the development of the world's electricity and gas markets and gives rise to the expectation that individual countries may adopt increasingly strict climate protection requirements. According to the targets set at the World Climate Conference in Paris, greenhouse gas emissions should be reduced globally by 40% to 70% by 2050, compared to the levels of 2010. In particular, this requires a transition from fossil-fuel based energy sources to renewable energy generation.

Compliance with any legal and regulatory changes relating to climate change, including those resulting from the implementation of international treaties mentioned above, may in the future increase Andres' and DPP's costs associated with (i) operating and maintaining their facilities; (ii) installing new emission controls on their facilities; and (iii) administering and managing greenhouse gas emissions programs. Andres' and DPP's revenue generation and strategic growth opportunities may also be adversely affected.

In addition, although one of Andres' and DPP's goals is to provide sustainable, affordable and reliable energy solutions to their customers in the Dominican Republic by incorporating renewable generation assets into their portfolios, in line with their commitment to decarbonization of the energy grid, increased regulation of greenhouse gases may create greater incentives for use of alternative energy sources. There can be no assurance that either Andres or DPP will be positioned to fully take advantage of those incentives, which may have an adverse effect on Andres' and DPP's results of operations and financial condition.

***There is no assurance that Andres' and DPP's insurance would be sufficient or adequate in the event of a loss.***

Andres and DPP maintain comprehensive insurance with respect to their power generation units, including general liability insurance and other insurance policies customary in the power industry. Such insurance coverage may not be available in the future at commercially reasonable costs or the amounts for which Andres and DPP are insured or amounts which they receive under such insurance coverage may not cover all of Andres' and DPP's losses. In the event there is a total or significant loss at Andres' and DPP's power generation units or other facilities, the proceeds received in respect thereof may not be sufficient to satisfy all of Andres' and DPP's indebtedness.

***The Issuer's and Guarantors' controlling shareholders' interests may be different than yours.***

AES indirectly owns a majority of the ownership interest in Andres through its ownership of AES Hispanola. In circumstances involving a conflict of interest between AES and the Holders of the Notes, AES may exercise the rights arising from its ownership interest in a manner that would benefit AES to the detriment of the Holders of the Notes.

***Any additional taxes resulting from changes to tax regulations or the interpretation thereof in the Dominican Republic, the Netherlands, Spain or the Cayman Islands could negatively impact Andres' and DPP's business, financial condition and results of operations.***

The Dominican Republic has suffered fiscal deficits in recent years and is seeking ways to increase revenues. As a result, a number of new mechanisms for tax liability recovery have been fully implemented and new provisions have been established by the tax authorities. Additionally, tax authorities have varying interpretations of tax regulations that may differ from those held by companies in the private sector, including Andres and DPP. Differing interpretations may result in future tax litigation and associated costs.

Andres and DPP are subject to tax laws and regulations in different jurisdictions in which they (and their subsidiaries) are located or resident, or operate, and such laws and regulations do not provide clear-cut or definitive guidelines in all respects. It cannot be guaranteed that Andres' and DPP's interpretation of such laws and regulations will not be revised by the relevant tax authorities. More generally, any failure to comply with such laws or regulations may result in reassessments, tax liabilities, late payment interests and surcharges, fines and penalties.

Additional taxes may be levied in a way that could require Andres and DPP to make additional tax payments or that the corresponding tax authorities will interpret tax laws, treaties and regulations in the same way that Andres or DPP does, thereby negatively affecting Andres' and DPP's business, financial condition and results of operations, and consequently the ability of the Issuer and the Guarantors to satisfy their obligations under the Notes and the Guaranties.

Further changes in the tax laws of the jurisdictions in which Andres and DPP operate, especially in the context of international and European initiatives (such as by the OECD (as defined below), the G-20 or the EU), could arise as a result of the base erosion and profit shifting ("BEPS") project currently being conducted by the Organization for Economic Co-operation and Development ("OECD"). The OECD, a coalition of member countries that include certain of the jurisdictions in which Andres and DPP operate, conducts studies and publishes action plans that contain recommendations aimed at addressing gaps and mismatches within tax rules that companies may use to engage in tax avoidance. It is possible that the jurisdictions in which Andres and DPP do business could react to the BEPS initiative or their own concerns by enacting tax legislation that could adversely affect Andres and DPP through an increase in Andres' or DPP's tax liabilities.

***The financial results of Andres and DPP can be adversely affected by foreign exchange fluctuations.***

A significant portion of Andres' and DPP's indebtedness is denominated in U.S. dollars and, although a substantial portion of their revenues is denominated in U.S. dollars, Andres and DPP generally have been, and will continue to be, exposed to fluctuations of the Dominican Peso against the U.S. dollar because of the exposure of Dominican Peso-denominated assets and liabilities to exchange rates fluctuations.

Spot market transactions, as well as other operating costs like payroll, among others, which represent 23.8% of Andres' and DPP's total fixed costs on a combined basis, are denominated in Dominican Pesos. However, the U.S. dollar is the functional currency of each of Andres and DPP, and is used, for example, in the pricing of PPAs, natural gas purchases, purchases of other fuel and spare parts and borrowings. Therefore, fluctuations in the U.S. dollar to Dominican Peso exchange rate will generate either gains or losses on monetary assets and liabilities denominated in Dominican Pesos. In addition, tax liabilities are calculated in Dominican Pesos, and an appreciation in the Dominican Peso could result in higher tax liabilities when measured against U.S. dollars. Andres and DPP have an indirect foreign exchange risk related to the exposure of the DISCOs to foreign exchange losses. A devaluation of the local currency will put additional pressure on the cash flows of the DISCOs that bill to their end users in Dominican Pesos, while their payables to the generation companies under the PPAs are denominated in U.S. dollars.

***Andres and DPP must comply with local environmental laws and regulations.***

Despite extensive compliance plans in place by each of the entities, one of Andres' or DPP's generating units might fall out of compliance with environmental standards. Such non-compliance, and resulting penalties or bad publicity might negatively affect the financial results of Andres and/or DPP. One such penalty could be a requirement that Andres and/or DPP operate its offending unit below its rated capacity, and such unavailability might affect compliance with obligations under their PPAs. In such a scenario, Andres and/or DPP might need to make significant investments and/or capital expenditures in environmental-related infrastructure. In addition, the environmental laws and regulations may become more stringent and Andres and DPP might be forced to make significant investments and/or capital expenditures to be compliant with any newly enacted laws and regulations and/or more stringent standards.

DPP owns plants that are located in densely populated areas, and individual neighbors or neighborhood associations or even other neighboring industries could be affected by occasional environmental effects, noise, stacks emissions and the like. Andres receives shipments at its ports and a spill of gas could occur during the unloading process. In such a scenario, Andres and DPP might have to make significant investments and/or capital expenditures to mitigate these events, which investments may negatively affect financial results.

**Risk Factors Related to the Notes**

***If Andres and/or DPP do not generate positive cash flows, the Issuer and/or the Guarantors may be unable to pay principal and interest on the Notes.***

The Issuer's ability to pay principal and interest on the Notes depends on Andres' and DPP's operating performance. Future operating performance is subject to local and international market conditions and business factors that are beyond Andres' or DPP's control. Consequently, Andres and DPP may not have sufficient cash flows to allow the Issuer or the Guarantors to pay the principal, premium, if any, interest and Additional Amounts, if any, on the Notes. If the cash flows and capital resources of Andres and DPP are insufficient to allow them to make scheduled payments on their debt, Andres and DPP may have to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance their debt. If the Issuer and/or the Guarantors cannot make scheduled payments on the Notes, they will be in default and, as a result:

- Creditors could declare all outstanding principal and interest to be due and payable;
- Creditors could commence legal proceedings against Andres' and DPP's assets which might result in an eventual foreclosure thereof; and

- Creditors could force Andres or DPP into bankruptcy or liquidation.

***Restrictions in the Indentures governing the Notes may limit Andres' and DPP's abilities to operate their businesses.***

The terms of the Indentures governing the Notes contain covenants that limit the discretion of management over various business matters. For example, the covenants significantly restrict Andres' and DPP's ability to incur additional indebtedness, create liens or other encumbrances, sell or dispose of assets, merge or consolidate with another entity, or prepay or redeem subordinated indebtedness. These restrictions could materially adversely affect Andres' and DPP's ability to finance their future operations or capital needs or to engage in other business activities that may be in their best interests. See "Description of the Notes—Certain Covenants."

***It may be difficult to enforce your rights if Andres or DPP entered into a bankruptcy, liquidation or similar proceeding in the Dominican Republic, the Netherlands, Spain or the Cayman Islands.***

The insolvency laws of the Dominican Republic, the Netherlands, Spain or the Cayman Islands may be less favorable to your interests than the bankruptcy laws of the United States, which laws affect the priority of creditors (secured or unsecured), the ability to obtain post-petition interest and the duration of insolvency proceedings. Thus, your ability to recover payments due on the Notes may be more limited than would be the case under U.S. bankruptcy law.

*The Dominican Republic*

Because Andres DR and DPP conduct substantially all of their business in the Dominican Republic, under Dominican laws, the courts of the Dominican Republic would be vested with jurisdiction in any insolvency proceedings involving Andres DR or DPP and would apply the laws of the Dominican Republic in any such insolvency proceeding. Currently, bankruptcy in the Dominican Republic is governed by the Restructuring and Liquidation of Corporations and Merchant Individuals Law No. 141-15 dated August 7, 2015 and its general application norm issued through Presidential Decree No. 20-17 dated February 13, 2017 (the "Dominican Bankruptcy Regulation"). Law No. 141-15 modernizes the legal framework applicable to insolvency procedures by providing for a reorganization procedure that will allow entities under financial distress to continue operating while safeguarding the rights of both creditors and employees. For those cases where such operational continuity is not possible, the law establishes proceedings for the liquidation of the distressed company's assets and payment of debts. It is important to highlight that Law No. 141-15 creates specialized courts that will be the ones with jurisdiction to oversee these processes. Considering that this law entered into effect in 2017, please take into consideration that there limited case law or jurisprudence regarding the matters provided under such law.

Law No. 141-15 applies to merchant individuals (national or foreign), national companies and corporations domiciled or with permanent presence in the national territory, with the exception of the following: (i) companies and commercial companies whose majority participation or control is exercised by the State; (ii) financial intermediation entities governed by the Monetary and Financial Code of the Dominican Republic; and, (iii) securities intermediaries, investment fund management companies, centralized securities depository corporations, stock exchanges, securitization companies and anyone considered to be a market participant pursuant to the Dominican Securities Market Law (excluding publicly held companies). It is worth noting that Law No. 141-15 is supplemental with respect to any special laws that contain particular restructuring, dissolution and liquidation regimes. Therefore, due to the heavily regulated nature of the electric sector, special rules could apply to companies that participate in the same.

Pursuant to Law No. 141-15, the restructuring may be requested by either the debtor or by any of its creditors (the latter provided that their credits ascend to or exceeds 50 minimum wages) before the court with jurisdiction. Upon filing of the application of restructuring and until the restructuring plan is approved, or the conciliation and negotiation proceeding is closed, or a judicial liquidation is declared, all judicial, administrative or arbitral actions of economic nature brought against the debtor as well as any enforcement, eviction or garnishments of personal and real estate property of the debtor, asset dispositions or sales (provided certain permitted dispositions provided by law), the computation of contractual or legal interest, enforcement procedures of tax credits and payments by the debtor of any debts contracted prior to the date of the restructuring petition, including payment obligations generated by the issuance of securities of public offering, are suspended. The suspension will cease if the request is denied and, if accepted, a

negotiation and conciliation procedure between the appointed conciliator, the debtor entity and its creditors will take place. If the request is denied, any creditor may begin or continue its own enforcement process, as it may correspond depending on the collateral and the nature of the claim.

If the conciliation and negotiation procedure is ineffective, a liquidation petition could be filed, where an appointed liquidator will arrange the sale of the assets of the company to pay creditors.

Secured creditors will preserve their privilege over their collateral; however, they will be paid when the restructuring plan is adopted (if the secured asset is sold) or the liquidation procedure takes place. We cannot provide an accurate estimate at this time, since there are many factors that could influence the length of the process.

Law No. 141-15 provides a specialized judicial framework for coordinating cross-border restructuring and insolvency proceedings. It applies to cases when (i) a foreign court or representative requests assistance in the Dominican Republic regarding a foreign bankruptcy proceeding, (ii) assistance is requested to a foreign State in relation to a restructuring or liquidation proceeding governed under the provisions of Law No. 141-15, (iii) with respect to the same debtor, there is a foreign bankruptcy proceeding and a local bankruptcy proceeding being administered simultaneously, or (iv) creditors and other interested parties that are in a foreign State, have an interest to request the commencement of a restructuring or liquidation proceeding or to participate in a proceeding that is being administered according to Law No. 141-15. Consequently, it applies to any insolvency proceedings involving Andres DR or DPP.

Law No. 141-15 creates a specialized jurisdiction for handling matters related to insolvency proceedings, which is the First Instance Court for Restructuring and Liquidation (*Tribunal de Reestructuración y Liquidación de Primera Instancia*) and the Court of Appeals for Restructuring and Liquidation (*Corte de Apelación de Reestructuración y Liquidación*). Any insolvency proceedings involving Andres DR or DPP would be handled by the aforementioned courts, following the procedures and rules set forth in said law.

Moreover, Law No. 141-15 provides two different procedures: (i) restructuring procedure; and, (ii) liquidation procedure. The restructuring proceeding is one that seeks to ensure the recovery of the debtor's financial situation, ensuring the continuity of its commercial operations, preserving the employments it generates, protecting the loans and facilitating their eventual payment in favor of creditors. On the other hand, the liquidation procedure is the judicial procedure intended to sell all the property of the debtor and distribute the proceeds in favor of its creditors. Predominately, this procedure is reserved for those cases in which the continuity of the operation of the debtor is not possible.

The restructuring stage consists of several phases: a first stage of verification (if the restructuring is requested by creditors), then a conciliation phase (negotiation), once the negotiation is completed successfully, the restructuring plan is properly approved, and if it is not possible to execute the plan, the commencement of a liquidation proceeding will ensue. The conciliation and negotiation process is formally open when the restructuring request is accepted by the Court and acquires the irrevocable character. The court, however, is not obliged to order the restructuring proceeding. Once the restructuring request has been assessed, it can consider that there is no place for the restructuring proceeding and directly order the judicial liquidation.

As per the provisions of Law No. 141-15, the restructuring proceeding must be requested to the First Instance Court for Restructuring and Liquidation either by the debtor or by any of the creditors, subject to certain conditions provided by the law, such as, overdue payments for more than ninety (90) days, when at least two (2) consecutive salaries have not been paid to employees on the corresponding dates, or where there is a restructuring, bankruptcy, insolvency or cessation of payment procedure in a foreign State in which the debtor's parent company is located.

Under Law No. 141-15, restructuring proceedings may be initiated by either a creditor or the debtor. A foreign creditor, whether domiciled in the Dominican Republic or elsewhere, may also petition for restructuring if the creditor and debtor meet the conditions provided in Law No. 141-15. When a foreign creditor solicits the restructuring of the debtor under these conditions, the foreign creditor should designate a physical person to be responsible for following the process taking place in Dominican territory. Additionally, a foreign creditor may also petition for restructuring if the debtor is currently undergoing any process of restructuring, bankruptcy, insolvency, or cessation of payments in the foreign creditor's state. Liquidation proceedings may be initiated at the request of: (i) the debtor;

(ii) a court appointed specialist, such as verifier (*verificadores*) or conciliators (*conciliadores*), if those court appointed specialists are unable to perform their duties due to the actions or omissions of the debtor, or upon the termination of the deadline to agree upon a restructuring plan; or (iii) by the debtor, the conciliator, a recognized creditor, or by decision of a majority of the verified creditors upon the occurrence of a breach of the restructuring plan.

In this case, the Court will appoint a person who will act as the administrator of the liquidation proceeding, named as the liquidator. The liquidator will assume all the rights and prerogatives of the management and, therefore, he/she assumes the authority of the governing bodies. It is important to indicate that the judgment that orders the liquidation proceeding shall be published in a newspaper of national circulation and/or in the Judicial Power of the Dominican Republic's webpage.

The liquidator shall acknowledge the claims declared and verified by the court during the conciliation and negotiation process, including any claim related to tax and labor contingencies. In this respect, the rights of employees to their salaries, severance payment and tax claims receive super-priority status above all other claims, whether secured or unsecured. The liquidator shall present a liquidation plan before the court within approximately 45 days following the issuance of the liquidation judgment. In case that the liquidator does not present the liquidation plan, creditors may exercise their individual rights.

The court will order the conclusion of the judicial liquidation in any of the following cases: (i) when there is no outstanding liabilities or the liquidator has sufficient sums to pay all the creditors; or, (ii) when the continuation of the liquidation operations is impossible due to insufficient assets.

Law No. 141-15 provides for reorganization similar to that provided in Chapter 11 of the U.S. Bankruptcy Code and for an automatic stay on collection or foreclosure efforts by creditors under specific circumstances or as determined by the court with jurisdiction.

### *The Netherlands*

#### Insolvency Proceedings

Andres BV is incorporated in the Netherlands. In the event of insolvency of Andres BV, a Dutch court would have jurisdiction to initiate insolvency proceedings with respect to Andres BV, in the case that Andres BV has its "centre of main interests" (as that term is used in Article 3(1) of Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings (recast), the "EU Insolvency Regulation") in the Netherlands. Such insolvency proceedings would be governed by Dutch insolvency law. As Andres BV has its registered office in the Netherlands, its "centre of main interests" is presumed to be in the Netherlands, which presumption may be rebutted. If the "centre of main interests" of Andres BV is not located in the Netherlands, but in another "member state" (within the meaning of the EU Insolvency Regulation), then the Dutch court would only have jurisdiction to open "secondary proceedings" or "territorial insolvency proceedings" (within the meaning of the EU Insolvency Regulation) so long as Andres BV has an "establishment" (within the meaning of Article 2(10) of the EU Insolvency Regulation) in the Netherlands, for which Dutch insolvency law would apply. Since the place of effective management of Andres BV is located in Madrid, Spain, it is expected that Dutch courts would only have jurisdiction for secondary proceedings or territorial insolvency proceedings. If, in the future, Andres BV does not have its "centre of main interests" in a member state (such as Spain), Dutch courts, in principle, would have jurisdiction to initiate insolvency proceedings with respect to Andres BV on the basis that it is incorporated in the Netherlands. Dutch insolvency law would apply to such insolvency proceedings.

Dutch insolvency laws are different from the insolvency laws of other jurisdictions, and this may limit the ability of Noteholders to recover payments due on the Notes to the extent that their claims exceed the limitations arising under other insolvency laws.

Under Dutch law, there are three applicable corporate insolvency proceedings: (i) moratorium of payments (*surseance van betaling*), (ii) a pre-insolvency plan (*onderhands akkoord*) and (iii) bankruptcy (*faillissement*). A moratorium or suspension of payments, or moratorium, is a court-ordered general suspension of a debtor's obligations to its creditors. Its purpose is to facilitate the reorganization of a debtor's debts and enable the debtor to continue as going concern. A moratorium can be granted at the request of the debtor on the grounds that the debtor will be unable

to continue payments when they fall due and could be used as a defense by the debtor against a bankruptcy application by a third-party. Upon the request for a moratorium, the court will automatically grant the moratorium on a provisional basis and appoint at least one administrator (*bewindvoerder*) who, jointly with the company's management, will be in charge of the company and its business undertakings. Subsequently, based on a meeting of unsecured creditors in which the unsecured creditors vote to grant a definitive moratorium, the court will then decide whether to grant a definitive moratorium. A moratorium takes effect retroactively from midnight on the day that the court granted the provisional suspension of payments.

As regards the pre-insolvency plan regime, as of January 1, 2021, debtors have the possibility to offer a composition outside of formal insolvency proceedings under the Act on Court Confirmation of Extrajudicial Restructuring Plans (*Wet homologatie onderhands akkoord*) ("Act on Court Confirmation of Extrajudicial Restructuring Plans"). The pre-insolvency plan regime has been incorporated in the Dutch Bankruptcy Act pursuant to this Act on Court Confirmation of Extrajudicial Restructuring Plans. Unlike a composition in suspension of payments and in bankruptcy, a composition under the Act on Court Confirmation of Extrajudicial Restructuring Plans can be offered to secured creditors as well as shareholders. The Act on Court Confirmation of Extrajudicial Restructuring Plans provides, *inter alia*, for cross class cramdown, the restructuring of group company obligations through either one or more aligned proceedings, the termination of onerous contracts with deactivation of *ipso facto*, and supporting court measures. Such composition may result in claims against *Andres BV* being compromised if the relevant majority of creditors within a class or a more senior class vote in favor of such a composition. A composition plan under the Act on Court Confirmation of Extrajudicial Restructuring Plans can extend to claims against entities that are not incorporated under Dutch law and/or are residing outside the Netherlands. Accordingly, the Act on Court Confirmation of Extrajudicial Restructuring Plans can affect the rights of Noteholders.

Under the Act on Court Confirmation of Extrajudicial Restructuring Plans voting on a composition plan is done in classes. Approval by a class requires a decision adopted with a majority of two thirds of the claims of that class that have voted on the plan or, in the case of a class of shareholders, two thirds of the shares of that class that have voted on the plan. The Act on Court Confirmation of Extrajudicial Restructuring Plans provides for the possibility for a composition plan to be binding on a non-consenting class (cross class cramdown). Under the Act on Court Confirmation of Extrajudicial Restructuring Plans, the court will confirm a composition plan if at least one class of creditors (other than a class of shareholders) that can be expected to receive a distribution in case of a bankruptcy of the debtor approves the plan, unless there is a statutory ground for refusal. The court can, *inter alia*, refuse confirmation of a composition plan on the basis of (i) a request by an affected creditor of a consenting class if the value of the distribution that such creditor receives under the plan is lower than the distribution it can be expected to receive in case of a bankruptcy of the debtor or (ii) a request of an affected creditor of a non-consenting class, if the plan provides for a distribution of value that deviates from the statutory or contractual ranking and priority to the detriment of that class.

Under the Act on Court Confirmation of Extrajudicial Restructuring Plans, the court may grant a stay on enforcement of a maximum of four months, with a possible extension of four months. During such period, *inter alia*, all enforcement action against the assets of (or in the possession of) the debtor is suspended, including action to enforce security over the assets of the debtor. Accordingly, during such stay a pledgee of claims may not collect nor notify the debtors of such pledged claims of its rights of pledge.

Alternatively, the court may declare the debtor bankrupt. Bankruptcy is a court-ordered general attachment of the assets of a debtor for the benefit of the debtor's collective creditors. The purpose of bankruptcy is to provide for an equitable liquidation and distribution of the proceeds of the debtor's assets among its creditors. An application for bankruptcy can be made by either: (i) one or more creditors of the debtor; (ii) the public prosecutor (if the public interest so requires); or (iii) the debtor itself, on the grounds that the debtor has ceased paying its debts. A minimum requirement for a debtor to be considered to have ceased paying its debts is that claims of at least two creditors for payments due remain unpaid, and at least one of those is due and payable. As a result of a bankruptcy, the debtor loses all rights to administer and dispose of its assets. Furthermore, all pending executions of judgments and any attachments on the debtor's assets will be terminated by operation of law, and any pending litigation on the date of the bankruptcy order is automatically suspended.

A bankruptcy order takes effect retroactively from midnight on the day that the order is rendered. In the event of bankruptcy, a court will appoint a bankruptcy trustee (curator) whose primary task is to liquidate the assets

of the company and to distribute the proceeds thereof to the company's creditors on the basis of the relative priority of their respective claims and, to the extent claims of certain creditors have equal priority, in proportion to the amount of such claims.

Secured creditors can exercise their rights during the bankruptcy as normal. However, the bankruptcy judge may call a "freeze-order" (*afkoelingsperiode*) for a maximum period of four months (consisting of an initial two months, with a possible two-month extension), during which period the secured creditors cannot exercise their rights without the approval of the bankruptcy judge. The bankruptcy trustee can, under certain circumstances, force secured creditors to enforce their security rights within a reasonable period of time, failing which the bankruptcy trustee will be entitled to sell the secured assets and distribute the proceeds.

All unsecured, pre-bankruptcy claims need to be submitted to the bankruptcy trustee for verification, and the bankruptcy trustee makes a determination as to the existence, ranking and value of the claim and whether and to what extent it should be admitted in the bankruptcy proceedings. Creditors that wish to dispute the verification of their claims by the bankruptcy trustee will be referred to the claim validation proceedings (*renvooiprocedure*) in order to establish the amount and rank of the disputed claim. No interest is payable in respect of unsecured claims as of the date of a bankruptcy.

A liquidation or composition under Dutch bankruptcy laws, in principle results in creditors, such as Noteholders, receiving distributions in Euros, thus subjecting such holders to the currency risks associated with converting Euros into U.S. dollars. The proceeds resulting from the liquidation of the bankrupt estate may not be sufficient to satisfy unsecured creditors after the secured and the preferential creditors have been satisfied. Litigation pending on the date of the bankruptcy order is automatically stayed. Foreign creditors are, in general, not treated differently from creditors that are incorporated or residing in the Netherlands.

#### Emergency Legislation to Protect Enterprises in Financial Distress due to the COVID-19 Pandemic

On December 17, 2020 the Dutch Parliament adopted emergency legislation regarding a temporary suspension of enforcement and other measures in support of enterprises during the COVID-19 pandemic (*Tijdelijke wet COVID 19 SZW en JenV*). The emergency legislation provides for a court-ordered moratorium and several related protections which currently apply and can, if and when necessary, be extended for two-month periods at a time. The measures of the legislation apply to enterprises (other than certain specific regulated entities) whose continuity is threatened due to the COVID-19 pandemic. In response to a request from creditors (other than the Dutch Tax Authorities) to declare the enterprise bankrupt or initiate the execution or seizure of assets, the enterprise/debtor can request the court to grant a moratorium vis-à-vis those creditors of two months (which may be extended twice at the request of the enterprise/debtor by two month periods at a time), and if such moratorium is granted by the court then during such period:

- (i) the bankruptcy petition is stayed;
- (ii) payment obligations to those creditors are suspended, and any prior default does not, in and of itself, provide a legal basis to change the terms or suspend performance of, or terminate, an agreement with those creditors; and
- (iii) if the court so decides, conservatory and executory attachments by those creditors are suspended, and no other enforcement measures can (continue to) be taken by those creditors against the assets of their debtor without the prior approval of the court.

The measures referred to in (iii) can also be requested in summary proceedings and attachments can be terminated as part of such proceedings. It is important to note that any measure of the court only affects those creditors who requested the bankruptcy or initiated the execution or seizure of assets of the debtor. However, any request by other creditors will most likely result in the court taking the same decisions.

When considering the request to apply the measures discussed above, the court will need to establish that the enterprise/debtor has made it plausible that, solely or mainly due to the outbreak of the COVID-19 pandemic, the enterprise has not been able to continue its business as usual and as a result has temporarily become unable to pay its



debts when they fall due. Creditors not covered by the moratorium retain these rights vis à vis their debtor. The enterprise/debtor is in any event presumed to be in this position if it can provide financial information that shows that prior to the outbreak of the COVID-19 pandemic or the restrictive measures announced since March 15, 2020 (i) it had sufficient liquidity to satisfy its due and payable debts, and (ii) its revenue decreased by at least 20% compared to the average revenue in the preceding three months. The court will further need to conclude that following the moratorium the enterprise/debtor will be able to satisfy its debts and that the creditor(s) that are affected are not significantly and unreasonably prejudiced as a result of the moratorium. When granting a moratorium, the court can take any measures it considers necessary to ensure the interests of the creditor(s) are not prejudiced.

#### Fraudulent conveyance / Hardening periods

Dutch law contains specific provisions dealing with fraudulent conveyance both in and outside of bankruptcy, the so-called Actio Pauliana provisions. The Actio Pauliana offers creditors protection against a decrease in their means of recovery. A legal act performed by a person can be challenged in or outside bankruptcy of the relevant person and may be nullified by the bankruptcy trustee, in a bankruptcy of the relevant person, or by any of the creditors of the relevant person outside bankruptcy, if: (i) the person performed such acts without an obligation to do so (*onverplicht*), (ii) the creditor concerned or, in the case of the person's bankruptcy, any creditor, was prejudiced in its means of recovery as a consequence of the act, and (iii) at the time the act was performed both the person and the counterparty to the transaction knew or should have known that one or more of its creditors (existing or future) would be prejudiced in their means of recovery, unless the act was entered into for no consideration (*om niet*) in which case such knowledge of the counterparty is not necessary for a successful challenge on the grounds of fraudulent conveyance.

Knowledge of prejudice is presumed by law for certain transactions performed within a "suspect period" of one year prior to (i) an adjudication of insolvency or (ii) a challenge of such a transaction on the grounds of Actio Pauliana outside of bankruptcy. In addition, in case of bankruptcy, even payments that were due and payable to a creditor may be successfully contested by the bankruptcy trustee if: (i) the recipient of payment knew that an application for bankruptcy had already been filed at the time the payment was made or (ii) the debtor and the recipient of payment engaged in conspiracy in order to benefit the recipient of payment to the detriment of the other creditors.

#### Ultra vires

Pursuant to Article 2:7 of the Netherlands Civil Code (*Burgerlijk Wetboek*), any transaction entered into by a legal entity may be nullified by the legal entity itself or its bankruptcy trustee (curator) if the objects of that entity were transgressed by the transaction and the other party to the transaction knew or should have known this without independent investigation (*wist of zonder eigen onderzoek moest weten*). The objects of a Dutch legal entity are set out in its articles of association. However, the Netherlands Supreme Court (*Hoge Raad der Nederlanden*) has ruled that in determining whether the objects of a legal entity are transgressed, not only the description of the objects in that legal entity's articles of association (*statuten*) is decisive, but all (relevant) circumstances must be taken into account, in particular whether the transaction is in the company's corporate interests (*vennootschappelijk belang*) and to its benefit, and whether the subsistence of the company is jeopardized by the transaction.

#### *Spain*

#### Applicable Jurisdiction

Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on Insolvency Proceedings ("EU Insolvency Regulation") and the consolidated text of the Spanish Insolvency Act, approved by Spanish Royal Legislative Decree 1/2020 (*Real Decreto Legislativo 1/2020, de 5 de mayo, por el que se aprueba el texto refundido de la Ley Concursal*), the "Spanish Insolvency Act", which entered into force on September 1, 2020) provide that, where a company conducts business in another country, the jurisdiction of the country in which such company is incorporated may be limited if the company's center of main interest is found to be in a country other than the jurisdiction of incorporation. This "center of main interests" (or "COMI") is deemed to be where the insolvent party conducts the administration of its interests on a regular basis and which may be recognized as such by third parties. There is a rebuttable presumption that the place of the registered office of the debtor (which in the case of Andres BV is The Netherlands) is its "center of main interests". It is worth highlighting that the determination of

where a company has its COMI is a question of fact on which the courts of the different European Member States may have differing and even conflicting views.

The courts have taken into consideration a number of factors in determining the COMI of a company, including, in particular, where board meetings are held, the location where the company conducts the majority of its business or has its head office, and the location where the large majority of the company's creditors are established. Recital 30 of the EU Insolvency Regulation states that the presumption should be rebutted where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State. A company's COMI is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition.

If the COMI of a debtor is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings commenced in one Member State under the EU Insolvency Regulation are to be recognized in the other EU Member States (other than Denmark), although territorial (secondary) insolvency proceedings may be commenced in another Member State. It should be highlighted that, as opposed to the former EU Insolvency Regulation, Annex A also currently includes processes known as "pre-insolvency" ones, which shall therefore also benefit from the legal consequences provided in the EU Insolvency Regulation for "pure" insolvency proceedings, such as the automatic recognition of their declaration in the European Union (except Denmark).

If the COMI of a company is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open territorial insolvency proceedings against that company only if such company has an "establishment" (within the meaning and as defined in Article 2(10) of the EU Insolvency Regulation) in the territory of such other Member State. An "establishment" is defined to mean "any place of operations where a company carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets". Accordingly, the opening of territorial (secondary) insolvency proceedings in another EU Member State will also be possible if the debtor had an establishment in such EU Member State in the three-month period prior to the request for commencement of main insolvency proceedings.

The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State. Where main proceedings in the Member State in which the company has its COMI have not yet been opened, territorial insolvency proceedings can be opened in another Member State where the company has an establishment only where either (i) main insolvency proceedings cannot be opened in the Member State in which the company's COMI is situated under that Member State's law or (ii) the opening of territorial insolvency proceedings is requested by (a) a creditor whose claim arises from or is in connection with the operation of an establishment situated within the territory of the Member State where the opening of territorial proceedings is requested or (b) a public authority which, under the law of the Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the *lex fori concursus*, i.e., the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the company. Those courts with jurisdiction to declare the opening of insolvency proceedings have also jurisdiction to rule on any action which may be deemed as directly arising from the insolvency proceedings which also has a close relationship with the insolvency proceedings.

The courts of all Member States (other than Denmark) must recognize the judgment of the court opening the main proceedings, which will be given the same effect in the other Member States so long as no secondary proceedings have been opened there. The liquidator appointed by a court in a Member State that has jurisdiction to open main proceedings (because the company's COMI is there) may exercise the powers conferred on it by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State) subject to certain limitations so long as no insolvency proceedings have been opened in that other Member State or

any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets. The EU Insolvency Regulation has created a treatment for groups of companies experiencing difficulties by the commencement of group coordination proceedings and the appointment of an insolvency practitioner in order to facilitate the effective administration of the insolvency proceedings of our group's members.

Given that Andres BV is incorporated in the Netherlands but is tax-resident in Spain, and its management is carried out in Spain, it may be found that its COMI is situated in Spain as opposed to The Netherlands. If this were the case, the courts of Spain would have jurisdiction over the main insolvency proceedings in respect of Andres BV. As a result of the foregoing, the following is a brief description of certain aspects of the Spanish Insolvency Act.

If the COMI of Andres BV is not in Spain, but the insolvent party has a permanent establishment in Spain, Spanish courts will only have jurisdiction over the assets located in Spain (the "territorial insolvency proceedings") in the terms set out above.

### Spanish insolvency laws

On May 5, 2020, the Spanish Council of Ministers enacted Royal Legislative Decree 1/2020 approving the consolidated text of the Insolvency Law, which entered into force on September 1, 2020 (which we have defined as the "Spanish Insolvency Act"). The Spanish Insolvency Act is the result of the mandate granted by the Spanish Parliament to recast, harmonize, clarify and organize the Spanish insolvency legislation (essentially contained in the former Law 22/2003, of July 9, on Insolvency (*Ley 22/2003, de 9 de julio, Concursal*)).

### Concept and petition for insolvency

In Spain, insolvency proceedings are only triggered in the event of a debtor's current insolvency (*insolvencia actual*) or imminent insolvency (*insolvencia inminente*). Under the Spanish Insolvency Act, a debtor is insolvent when it becomes unable to regularly meet its obligations as they become due and payable (current insolvency) or when it expects that it will be unable to pay its debts timely and regularly (imminent insolvency). A petition for current insolvency may be initiated by the debtor, by any creditor (provided that (i) it has not acquired the credit within the six months prior to the filing of the petition for insolvency, for *inter vivos* acts, on a singular basis and once the credit was mature; and (ii) proof of specific circumstances is provided as explained below) or by certain other interested third parties. Notwithstanding, only the debtor may file a petition for insolvency on the basis of its imminent insolvency.

### Voluntary insolvency

Insolvency is considered voluntary (*concurso voluntario*) if filed by the debtor. The debtor is obliged to file a petition for insolvency within two months after it becomes aware, or should have become aware, of its state of current insolvency. It is presumed that the debtor becomes aware of its insolvency, unless otherwise proved, if any of the circumstances that qualify as the basis for a petition for mandatory insolvency occur. There is no legal duty to file for insolvency when the insolvency is imminent.

Notwithstanding the foregoing, the general duty to file for insolvency within the referred two months does not apply if the debtor who is in actual or imminent insolvency and has not been declared in insolvency notifies the applicable Court that it has initiated negotiations with its creditors to obtain support to reach a pre-packaged composition agreement (*propuesta de convenio anticipado*), an out-of-court workout (a refinancing agreement) or an out-of-court settlement of payments (*acuerdo extrajudicial de pagos*) in accordance with Title II (*Título II*) of the Second Book (*Libro Segundo*) of the Spanish Insolvency Act (the "Opening of Negotiations Communication"). After filing, the debtor is not entitled to file another Communication for a term of one (1) year.

Effectively, by means of the Opening of Negotiations Communication, the debtor gains an additional (as from the Opening of Negotiations Communication filing) three-month period to achieve an agreement with its creditors or to obtain accessions to an anticipated composition agreement and one further month to file for the declaration of insolvency in case it has not been removed. During such three months period of time, creditors' petitions

for mandatory insolvency will not be accepted (a petition for insolvency potentially filed by a creditor within the next month will not be processed by the court unless the debtor does not file for insolvency by the end of such month) and court or out-of-court enforcement actions, other than those arising from public law claims, over those assets or rights deemed necessary for the continuity of the debtor's business activities, are prohibited or suspended (as applicable).

In addition, enforcement proceedings that have been brought by creditors holding financial liabilities (as defined in Article 606 of the Spanish Insolvency Act) are prohibited or suspended (as applicable) for such three months period provided that it is evidenced that at least 51% of the creditors holding financial liabilities (by value) have supported the initiation of negotiations to enter into a refinancing agreement and have agreed to suspend or not initiate enforcement proceedings against the debtor while creditors holding financial liabilities are still negotiating. Nevertheless, secured creditors are entitled to bring enforcement proceedings against the corresponding secured assets although once proceedings have been initiated they shall be immediately suspended for the abovementioned three months period.

Specific regulation in this respect is provided in case the debtor is pursuing an out-of-court settlement of payments (*acuerdo extrajudicial de pagos*). Financial collateral (*garantías financieras*) should not be affected by the effects of the Opening of Negotiations Communication. The effect of the Opening of Negotiations Communication on security interests over collateral located outside of Spain will depend on the applicable international private law. For instance, foreclosure of security interests located in another Member State (other than Denmark) will not be affected by the Opening of Negotiations Communication pursuant to the EU Insolvency Regulation.

The Opening of Negotiations Communication cannot imply acceleration of deferred creditors on a standalone basis. Creditors are entitled to trigger a third-party personal guarantee as to request repayment of a due and payable debt, although the debtor has filed the Opening of Negotiations Communication, even if such creditor is taking part in the negotiations protected by the Opening of Negotiations Communication.

#### Mandatory insolvency

Insolvency is considered mandatory (*concurso necesario*) if filed by a third-party creditor. Under Article 2.4 of the Spanish Insolvency Act, a creditor can seek a debtor's declaration of insolvency if the creditor can prove that the debtor has failed to attach any assets, or sufficient assets, to pay the amount owed. A creditor may also apply for a declaration of insolvency if, inter alia: (i) there is a generalized default on payments by the debtor; (ii) there is a seizure of assets affecting or comprising the generality of the debtor's assets; (iii) there is a misplacement, "fire sale" or sale or ruinous liquidation of the debtor's assets; or (iv) there is a generalized default on certain tax, social security and employment obligations during the applicable statutory period (three months).

#### Conclusion of insolvency: proposal of agreement or liquidation

The Spanish Insolvency Act provides that insolvency proceedings conclude, as a general rule, following either the implementation of an agreement between the creditors and the debtor (the "Company Voluntary Agreement" or the "CVA") or the liquidation of the debtor.

#### Certain effects of the insolvency on the debtor, on contracts and on enforcement proceedings

##### 1. On the debtor

As a general rule and subject to certain exceptions, the debtor in a voluntary insolvency retains its powers to manage its business, but is subject to the court appointed intervention of the insolvency administrators (*administración concursal*) (intervention regime). In case of mandatory insolvency, as a general rule and subject to certain exceptions, the debtor no longer has power over its assets, and management's powers (including the power to dispose of assets) are conferred solely upon the insolvency administrators (suspension regimen). However, the court has the power to modify this general regime subject to the specific circumstances of the case. In addition, upon the insolvency administrator request, the court has the power to swap the intervention regime for a suspension regime or vice versa.

Actions carried out by the debtor that breach any required supervision of the insolvency authorities may be declared null and void unless ratified by the insolvency administrators.

## 2. On contracts

A declaration of insolvency does not affect agreements pending on performance by either the insolvent party or the counterparty (executory contracts), which remain in full force and effect, and the obligations of the insolvent debtor will be fulfilled against the insolvent estate. The court can nonetheless terminate any contracts with mutual obligations at the request of the insolvency administrators (provided that management's powers have been solely conferred upon the insolvency administrators), or the company itself (if its powers to manage its business are only subject to the intervention of the insolvency administrators), when such termination is in the interest of the estate (rejection) (*resolución del contrato en interés del concurso*) or at the request of the non-insolvent party if there has been a breach of such contract following the declaration of insolvency (except for ongoing contracts (*tracto sucesivo*) which can also be terminated on merits taking place before the declaration of insolvency). In case that the breach by the insolvent debtor takes place after the declaration of the insolvency proceedings, or termination is justified on the interest of the estate, the termination of such contracts may result in the insolvent debtor having to return, and indemnify damages to, its counterpart against the insolvency estate (*con cargo a la masa*). On the other hand, the judge may decide to cure any breach of the insolvent debtor at its request or the insolvency administrators' request (assumption) (*mantenimiento del contrato en interés del concurso*), in which case the non-insolvent party shall be entitled to seek specific performance against the insolvency estate (pre-deductible claim from the estate). Lastly, under Article 156 of the Spanish Insolvency Act, all clauses in contracts that entitle any party to terminate an agreement based solely on the other party's declaration of insolvency (*ipso facto* clauses) are deemed as not included in the agreement (void) and, therefore, unenforceable, except if expressly permitted by specific laws (i.e., agency laws).

Additionally, the declaration of insolvency determines that interest accrual is suspended, except (i) credit rights secured with an *in rem* right, in which case non-moratorium interest accrues up to the value of the security, and (ii) any wage credits in favor of employees, which will accrue the legal interest set forth in the corresponding State Budget Act (*Ley de Presupuestos Generales del Estado*).

## 3. On enforcement proceedings

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings as such proceedings can have an effect on the estate (excluding enforcement proceedings with regard to financial collateral (as defined in Royal Decree Law 5/2005, of 11 March 2005, as amended from time to time, or collateral located in an EU Member State other than Spain, or labour and administrative enforcement proceedings in certain circumstances)). When compatible, in order to protect the interests of the debtor and creditors, the Spanish Insolvency Act extends the jurisdiction of the court dealing with insolvency proceedings, which is then legally authorized to handle any enforcement proceedings or interim measures affecting the debtor's assets.

The enforcement of any security over certain assets that are necessary to the continuation of the commercial or professional activity of the insolvent company (*in rem* securities) is prohibited until the earlier of: (i) a CVA being approved, provided that the CVA does not affect such right; (ii) one (1) year having elapsed as of the declaration of the insolvency without the opening of the liquidation phase; or (iii) the court conducting the insolvency proceedings declaring that the asset is not necessary for the continuation of the debtor's activities in accordance with the Spanish Insolvency Act. Commencement of the liquidation phase causes the loss of the right to commence a separate enforcement process in relation to those secured lenders who did not commence enforcement either before the declaration of insolvency or after a year since the declaration of insolvency.

When determining which assets or rights of the debtor are used for its professional or business activities, courts have generally embraced a broad interpretation and will likely include most of the debtor's assets and rights.

Moreover, the effects of insolvency proceedings on a creditor's *in rem* rights attached to property or rights –of any kind– of the debt or which, at the time of the declaration of the insolvency proceedings, are located in a state (other than a EU Member State bound by the EU Insolvency Regulation) must be exclusively governed by the law of that state.

## Ranking of credits

Creditors are required to report their claims to the insolvency administrators within one month from the day following the last official publication of the court order declaring the insolvency, providing original documentation to justify such claims. Based on the documentation provided by the creditors and documentation held by the debtor, the court administrators draw up a list of acknowledged creditors/ claims and classify them according to the categories established in the Spanish Insolvency Act.

Under the Spanish Insolvency Act, claims are classified in two groups:

1. Estate Claims (*créditos contra la masa*): Article 242 of the Spanish Insolvency Act sets out the “estate claims” which are pre-deductible (when they become due and payable) claims from the estate (excluding those assets of the insolvent debtor subject to in rem security). Debt against the insolvency estate includes, among others, (i) certain amounts of the employee payroll, (ii) costs and expenses of the insolvency proceedings, (iii) certain amounts arising from services provided by the insolvent debtor under reciprocal contracts and outstanding obligations that remain in force after insolvency proceedings are declared and deriving from obligations to return and indemnity in cases of voluntary termination or breach by the insolvent debtor after the declaration of insolvency, (iv) those that derive from the exercise of a claw back action within the insolvency proceedings of bilateral acts performed by the insolvent debtor and correspond to a refund of consideration received by it (except in cases of bad faith), (v) certain amounts arising from obligations created by law or from the non-contractual liability of the insolvent debtor after the declaration of insolvency and until its conclusion, (vi) certain debts incurred by the debtor following the declaration of insolvency, (vii) in case of liquidation, the credit rights granted to the debtor under a CVA in accordance with Article 332 of the Spanish Insolvency Law, except for new funds granted by the debtor or by persons specially related to the debtor through a share capital increase, loans or acts with an analogous purpose (temporary Covid-19 legislation has provided for an exception of this limitation in case of default of CVA approved or modified until 14 March 2022, as long as the CVA or the amended one identify the borrower and the maximum amount of the financing to be granted or the guarantee to be perfected), (viii) 50% of the new funds lent under a refinancing arrangement entered into in compliance with the requirements set forth in Title II (*Título II*) of the Second Book (*Libro Segundo*) of the Spanish Insolvency Act which is not subject to claw back (except for new funds granted by the debtor or by persons specially related to the debtor through a share capital increase, loans or acts with an analogous purpose). Enforcement of Estate Claims can be commenced only when a CVA comes into force.

2. Insolvency Claims: Insolvency claims are classified as follows:

- a) Specially Privileged Claims: Creditors benefiting from special privileges, representing security over certain assets (in rem securities) up to the amount of the value of their security, provided that such security is listed in the creditors’ list (in this regard, the value of a security shall be 90% of the reasonable value -calculated as provided for in the Spanish Insolvency Act- of the secured asset minus those claims that hold higher ranking security over such asset). The part of the claim exceeding the value of its security will be classified according to the nature of the claim. These claims benefiting from special privileges may entail separate proceedings, though subject to certain restrictions derived from a waiting period that may last up to one year and certain additional limitations set forth in the Spanish Insolvency Act, as well as to specific additional limitations in case of sale and repayment set forth in the Spanish Insolvency Act depending on whether the secured asset is sold on an individual basis, or as part of a business unit on a going concern as provided in Sections 209 *et seq.* of the Spanish Insolvency Act. However, while any enforcement proceedings remain suspended under the Spanish Insolvency Act, the insolvency administrator has the option to pay the relevant claims against the insolvency estate under specific payment rules. Privileged creditors are not subject to the CVA unless they give their express support by voting in favor of the CVA or, in case they do not give such express support, if creditors holding security which represent at least 60% (or 75% depending on the conditions of the CVA) of the total value of secured claims of the same class vote in favor of such CVA. In the event of liquidation, they are the first to collect payment against the assets on which they are secured.

- b) Generally Privileged Claims: Creditors benefiting from a general privilege, including, among others, specific labor claims and specific claims brought by public entities or authorities are recognized for half their amount, and claims held by the creditor taking the initiative to apply for the insolvency proceedings, for up to 50% of the amount of such debt. New funds under a refinancing arrangement entered into in compliance with the requirements set forth in Title II (*Título II*) of the Second Book (*Libro Segundo*) of the Spanish Insolvency Act not subject to claw back in the amount not admitted as a debt against the insolvency estate (*crédito contra la masa*) will also be credits with general privileges (except for new funds granted by the debtor or by persons specially related to the debtor through a share capital increase, loans or acts with an analogous purpose). The holders of general privileges are not to be affected by the CVA except if they give their express support by voting in favor of the CVA unless creditors holding claims benefiting from general privileges which represent at least 60% (or 75% depending on the conditions of the CVA) of the total value of claims benefiting from general privileges of the same class vote in favor of such CVA. In the event of liquidation, they will collect payment, in accordance with the ranking established under the Spanish Insolvency Act.
- c) Ordinary Claims: Ordinary creditors (non-subordinated and non-privileged claims) are paid pro rata once estate claims and both generally and specially privileged claims have been paid.
- d) Subordinated Claims: Subordinated creditors (thus classified by virtue of an agreement or pursuant to law), include, among others: credits communicated late (outside the specific one-month period mentioned above); credits which are contractually subordinated vis-à-vis all other credits of the debtor; credits relating to unpaid interest claims (including default interest) except for those credits secured with an in rem right up to the secured amount; fines; and claims of creditors which are “specially related parties” to the insolvent debtor.

In the case of individuals debtors, the following shall be deemed as “specially related parties”: certain debtor’s relatives, legal entities controlled by the debtor or its relatives, the factual or legal administrators of such legal entities, any other legal entity forming part of the same group of companies and the legal entities in respect of which the people described in this paragraph are their factual and legal administrators.

In the case of legal entity debtors, the following shall be deemed as “specially related parties”: (i) shareholders with unlimited liability (in case such shareholders are natural persons it would include any special related party to these shareholders, as described herein); (ii) limited liability shareholders holding, directly or indirectly, 10% or more of the insolvent company’s share capital (or 5% if the company is listed or has securities listed in a secondary official market) at the time when the relevant credit right arises; or (iii) directors (either de jure or de facto), insolvency liquidators and those holding general powers of attorney from the insolvent company (including those people that have held these position during the two years prior to the insolvency declaration); and (iv) companies pertaining to the same group as the debtor and common shareholders to the legal entity in insolvency and any other company of the group provided such common shareholders meet the minimum shareholding requirements set forth in (ii) above. Notwithstanding the above, creditors who have directly or indirectly capitalized their credit rights pursuant to a refinancing arrangement entered into in compliance with the requirements set forth in Title II (*Título II*) of the Second Book (*Libro Segundo*) of the Spanish Insolvency Act or a CVA (even if those creditors have assumed a position on the board of directors of the debtor on account of the capitalization) shall not be considered as being in a special relationship with the debtor, in respect of credits against the debtor, as a result of the financing granted under such arrangements. Additionally, those creditors executing a collective refinancing agreement, or a CVA, will not be deemed as shadow directors as a result of the covenants assumed by the debtor in relation to the viability plan, unless the existence of a circumstance justifying the shadow directorship is proven. Furthermore, in the absence of evidence to the contrary, assignees or awardees of claims belonging to any of the persons mentioned in this paragraph are presumed to be persons specially related to the insolvent debtor as long as the acquisition has taken place within two years prior to the insolvency proceedings being declared.

Lastly, claims different from loans and acts with an analogous purpose held by shareholders and common shareholders will not be subordinated.

Subordinated creditors do not vote on the CVA and in the event of liquidation collect payment according to the ranking established in the Spanish Insolvency Act (once ordinary creditors have been paid in full).

If the holder of a subordinated claim does not challenge such classification in due time and form (or, if challenged, when the judgment dismissing it becomes final (*firme*)), the court will release any class of guarantee perfected over assets or rights belonging to the debtor's estate in favor to the claims held by such person.

#### Hardening periods

There is no claw back date by operation of law. Therefore, there are no prior transactions that automatically become void as a result of the initiation of insolvency proceedings. Instead, the insolvency administrators (or creditors that have asked the insolvency administrators to do so in the absence of action by the insolvency administrators) need to expressly challenge those transactions. Under the Spanish Insolvency Act, upon the declaration of insolvency, only transactions that could be deemed as having damaged (*perjudiciales*) the insolvent debtor's estate (i.e., causing a so-called "patrimonial damage") during the two years prior to the date the insolvency is declared, may be challenged. Transactions taking place earlier than two years prior to the declaration of insolvency may be declared null and void subject to ordinary Spanish Civil Code (*Código Civil*) based actions.

Spanish Insolvency Act does not define the meaning of "patrimonial damage." Damage does not refer to the intention of the parties, but to the consequences of the transaction on the debtor's interest. There are several "irrebuttable presumptions" expressly set forth by the Spanish Insolvency Act (i.e., free disposals and prepayment or cancellation of the company's unsecured claims or obligations prior to them being due and where the due dates of the relevant unsecured claims or payment obligations fall after the date of declaration of insolvency), in which case such transactions are rescinded if they fall within the hardening period. In addition to the above, the Spanish Insolvency Act sets forth certain actions which are deemed to cause a "patrimonial damage" to the insolvent company, but which are "rebuttable presumptions" and therefore subject to being contested by the other party (i.e., disposals in favor of "specially related parties" (as described above), the provision of security with respect to previously existing obligations or with respect to new obligations replacing existing ones and the prepayment and cancellation of the company's secured claims or obligations which fall due after the date of declaration of insolvency). Ordinary transactions carried out within the debtor's ordinary course of the business cannot be rescinded, provided that they are carried out at arm's length.

Spanish case law has ruled that damage to the estate exists when an unfair pecuniary detriment (*perjuicio patrimonial injustificado*) has been caused to the debtor's estate. For instance, insolvency judges have considered detrimental specific payments of due and payable debts made by companies when it has been proven that, at the moment of payment, the company was already insolvent. Additionally, Spanish case law has also ruled that intragroup guarantees and security are deemed such as a transaction entered into in favour to parties that have a special relationship with the debtor (although the creditor is not a related party), so that the abovementioned rebuttable presumption of detriment applies. In such a case, Spanish case law considers that such presumption may be rebutted when the group company providing the intragroup guarantee or security has received an equivalent compensation in exchange.

In any event, fraudulent acts that have been entered into by creditors may always be rescinded and also those payments made by the debtor in respect of obligations which the debtor, at the time of payment, could not be compelled to pay.

If a rescission action is successful, when the transaction subject to claw back is of a bilateral nature, the judge will order the restoration of the assets that are the subject of the transaction, together with the proceeds and interest. If the assets cannot be restored to the debtor, the counterparty to the insolvent debtor must pay a cash amount equivalent to the value of the assets at the time they left the debtor's estate, plus interest. If the judge rules that the transaction was carried out in bad faith, the liable party must indemnify the debtor for loss and damages suffered and its restitution claim will be classified as subordinated (*crédito subordinado*). If the judge does not conclude that the transaction was carried out in bad faith, the counterparty to the debtor will settle its credit simultaneously with the restoration of the assets and rights to the insolvency estate. When the transaction subject to claw back is of an unilateral nature, the judge will order the restoration of the assets that are the subject of the transaction and the inclusion of the



relevant counterparty claim in the list of creditors, with the relevant ranking in accordance to its nature as described above unless such creditor is deemed in bad faith, so that its claim will be classified as subordinated.

Notwithstanding the foregoing, acts and transactions governed by laws other than Spanish law will not be subject to claw back actions if such act or transaction cannot be rescinded or challenged by any means and under any grounds whatsoever (i.e., not only in insolvency scenarios) under the relevant non-Spanish applicable laws.

#### Conclusion of insolvency

##### 1. Settlement

Once the debtor's assets and liabilities have been identified, the Spanish Insolvency Act encourages creditors to reach a CVA. This agreement may be proposed either by the debtor or by the creditors, and it shall set forth how, when and up to what amount creditors are to be paid. Once executed, this agreement must be honored by the debtor and respected by the creditors.

The settlement or CVA should contain proposals for write-offs and stays and it may also contain alternative or complementary proposals for all creditors or for certain classes of creditors (except for Public Law creditors), including conversion of debt into shares, into profit-sharing credits, convertible bonds or subordinated debt, or any financial instrument different from the original debt. It may also include proposals for allocation of all assets or of certain assets to a specific person with a commitment from the acquirer to continue the activity and to pay off the debt as determined in the settlement.

The proposals in the CVA shall include a payment schedule as well as a viability plan.

In order for a settlement or CVA to be deemed approved by the creditors, certain majorities shall be met at the creditors' meeting pursuant to the rules set forth in the Spanish Insolvency Act. The holders of subordinated credits and those creditors considered as especially related to the debtor are not entitled to vote.

Although in principle secured creditors are not subject to an approved settlement or CVA (unless they have expressly voted in its favor) the effects of an approved CVA can be extended to secured and privileged creditors provided that the relevant CVA of creditors has been approved by certain majorities of creditors within its category pursuant to the rules set forth in the Spanish Insolvency Act.

##### 2. Cramdown effects of certain refinancing agreements

In order to seek protection against claw back, refinancing agreements (out-of-court workouts) entered into by the debtor who is in a state of actual or imminent insolvency and has not been declared in insolvency by a court may be judicially sanctioned (*homologado*) by the commercial court that will be competent to conduct an eventual insolvency proceeding of the debtor, upon request by the debtor or by any creditor having entered into such refinancing agreements, if (i) they entail a significant enlargement of debtor's credit or a change in the financial structure by either granting a longer term or replacing previous claims with new ones; (ii) they have been subscribed by creditors holding financial liabilities representing, at least, 51% of the debtor's financial liabilities whether or not subject to financial supervision (that is to say the Spanish Insolvency Act excludes public creditors, labor creditors and those of commercial transactions in order to calculate whether the required thresholds are met) at the date of the refinancing agreement; (iii) the debtor's auditor issues a certificate acknowledging that the required thresholds have been reached (in the case of a group a companies, the majority refers both individually to each company and to the group as a whole where the intercompany claims are not taken into account); and (iv) the agreement is formalized in a public instrument. In case of the Opening of Negotiations Communication, the sanction petition must be filed in a three (3) months period.

Neither refinancing agreements, sanctioned but also not sanctioned when complying with the legal requirements, nor those acts, transactions and payments executed in compliance with the refinancing agreement, irrespective of its nature and legal form, nor any security or guarantee perfected in accordance to those, may be subject to clawback or rescission actions in the event of subsequent insolvency (*concurso consecutivo*) declared pursuant to

Sections 695 and ss of the Spanish Insolvency Act. On the contrary, in the event the refinancing agreement is declared null in case of subsequent insolvency, acts detrimental to the debtor's estate executed by the debtor in the preceding two (2) years before the declaration of insolvency, as well as those carried out when complying with the refinancing agreement, may be subject to claw back or rescission. Additionally, in case of subsequent insolvency, any act carried out by the debtor before the declaration of insolvency, as well as those carried out when complying with the refinancing agreement, are subject to any other challenging action different from the claw back one as so generally allowed by Law, which should be brought by the insolvency administrator exclusively.

As to the rules to calculate whether the required thresholds have been reached, all creditors holding an interest in a syndicated loan will be deemed to have adhered to the refinancing agreement (for the purposes of petitioning protection against claw back) if it is favorably voted upon by at least 75% of the liabilities represented by the loan, or a lower majority if so established in the syndicated loan agreement. The scope of this measure (particularly as to whether this majority of 75% might also serve for the cramdown of discharges and stays of payments over the rest of syndicated claims) is not clear among Spanish scholars or courts and therefore it is not possible yet to ascertain what its practical effects will be. Additionally, adhesions to the refinancing agreement by creditors not holding financial claims are not included in the calculation, as well as claims held by creditors who are "specially related to the debtor", although these claims are affected by the sanction of the refinancing agreement. Claims not represented in Euros will be converted in accordance to the official exchange rate as of the date of the public instrument formalising the refinancing agreement.

The following cramdown effects of homologated refinancing agreements may be imposed on (i) dissenting or non-participating unsecured creditors holding financial claims or (ii) secured creditors holding financial claims to the extent of that part of their secured claim not covered by their security interest, as such security interest is to be valued in accordance with the rules set out by the Spanish Insolvency Act:

1. If the judicially sanctioned refinancing agreement is supported by creditors representing at least 60% of the debtor's financial liabilities, stays of payments may be granted for up to five years or the debt converted into "profit participation loans" (*préstamos participativos*) of duration up to five years.

Further, these effects may be extended to the amount of secured claims of non-participating or dissenting creditors, when the agreement has been entered into by financial creditors holding secured claims which represent at least 65% of the value of all secured claims of the debtor.

3. If the homologated refinancing agreement is supported by creditors representing at least 75% of the debtor's aggregate financial liabilities:

(i) a deferral either of principal, interest or any other owed amount for a period of five or more years (but not more than ten years);

(ii) haircuts (note that a cap has not been established);

(iii) capitalization of debt. Nevertheless, those creditors that have not supported such refinancing agreement (either because they did not sign the agreement or because they oppose it) may choose between (i) the debt for equity swap contemplated by the agreement; or (ii) a discharge of their claims equal to the nominal amount (including any share premium) of the shares/quota shares that would have corresponded to that creditor as a consequence of the relevant debt for equity swap;

(iv) conversion of debt into profit participation loans of up to ten years, convertible obligations, subordinated loans, payment in kind facilities, or in any other financial instrument with a ranking, maturity and features different to the original debt; and

(v) assignment of assets or rights as assignment in kind in or for total or partial payment of the debt (*datio pro soluto* and *datio pro solvendo*).

Further, these effects may be extended to the amount of secured claims of non-participating or dissenting financial creditors in the amount covered by their security interest (valued in accordance with the rules set out in the fourth additional provision of the Spanish Insolvency Act), when the agreement has been entered into by financial creditors holding secured claims which represent at least 80% of the value of all secured claims of the debtor.

### Liquidation

Liquidation is conceived as an outcome subsidiary to settlement. It operates where a CVA is not reached or when it is decided upon by the insolvency court. The insolvent company is entitled to request the liquidation at any time and, in any event, it must file a petition for liquidation if, during the period while the CVA is in force, it becomes aware of no longer being able to meet the payment commitments and obligations undertaken after the approval of such CVA (although temporary exceptions have been enacted due to Covid-19). In such a case, the company will be aimed at dissolution and the directors and liquidators will be removed. Deferred credits will compulsorily fall due and credits consisting of other benefits are converted into cash credits.

The insolvency administration will be required to prepare a liquidation plan that must be approved by the insolvency court. The insolvency administration is required to report quarterly on the liquidation.

### Fraudulent Conveyance Laws

Under Spanish law, in addition to the insolvency claw back action, the insolvency administrator and any creditor may bring an action to rescind a contract or agreement (*acción rescisoria pauliana*) against the debtor and the third party which is a party to such contract or agreement, provided that the same is performed or entered into fraudulently and the creditor cannot obtain payment of the amounts owed in any other way. Although case law is not entirely consistent, it is broadly accepted that the following requirements must be met in order for a creditor to bring such action:

1. the debtor owes the creditor an amount under a valid contract and the fraudulent action took place after such debt was created;
2. the debtor has carried out an act that is detrimental to the creditor and beneficial to the third party;
3. such act was fraudulent;
4. there is no other legal remedy available to the creditor to obtain compensation for the damages suffered; and
5. debtor's insolvency, construed as the situation where there has been a relevant decrease in the debtor's estate making it impossible or more difficult to collect the claim.

The existence of fraud (which must be evidenced by the creditor) is one of the essential requirements under Spanish law for the action to rescind to succeed. Pursuant to Article 1,297 of the Spanish Civil Code (*Código Civil*): (i) agreements by virtue of which the debtor transfers assets for no consideration, and (ii) transfers for consideration carried out by parties who have been held liable by a court (*sentencia condenatoria*) or whose assets have been subject to a writ of attachment (*mandamiento de embargo*) will be considered fraudulent. The presumption referred to in (i) above is a *iuris et de iure* presumption (i.e. it cannot be rebutted by evidence), unlike the presumption indicated in (ii) above, which is a *iuris tantum* presumption (i.e. it is a rebuttable presumption). Pursuant to Section 1,292 of the Spanish Civil Code, payments of non-due debts made in insolvency may also be rescinded.

If the rescission action were to be upheld, the third party would be liable to return to the debtor the consideration received under the contract in order to satisfy the debt owed to the creditor. Following that, the creditor would need to carry out the actions necessary to obtain the amount owed by the debtor. If the consideration received by the third party under the contract cannot be returned to the debtor, the third party must indemnify the creditor for such damages.

The legal term to bring a civil rescission claim is four years.

### Set-off

Spanish Insolvency Act generally prohibits set-off of the credits and debts of the insolvent company once it has been declared insolvent, but (such set-off can still apply when (i) the legal requirements in order to operate were met before the declaration of insolvency (even if such set-off is alleged afterwards, or the creditor communicated the existence of the claim to the insolvency administrator); or (ii) the claims and debts arise from the same legal relation. However, set-off may be exercised by a determined creditor vis-à-vis the insolvent company if the governing law of the reciprocal credit right of the insolvent company permits it under insolvency scenarios.

### Temporary special insolvency provisions enacted due to the COVID-19 pandemic

The effects and impact derived from the COVID-19 pandemic have led the Spanish Government to enact a series of regulations that introduce or establish certain temporary measures in the field of insolvency law aimed at the preservation of the Spanish business tissue and the creation of a stable restructuring scenario. These regulations include, mainly, Royal Decree-Law 8/2020, of March 17, of urgent extraordinary measures to mitigate the economic and social impact of COVID-19 (*Real Decreto-ley 8/2020, de 17 de marzo, de medidas urgentes extraordinarias para hacer frente al impacto económico y social del COVID-19*), Royal Decree-Law 16/2020, of April 28, of procedural and organizational measures against COVID-19 in the field of the Department of Justice (*Real Decreto-ley 16/2020, de 28 de abril, de medidas procesales y organizativas para hacer frente al COVID-19 en el ámbito de la Administración de Justicia*), which was repealed by and its relevant provisions incorporated in Law 3/2020, of September 18, of procedural and organizational measures against COVID-19 in the field of the Department of Justice (*Ley 3/2020, de 18 de septiembre, de medidas procesales y organizativas para hacer frente al COVID-19 en el ámbito de la Administración de Justicia*), Royal Decree-Law 34/2020, of November 17, of urgent measures to support corporate solvency and the energy sector, and on tax matters (*Real Decreto-ley 34/2020, de 17 de noviembre, de medidas urgentes de apoyo a la solvencia empresarial y al sector energético, y en materia tributaria*), and Royal Decree-law 5/2021, of March 12, of extraordinary measures to support the corporate solvency in response to the COVID-19 pandemic (*Real Decreto-ley 5/2021, de 12 de marzo, de medidas extraordinarias de apoyo a la solvencia empresarial en respuesta a la pandemia de la COVID-19*) (altogether the “COVID-19 Regulations”). Among other measures related to debtors which have already filed for insolvency or subject to opened insolvency proceedings or which have entered into CVAs or refinancing agreements before the enactment of the COVID-19 Regulations, the main measures related to insolvency law introduced by the COVID-19 Regulations summarily include:

1. Insolvency moratorium: the COVID-19 Regulations entailed the introduction and subsequent extensions of an exemption for directors in relation to their duty to file for insolvency irrespective of whether they have notified the Court of the initiation of negotiations for debt restructuring with creditors.

2. New money provided by specially related persons: the COVID-19 Regulations set forth that as regards insolvency proceedings declared within two years of the declaration of the state of alarm (*estado de alarma*) in Spain, i.e. March 14, 2020, new money provided by specially related persons and any claims in which such specially related person is subrogated after such date due to a payment of debts on behalf of the debtor will have the consideration of ordinary claims, thus not subordinated, regardless the privileges which could exist.

3. Insolvency proceedings and liquidation plans: the COVID-19 Regulations introduced different measures to accelerate insolvency proceedings. In relation to those insolvency proceedings opened within two years of the declaration of the state of alarm (*estado de alarma*) in Spain, i.e. March 14, 2020, challenges against the list of creditors or assets (*inventario*) will need to be sustained on documentary or expert evidence (*prueba pericial*). In relation to those insolvency proceedings already opened at the date of declaration of the state of alarm (*estado de alarma*) or those opened until 31 December 2021, and subject to certain exceptions, all auctions shall be out of court auctions (*subastas extrajudiciales*). Finally, as a general measure, the approval of liquidation plans, or sales of the business on a going concern within the insolvency proceedings, have been expedited.

*The Cayman Islands*

Under Cayman Islands law, the Grand Court of the Cayman Islands (the “Cayman Court”) has the jurisdiction to make winding up orders and appoint official liquidators in respect of any company liable to be wound up under the Cayman Islands Companies Act (as revised) (the “Companies Act”) including, amongst others, companies incorporated and registered in the Cayman Islands under the Companies Act and foreign companies which have property located in the Cayman Islands, carry on business in the Cayman Islands, are the general partner of a Cayman Islands limited partnership or are registered as an overseas company under Part IX of the Companies Act.

A shareholder, a creditor (including a contingent or prospective creditor), the company itself or (in respect of regulated businesses), the Cayman Islands Monetary Authority can present a petition to the Cayman Court seeking the winding up of a company and the appointment of official liquidators in certain circumstances as set out in the Companies Act including amongst other things on the basis that: (a) the company is unable to pay its debts (that is, cash flow insolvent); or (b) the Cayman Court is of the opinion that it is just and equitable that the company be wound up.

A Cayman Islands company may also be wound up voluntarily pursuant to a voluntary liquidation without the need for an order of the Cayman Court, which is usually commenced by the passing of a special resolution of its voting shareholder(s). However, in certain circumstances, including where the company is insolvent, voluntary liquidations can become subject to the supervision of the Cayman Court and continue as an official liquidation.

Official liquidators are officers of the Cayman Court and must be qualified insolvency practitioners (usually, experienced specialist accountants). Both official and voluntary liquidators are responsible for winding up the affairs of the company and their primary duty will be to collect in and realize the company’s assets and distribute them *pari passu* to the company's creditors in accordance with the statutory waterfall of payments (subject to any valid subordination agreements), with any surplus funds available for distribution to the company's shareholders. The powers of the directors of a company will cease upon the appointment of official liquidators who will control the company's affairs, subject to the Cayman Court's supervision. Where a company is subject to an official or provisional liquidation, an automatic stay is imposed prohibiting any suit, action or other proceeding from being proceeded with or commenced against the company without the leave of the Cayman Court and any rights of action against the company are converted into claims in the liquidation proceedings. Notwithstanding the making of a winding up order, a secured creditor is not subject to this statutory moratorium and may enforce any valid security interest without reference to the liquidators or the Cayman Court.

Creditors of the company are called upon to submit “proofs of debt” in the liquidation, which claims are then adjudicated by the liquidator acting in a quasi-judicial capacity. A creditor has a right of appeal regarding any decision taken by a liquidator in relation to its proof of debt (including in relation to questions of priority) and other creditors may in certain circumstances apply to expunge a proof which has been admitted by the liquidator.

Subject to there being limited classes of preferred creditors, and to any valid subordination arrangements, claims of ordinary unsecured creditors are usually paid on a pro rate basis. Liquidators may pay cash distributions in any currency they consider appropriate.

There is no direct equivalent under Cayman Islands law to Chapter 11 of the U.S. Bankruptcy Code. However, a company, if properly authorized, can also petition for its own winding up and apply for the appointment of provisional liquidators on the grounds that it is, or is likely to become, unable to pay its debts and intends to present a compromise or arrangement to its creditors with the protection of an automatic statutory stay. Provisional liquidators only have the powers given to them in the appointment order made by the Cayman Court and the scope of those powers will depend on the reason for their appointment. In certain circumstances, the directors of the company may be allowed to remain in control of the company (subject to the supervision of the provisional liquidators and the Cayman Court) whereas in other cases, the directors’ powers may cease entirely for the duration of the provisional liquidation.

A Cayman Islands scheme of arrangement may be proposed (either inside or outside of a liquidation) between a company and its creditors or shareholders or any class or classes of them. Scheme proceedings may be commenced by the company, by any creditor or shareholder of the company or (where the company is being wound up) by a liquidator. However, scheme proceedings commenced by a creditor or shareholder would require the support of the company prior to commencement.

To be effective, a scheme of arrangement requires the consent of a majority in number representing 75% in value of each class of shareholders or creditors attending and voting at the relevant meeting (either in person or by proxy) in addition to the sanction of the Cayman Court. Once effective, the scheme of arrangement will be binding on all shareholders or creditors of the company in accordance with its terms (including those who voted against the scheme of arrangement or not at all). There is no automatic moratorium on the commencement of scheme proceedings but if the scheme of arrangement is proposed and implemented within an official or provisional liquidation, there will be a statutory moratorium against unsecured creditor claims.

***The Dominican Republic may impose exchange controls or currency restrictions, which may in turn limit the ability of the Issuer or the Guarantors to make payments on amounts owed under the Notes or the Guaranties.***

A large portion of Andres' and DPP's revenues are derived from sales of capacity and associated energy to EDE-Este, EDE-Norte, EDE-Sur and CDEEE, pursuant to PPAs with each of the DISCOs. Andres and DPP invoice the DISCOs in U.S. dollars. However, payments under each PPA may be made in U.S. dollars and, if the parties to each PPA so agree, in Dominican Pesos. If the Dominican Republic were to impose a different exchange rate system with the result that the Dominican Peso ceased to be freely convertible or transferable abroad or that the Dominican Peso were significantly depreciated relative to the U.S. dollar, then the ability of Andres and DPP to purchase U.S. dollars may be adversely affected and Andres and DPP might be forced to hold Dominican Pesos or accept an unfavorable exchange rate. This, in turn, may limit the ability of the Issuer and the Guarantors to obtain the necessary amount of U.S. dollars to make the payments under the Notes or the Guaranties. Likewise, if the Dominican Government were to reduce or eliminate the ability of Andres and DPP to remit money outside of the Dominican Republic, the Issuer and the Guarantors may be limited in their ability, or unable, to satisfy their obligations under the Notes and the Guaranties.

***There is no public market for the Notes and the Issuer may not be successful in listing the Notes on the Luxembourg Stock Exchange or any other regulated exchange within the European Union.***

The Notes are a new issue of securities for which there is currently no active trading market. The Notes have not been registered under the Securities Act or the securities laws of any state or any other jurisdiction and, unless so registered, the Notes may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable securities laws of any state or any other jurisdiction. If the Notes are traded after their initial issuance, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities and other factors, including general economic conditions and the Issuer's, Andres' and DPP's financial condition, performance and prospects. As a result, an active trading market may not develop for the Notes. The Issuer will apply to list the Notes on the Official List of the Luxembourg Stock Exchange and to obtain admission to trade them on the Euro MTF Market of such exchange. Under the Luxembourg listing rules, certain financial and other information regarding the Guarantors will need to be filed or otherwise made available to the Luxembourg Stock Exchange. If any European or national legislation is adopted and is implemented or takes effect in Luxembourg in a manner that would require the Issuer or the Guarantors to publish or produce financial statements according to accounting principles or standards that are different from IFRS, or that would otherwise impose requirements on them that the Issuer, in their discretion determine are impracticable or unduly burdensome, the Issuer may apply to delist the Notes. If the Notes are not listed on the Luxembourg Stock Exchange or any other exchange, it is unlikely that an active trading market will develop for the Notes.

***The market value of the Notes may depend on economic conditions in Latin America over which Andres and DPP have no control.***

The market value of securities of Dominican companies, including Andres and DPP, is affected to varying degrees by economic and market conditions in other Latin American countries. Although economic conditions in such countries may differ significantly from economic conditions in the Dominican Republic, investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Dominican companies. International financial markets have experienced volatility in the past due to a combination of international political and economic events. Future negative political and/or economic development in other Latin American countries may adversely affect the market value of the Notes.

***It may be difficult to enforce civil liabilities against Andres and DPP or their respective directors, officers and controlling persons.***

Andres BV is a private limited liability company organized under the laws of the Netherlands. DPP is an exempted company incorporated with limited liability under the laws of the Cayman Islands. Andres DR is a corporation (*sociedad anónima*) organized under the laws of the Dominican Republic. A majority of the directors and all of the external auditors of the Issuer and DPP reside outside the United States. Substantially all of the assets of the Issuer and the Guarantors are located outside the United States. As a result, it may not be possible for Noteholders to effect service of process within the United States upon the Issuer or the Guarantors, or these other persons to enforce judgments obtained against them in United States courts predicated upon the civil liability provisions of the United States federal securities laws, other federal laws of the United States or laws of the several states of the United States.

***The Issuer may not be able to obtain the funds required to repurchase the Notes upon a Change of Control Triggering Event.***

Under the Indenture governing the Notes, the Issuer will be required to offer to purchase the Notes at a price equal to 101% of the aggregate principal amount of the Notes repurchased plus accrued and unpaid interest, plus certain other amounts, to the date of purchase in the event of a “Change of Control Triggering Event”, as such term is defined under “Description of the Notes—Certain Definitions—Change of Control Triggering Event”. If a Change of Control Triggering Event were to occur, Andres BV and/or the Guarantors may not have sufficient funds available, or may not be able to obtain the funds needed, to pay the purchase price for all the Notes tendered by Holders deciding to accept the repurchase offer. See “Description of the Notes—Repurchase at the Option of the Holders—Change of Control Triggering Event”.

***Effective subordination of the Notes and the Guaranties may reduce amounts available for payment of the Notes.***

The Notes and the Guaranties are unsecured. Accordingly, the Notes and the Guaranties effectively rank junior to all of the secured obligations of Andres and the Guarantors, and their respective subsidiaries, as the case may be, to the extent of the assets securing those obligations. In the event of a bankruptcy, liquidation or similar proceeding, or if payment under any secured obligation is accelerated, claims of any secured creditors will be prior to any claim of the Noteholders to the extent of the assets securing such claims. After the claims of the secured creditors are satisfied there may not be assets remaining to satisfy the Issuer’s or Guarantors’ obligations under the Notes or the Guaranties. As of December 31, 2020, neither the Issuer nor the Guarantors had secured debt. Nonetheless, the indenture governing the Notes permits the Issuer, the Guarantors and their subsidiaries to incur secured debt under specified circumstances. See "Description of the Notes—Limitation On Liens" and "Description of the Notes—Certain Definitions—Permitted Liens."

***The Notes will be structurally subordinated to the indebtedness of subsidiaries of the Issuer and the Guarantors that do not guarantee the Notes.***

The Notes will be structurally subordinated to the indebtedness and other liabilities of subsidiaries of the Issuer and the Guarantors that do not guarantee the Notes. Except to the extent that the Issuer or the Guarantors are a creditor with recognized claims against such other subsidiaries, all claims of creditors (including trade creditors) and holders of preferred stock, if any, of such other subsidiaries will have priority with respect to the assets of such subsidiaries over the Issuer’s and the Guarantors’ rights as owners of such other subsidiaries (and therefore the claims of creditors of the Issuer and the Guarantors, including Noteholders).

***If the Issuer or the Guarantors entered into a bankruptcy, liquidation, or similar proceeding in the Dominican Republic, subordinated and unsubordinated debt would be given the same priority.***

In a bankruptcy, liquidation or restructuring proceeding under Dominican law, subordination agreements could be disregarded. In such a case, subordinated and unsubordinated creditors (including Noteholders) would have the same priority —although it is worth noting that the Dominican bankruptcy law application norm issued through Executive Decree No. 20-17 provides, regarding pro rata distributions under a liquidation scenario, that if any

proceeds remain from the sale of the debtor's asset under a liquidation scenario after privileged and unsecured creditors have been paid off in full, the remaining funds shall be distributed on a pro rata basis among the subordinated creditors. The Indenture governing the Notes allow Andres and DPP and certain future subsidiaries to incur subordinated debt, and to refinance, repay, redeem, repurchase or otherwise acquire or retire for value certain subordinated indebtedness. If Andres or DPP were to undergo bankruptcy, liquidation or a restructuring proceeding under Dominican law, holders of Andres' or DPP's debt or the debt of any future subsidiary of, Andres or DPP that was contractually subordinated to the prior payment of the Notes (or the prior payment of the Guaranties), could have the same rights as holders of the unsubordinated debt of Andres and DPP. Therefore, you may lose your priority over any subordinated debt Andres and DPP may incur in bankruptcy conducted under Dominican law.



## FOREIGN EXCHANGE

### Foreign exchange

When the Dominican Peso came into existence in 1947, the Dominican Government had a fixed exchange rate system with an exchange rate of RD\$1.00 per U.S. dollar. This system was predominant in the world market following the rise of the U.S. dollar after the Bretton Woods Accords. In the early 1960s, after the death of President Trujillo, pressure on fiscal accounts resulted in current account deficits. The refusal to devalue the currency stimulated the creation of a parallel unregulated foreign exchange market and the gradual transfer of foreign exchange transactions from the official market to the parallel market. In 1985, the exchange rates of both markets were aligned.

Under this foreign exchange regime, the devaluation rate followed closely the inflation differential between the Dominican Republic and the United States. The exchange rate system operated in two segmented markets, an official foreign exchange market operated by the Central Bank and a free market operated by commercial and exchange banks.

In December 2002, the parallel foreign exchange market was eliminated with the enactment of the Monetary and Financial Law No. 183-02, or the Monetary Law. The Monetary Law introduced the principle of currency exchange freedom to the Dominican Republic, eliminating all administrative restrictions to the exchange of the Dominican Peso for other currencies. This law also eliminates all restrictions to contract in foreign currency.

Under the Monetary Law, the exchange rate for the Dominican Peso to other currencies is freely determined by the demand for and supply of foreign currency. Companies, national or foreign, may freely convert Dominican Pesos into foreign currency, and vice versa, through any entity that is authorized to operate in the foreign exchange market by the Monetary Board of the Dominican Republic.

The Monetary Board of the Dominican Republic is permitted, with a two-thirds majority vote of its members, to temporarily set limits to the entry of short-term foreign capital in the Dominican Republic, provided that these limits are equitable, non-discriminatory and in good faith. For reference purposes only, the Central Bank publishes, on a monthly basis, currency purchase and sale rates, based on the average rates used daily by the duly authorized exchange agents.

	<b>Purchase and Sale Average Rates</b>			
	<b>High</b>	<b>Low</b>	<b>Average</b>	<b>Period End</b>
	<b>(Dominican Pesos per U.S. dollar)</b>			
<b><u>Year</u></b>				
2016.....	45.9884	46.0765	46.0325	46.0300
2017.....	47.4376	47.5368	47.4872	48.2993
2018.....	49.4306	49.5151	49.4729	50.2762
2019.....	51.2027	51.3068	51.2548	52.9601
2020.....	56.4657	56.5783	56.5220	58.3259
<b><u>Month Ended</u></b>				
January 31, 2021 .....	58.0690	58.3065	58.1878	58.1694
February 28, 2021 .....	57.8433	58.0968	57.9701	58.0033
March 31, 2021 .....	57.1752	57.4518	57.3135	57.0614
April 1 through April 29, 2021.....	57.0287	56.7359	56.8823	57.0287

The average and period end rates are the ones used in the preparation of Andres' and DPP's financial statements.

## **USE OF PROCEEDS**

The gross proceeds from the sale of the Notes will be \$300.0 million.

From the gross proceeds of the Notes, Andres BV will pay fees and expenses of the offering in an amount estimated at approximately \$5.1 million. Andres BV will use up to \$270.1 million of the remaining proceeds to purchase for cash any and all of the \$270.1 million aggregate principal amount of the outstanding 2026 Andres-DPP Notes that are tendered, not withdrawn and accepted for purchase pursuant to the Tender Offer Documents, excluding interest, deferred financing cost and unamortized discount. Any remaining proceeds will be used to redeem any of the 2026 Andres-DPP Notes that are not tendered in the Tender Offer, to partially repay the Domi Trading Credit Facility and the remainder, if any, for general corporate purposes.

## CAPITALIZATION OF ANDRES AND DPP COMBINED

The following table sets forth the capitalization of Andres and DPP (i) on an actual basis based on Andres' and DPP's unaudited combined financial information as of December 31, 2020; and (ii) on an adjusted (unaudited) basis to give effect to certain events subsequent to December 31, 2020 and the completion of this offering and the application of the net proceeds to be received by Andres as described under "Use of Proceeds".

This table should be read in conjunction with the audited consolidated financial statements of Andres and the audited financial statements of DPP included elsewhere in this offering memorandum, "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

<b>COMBINED CAPITALIZATION</b>	<b>As of December 31, 2020</b>	
	<b>Actual (unaudited)<sup>(1)</sup></b>	<b>As Adjusted (unaudited)<sup>(2)</sup></b>
	<i>(in thousands of U.S. dollars)</i>	
Cash and cash equivalents.....	\$67,029	\$67,029
Short-term debt <sup>(3)</sup> .....	\$75,951	\$61,956
Notes offered hereby .....	–	\$294,832
Long-term debt – net <sup>(4)</sup> .....	\$557,312	\$294,341
<b>Total debt, net</b> .....	<b>\$633,263</b>	<b>\$651,128</b>
<b>Total stockholders' equity<sup>(5)</sup></b> .....	<b>\$319,422</b>	<b>\$308,685</b>
<b>Total capitalization</b> .....	<b>\$952,685</b>	<b>\$959,814</b>

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- (1) The capitalization table above includes (i) \$270.1 million principal outstanding under the 2026 Andres-DPP Notes, as of December 31, 2020, adjusted at its amortized cost, given that under IFRS debt is recorded at its amortized cost using the effective interest rate method (amortized cost is calculated by taking into account any initial premium or discount on the notes and includes any transaction costs that are an integral part of the effective interest rate) and (ii) accrued interest of \$2.9 million owed under the 2026 Andres-DPP Notes, as of December 31, 2020. We intend to repay all of the outstanding \$270.1 million nominal amount of the 2026 Andres-DPP Notes (excluding interest, deferred financing cost and unamortized discount), assuming all the full amount of the 2026 Andres-DPP Notes are tendered, not withdrawn and accepted for purchase on the early settlement date as described in the Tender Offer Documents, with the net proceeds of this offering.
  - (2) As adjusted to reflect (i) the receipt of the estimated net proceeds from the issuance of the Notes, after deduction of expenses and the underwriting discount associated with the offering, of \$5.1 million, and (ii) the payment of \$270.1 million purchase price under the Tender Offer, excluding the tender premium, assuming the full amount of the outstanding 2026 Andres-DPP Notes are tendered, not withdrawn and accepted for purchase on the early settlement date as described in the Tender Offer Documents.
  - (3) Short term-debt is the total of line of credit and loans payable current, net.
  - (4) Long term-debt is the total of bonds payable, net and non-current loans payable, net.
  - (5) Total stockholders' equity as adjusted to reflect expenses related to the Tender Offer, including the payment of the tender premium, which expenses are estimated to be \$10.7 million.

## SELECTED FINANCIAL AND OPERATING DATA OF ANDRES AND DPP

The following table presents selected financial and operating data of Andres and DPP as of and for each of the years indicated. You should read the information below together with the audited consolidated financial statements of Andres and the audited financial statements of DPP and the related notes thereto as well as the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” each included elsewhere in this offering memorandum. The combined statements of income data for the years ended December 31, 2020, 2019 and 2018, and the combined statements of financial position data as of December 31, 2020 and 2019, are derived from the audited consolidated financial statements of Andres and the individual audited financial statements of DPP and the related notes thereto included elsewhere in this offering memorandum. The financial statements referred to above have been prepared in accordance with IFRS as issued by the IASB.

The other financial and operating data for the years ended December 31, 2020, 2019 and 2018 and as of December 31, 2020 and 2019, are derived from publicly available information from the OC or management data.

	<b>For the years ended December 31,</b>		
	<b>(unaudited)</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<i>(in thousands of U.S. dollars)</i>		
<b>STATEMENT OF COMBINED INCOME DATA:</b>			
<b>Revenues</b>			
Electricity sales (contract and spot market) .....	478,912	520,656	522,551
Natural gas sales .....	231,531	153,225	129,486
Other sales (non-electricity) .....	3,440	2,991	510
<b>Total revenues</b> .....	<b>713,883</b>	<b>676,872</b>	<b>652,547</b>
<b>Operating costs and expenses</b>			
Costs of revenues-electricity purchases, fuel costs used for generation and transmission charges.....	(264,217)	(256,971)	(286,107)
Costs of revenues-fuel purchased for resale and related costs .....	(149,953)	(85,500)	(72,206)
Gain (loss) on derivative financial instruments .....	572	(223)	(1,298)
Operating, general and maintenance expenses .....	(111,952)	(106,103)	(97,807)
<b>Operating income</b> .....	<b>188,333</b>	<b>228,075</b>	<b>195,129</b>
<b>Other (expenses) income</b>			
Interest expense, net .....	(38,121)	(26,867)	(29,525)
Equity loss in investment in affiliates.....	(687)	(1,160)	-
Debt discount amortization.....	(499)	(516)	(383)
Other income (expense), net.....	1,646	85,470	(5,374)
Exchange gain, net.....	11,929	3,954	78
<b>Income before income tax expense</b> .....	<b>162,601</b>	<b>288,956</b>	<b>159,925</b>
Income tax expense .....	(55,284)	(93,808)	(47,619)
<b>Net income</b> .....	<b>107,317</b>	<b>195,148</b>	<b>112,306</b>

	As of December 31, (unaudited)	
	2020	2019
	<i>(in thousands of U.S. dollars)</i>	
<b>STATEMENT OF COMBINED FINANCIAL POSITION DATA:</b>		
<b>Total assets</b> .....	<b>1,116,949</b>	<b>1,164,019</b>
<b>Total current assets</b> .....	<b>269,445</b>	<b>337,757</b>
Cash and cash equivalents .....	67,029	75,525
Short-term investments .....	92	95
Accounts receivables:		
Related parties .....	26,172	18,705
Other accounts receivable related party .....	28,043	9,552
Trade, net .....	110,992	202,309
Trade receivables – lease .....	161	-
Inventories, net .....	26,444	29,389
Other non-financial assets .....	2,135	2,062
Other financial assets.....	109	120
Income tax receivable .....	8,268	-
<b>Total non-current assets</b> .....	<b>847,504</b>	<b>826,262</b>
Property, plant and equipment, net .....	776,753	764,653
Right-of-use-assets, net .....	5,009	4,161
Other assets .....	20,886	9,904
Investment in affiliate .....	44,856	47,544
<b>Total liabilities and stockholders' equity</b> .....	<b>1,116,949</b>	<b>1,164,019</b>
<b>Total current liabilities</b> .....	<b>142,964</b>	<b>156,594</b>
Accounts payable (suppliers and other liabilities and related parties).....	63,522	89,374
Line of credit .....	30,000	25,000
Lease liabilities .....	668	244
Income tax payable .....	2,716	41,915
Loans payable current, net .....	45,951	-
Other financial liabilities .....	107	61
<b>Total non-current liabilities</b> .....	<b>654,563</b>	<b>651,236</b>
Bonds payable, net .....	520,688	519,405
Loans payable, net.....	36,624	49,492
Deferred income tax, net .....	86,985	78,181
Other liabilities .....	10,266	4,158
<b>Total stockholders' equity</b> .....	<b>319,422</b>	<b>356,189</b>

	For the years ended December 31, (unaudited)		
	2020	2019	2018
	<i>(in thousands of U.S. dollars, except percentages, technical data and ratios)</i>		
<b>OTHER COMBINED DATA:</b>			
Commercial margin <sup>(1)</sup> .....	300,285	334,178	292,926
Commercial margin / Revenues (%) .....	42%	49%	45%
Operating income .....	188,333	228,075	195,129
Operating income / Commercial margin (%) .....	26%	34%	30%
Capex <sup>(2)</sup> .....	75,733	159,530	43,435
EBITDA <sup>(3)</sup> / Net Interest expense <sup>(5)</sup> (x) .....	6.16	10.12	8.13
(EBITDA <sup>(3)</sup> - Capex <sup>(2)</sup> ) / Net Interest expense (x) .....	4.17	4.18	6.66
<b>Total Debt / EBITDA<sup>(3)</sup> <sup>(5)</sup> (x)</b> .....	<b>2.70</b>	<b>2.18</b>	<b>2.21</b>

	<b>For the years ended December 31,</b>		
	<b>(unaudited)</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Installed Capacity (MW) .....	678	678	678
Firm capacity (MW) .....	608	506	472
Contracted capacity (MW) <sup>(3)</sup> .....	656	647	643
GWh generated .....	3,541	4,330	4,464
GWh sold .....	4,730	4,845	5,089
Foreign exchange rate .....	58.3259	52.9601	50.2762

- (1) Costs of revenues is the total of electricity purchases and fuel costs used for generation, fuel purchased for resale and related costs and gain (loss) on derivative financial instruments.
- (2) Capex is comprised by the total of acquisition of property, plant and equipment, advance payments for the acquisition of property, plant and equipment and acquisition of intangible assets (included in cash flows from investing activities).
- (3) Andres and DPP present combined EBITDA (earnings before interest, taxes, depreciation and amortization) as a supplemental measure of performance. Andres and DPP calculate combined EBITDA by adding depreciation, amortization of right-of-use assets, amortization of intangible assets (included in operating costs and expenses) to operating income. EBITDA is not a IFRS measure and should not be considered as an alternative measure to any measure of operating results as promulgated under IFRS, such as operating income or net income, or as an alternative indicator of liquidity, such as cash flows from operations, nor should it be considered as an indicator of Andres and DPP's combined overall performance. Moreover, Andres' and DPP's method for calculating EBITDA may differ from the method utilized by other companies and therefore comparability may be limited. The definition of EBITDA used here differs from the definition of "Consolidated EBITDA" used in the "Description of the Notes."
- (4) Contracted capacity does not include short-term intercompany transactions.
- (5) EBITDA/Interest expense and Debt to EBITDA ratios should not be considered as an alternative to, in isolation from, or as a substitute for analysis of Andres' or DPP's financial condition or results of operations, as reported in this offering memorandum.

	<b>For the years ended December 31,</b>		
	<b>(unaudited)</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<i>(in thousands of U.S. dollars)</i>		
<b>EBITDA RECONCILIATION</b>			
Net income .....	107,317	195,148	112,306
Depreciation and amortizations <sup>(1)</sup>	46,402	43,832	44,876
Interest expense, net	38,121	26,867	29,525
Equity loss in investment in affiliate	687	1,160	-
Debt discount amortization	499	516	383
Other income (expense), net	(1,646)	(85,470)	5,374
Exchange gain, net	(11,929)	(3,954)	(78)
Income tax expense .....	55,284	93,808	47,619
<b>EBITDA <sup>(*)</sup></b> .....	<b>234,735</b>	<b>271,907</b>	<b>240,005</b>

- (1) Depreciation and amortization are the total of depreciation, right-of-use assets amortization and amortization of intangible assets (included in operating, general and maintenance expenses).
- (\*) Andres and DPP present combined EBITDA (earnings before interest, taxes, depreciation and amortization) as a supplemental measure of performance. Andres and DPP calculate combined EBITDA by adding depreciation, amortization of right-of-use assets and amortization of intangible assets (included in operating, general and maintenance expenses) interest expense, net, equity loss in investment in affiliate, debt discount amortization, other income (expense), net, exchange gain, net and income tax expense to net income. EBITDA is not a IFRS measure and should not be considered as an alternative measure to any measure of operating results as promulgated under IFRS, such as operating income or net income, or as an alternative indicator of liquidity, such as cash flows from operations, nor should it be considered as an indicator of Andres' and DPP's combined overall performance. Moreover, Andres' and DPP's method for calculating EBITDA may differ from the method utilized by other companies and therefore comparability may be limited. The definition of EBITDA used here differs from the definition of "Consolidated EBITDA" used in the "Description of the Notes."

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

*The accompanying management's discussion and analysis of financial condition and results of operations should be read in conjunction with the audited consolidated financial statements of Andres and the audited financial statements of DPP and related notes thereto. These financial statements have been prepared in accordance with IFRS. This offering memorandum also includes certain unaudited combined financial information of Andres and DPP (entities under AES common control) as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020. Such unaudited combined financial information of Andres and DPP has been prepared by the management of Andres and DPP for inclusion in this offering memorandum and has not been audited by Ernst & Young, S.R.L. (formerly Ernst & Young Asociados).*

### **Factors Affecting Results of Operations**

All of Andres' and DPP's operations are conducted in the Dominican Republic and all of their revenues are generated in the Dominican Republic. Andres and DPP derive their revenues from the sale of energy and related capacity through their PPAs with government-owned CDEEE, EDE-Este, EDE-Sur and EDE-Norte, NRUs and into the spot market. Andres also generates revenues from the sale of natural gas to DPP and third parties. These revenues include capacity payments, PPAs and spot market sales for all assets. Andres' and DPP's margins are primarily driven by general macroeconomic conditions in the Dominican Republic, energy demand and energy demand growth, the availability of their power generation units, the condition and performance of the Dominican electricity sector, competition and international fuel prices for natural gas. On the supply side, Andres imports LNG pursuant to the ABS Contract, which expires in 2023, under a take-or-pay commitment to purchase 33.6 TBtu per year to cover the generation requirement for Andres' and DPP's power plants, at a price based on NYMEX Henry Hub Index, plus a premium, and from LNG contracts with TOTAL to cover third-party LNG sales.

Andres and DPP have contracted 655.3 MW of their capacity through PPAs with the DISCOs and various NRUs. Andres' long-term PPA with the DISCOs (275 MW in total) will expire in April 2022. DPP's long-term PPA with CDEEE (270 MW) will expire in December 2022. Andres has entered into certain contracts with NRUs (58.6 MW) as well as DPP (51.7 MW).

### ***Macroeconomic Conditions***

The Dominican economy is highly dependent on: (i) international trade and revenues from national exports, primarily to the United States, Europe, and to its neighboring country of Haiti, (ii) tourism and (iii) remittances from Dominicans living abroad.

### ***COVID-19***

In December 2019, the first cases of COVID-19 noticed in Wuhan, Hubei province, were reported to the World Health Organization, with more cases soon confirmed in multiple provinces in China. On March 11, 2020, the World Health Organization characterized the COVID-19 as a pandemic. Governments have undertaken several measures across the world to control the coronavirus, including mandatory quarantines and travel restrictions.

The measures implemented so far, together with lower external demand, have resulted in a slowdown in economic activity that the Dominican Government believes adversely affected economic growth in 2020, to a degree that we cannot fully quantify as of the date of this offering memorandum. Restrictive measures put in place to control the outbreak of contagious diseases or other public health developments in the Dominican Republic may, as in other countries, have an unintended adverse effect on the Dominican Republic's economy. GDP growth has been negative in 2020, and the Dominican Government's fiscal deficit has increased during such year.

Even though global economic activity is expected to increase in 2021 and the Dominican Republic projects real GDP growth during such year, given the uncertainty of the duration of COVID-19, at this time, it is difficult to predict its impact on the Dominican Republic's economy in 2021 and the following years. In the medium-to-long term, if the spread of COVID-19 is prolonged, it could adversely affect the economies and financial markets of the

Dominican Republic and of many other countries. The occurrence of these events could have an adverse effect on the Dominican Republic's economy. See "*Risk Factors— Risk Factors Relating to the Dominican Republic.*"

#### *Electricity Sector in the Dominican Republic*

Electricity generators and distributors have been beset by financial problems that have resulted in frequent blackouts, widespread public protests and several temporary and permanent shutdowns of generating plants. Distributors, which have experienced financial difficulties because of late payments and collection problems, have been unable to meet all of their payment obligations to generators, which have consequently incurred significant debt to finance operations.

The Dominican Government coordinates the generation, transmission and distribution of energy primarily through the CDEEE. From 2015 to 2020, the Dominican Government has provided annual subsidies to CDEEE to cover operating deficits resulting from increases in fuel costs and continued inefficiencies in collections and operations.

During 2018, the deficit for the electricity sector was \$643.6 million, representing an increase of 113.2% compared to the deficit recorded in 2017, mainly due to an increase in international oil prices and the fact that the Andres power plant was inoperative, in whole or in part, during the last four months of the year due to damage caused by lightning. During 2019, the deficit for the electricity sector was \$827.4 million, representing an increase of 28.6% as compared to the deficit recorded during 2018, mainly due to an increase in the provision of electricity service, payments due to generators and high non-technical losses.

#### *Electricity Sales*

Andres and DPP derive the majority of their electricity revenues through the sale of contracted capacity and associated energy. The price structures of the PPAs provide a monthly or biannual indexation for fluctuation in fuel prices and CPI. Annual electricity revenues vary significantly year to year, as increases or decreases in fuel prices affect the price of each contract.

Each contract establishes a fixed capacity price normally related to the marginal price of peak generation in the system at the time of execution of the contract. The capacity price is paid per kW of contracted capacity per month and is subject to a monthly adjustment for CPI. The volume or amount of capacity committed in each contract is explicitly referenced such that the product of the contracted capacity and the capacity price mentioned above equate to the capacity sales under each long-term contract.

Each contract establishes an energy pricing structure through a formula that provides a price to be applied to the supplied quantities of energy in a given month. The formula includes variables such as base energy price (calculated as of the date of the contract) and escalators that adjust the price for changes in inflation and for variances in fuel prices. Andres' and DPP's contracts are indexed monthly for changes in natural gas prices. The amount of associated energy applicable under each contract is a function of the peak demand of the off-taker in relation to contracted capacity. The contracted capacity represents a percentage of the off-taker's peak demand for each calendar year, which percentage is then applied to the hourly energy consumption of each off-taker, as measured at their delivery nodes.

The main characteristics of Andres' and DPP's PPA contracts are as follows:

- The contracts are denominated in U.S. dollars.
- The price structures of the PPAs provide monthly indexation for changes in U.S. CPI and, in the case of thermal power plants, for changes in natural gas prices.
- The fuel pricing components of the contracts are closely linked to Andres' and DPP's fuel cost structures. Small deviations are due to power plant efficiencies as defined in the PPAs, which on average are lower than actual values.



The PPA contracts with NRUs also contemplate:

- A performance bond or a stand-by letter of credit as guarantee from the clients for the equivalent of two months of invoices.
- Maximum yearly energy demand limits on the clients.
- An average initial duration of the contracts of five years, with a remaining average life of 4.3 years.

The main characteristics of Andres' natural gas agreements are as follows:

- Are denominated in U.S. dollars.
- The agreements' duration varies from three to 12 years.
- Minimum natural gas volumes are required to be declared annually.
- Pass-through of the LNG procurement conditions (price and take-or-pay obligations), with the price metric being based on the client's requirements (such as the Brent Oil Index, NYMEX HHI Index or other).
- Clients must provide financial guarantees to cover one to six months of the declared volumes during the year.
- Fees vary depending on the distribution channel and the point of delivery (clients may be supplied through the truck loading terminal or through the pipeline). Fees are adjusted annually as per U.S. CPI.
- Declared volumes become subject to the take-or-pay condition under each agreement.
- Prepaid bill on a monthly basis.

#### ***Fuel Costs and Variable Margins***

The majority of Andres' and DPP's fuel costs for generation derive from natural gas purchases under contracts with different fuel providers.

Andres obtains its supply of LNG pursuant to a contract with a BP subsidiary, with LNG pricing linked to the NYMEX Henry Hub Index. Andres, in turn, resells a portion of that LNG to DPP under a long-term contract also indexed to the NYMEX Henry Hub Index.

Through this structure, the changes in LNG prices are passed on to the ultimate off-taker, thereby minimizing the impact on Andres' and DPP's variable margins.

#### ***Spot Market Transactions***

Andres and DPP also actively participate in the Dominican electricity spot market. In the case of generators, spot market transactions balance the hourly differences between the generators' actual dispatch of energy and their contractual commitments to supply energy and capacity. Dispatch is determined using a cost based merit order, without taking into consideration any contractual obligation among the parties. A generator whose dispatched energy and firm capacity are greater than their contractual commitments to supply energy and capacity at any given time is automatically a net seller in the spot market; the reverse is true for a generator whose dispatched energy and available capacity are less than its contractual commitments.

Andres and DPP are usually, on an annual basis, net sellers in the spot market, and their surplus energy is sold into the spot market at the then-prevailing spot price. However, on a combined basis, Andres and DPP were net

purchasers in 2019 and 2020, mainly as a result of a lightning event which occurred in September 2018 that affected the operation of Andres' steam turbine.

In the Dominican electricity market, the last generation unit dispatched sets the market clearing price, or the spot price, on an hourly basis. Given such marginal unit is always a fuel oil plant, spot prices are often highly correlated to international oil prices. As a result, the variable margins of Andres and DPP are indirectly correlated with international oil prices. As such, Andres' and DPP's net positions and corresponding spot prices will positively or negatively affect their respective operational margins.

### ***Natural Gas Sales***

Andres is currently the only importer and supplier of natural gas in the Dominican Republic. The imported gas is used for the generation of Andres' and DPP's power plants, and for the sale to third parties, either directly or via distributors. For the year ended December 31, 2020, third party natural gas sales accounted for \$231.5 million of Andres' and DPP's combined revenues, representing 32.4% of Andres' and DPP's combined total revenues.

Andres imports LNG pursuant to a 20-year contract expiring in 2023 for up to 33.6 TBtu per year with BP Gas Marketing Ltd., a subsidiary of BP plc, through Atlantic Basin Services Ltd., an AES subsidiary, or ABS, strictly for the consumption of the Andres and DPP power plants. For supplying third parties, ABS entered into a LNG sale and purchase agreement with TOTAL that expires in 2032. Andres may contract additional volumes year to year on a spot basis in order to support LNG sales to third parties. Currently, the supply of LNG is primarily imported from the United States and the Republic of Trinidad and Tobago. Andres' LNG capabilities have helped transform the energy market in the Dominican Republic and have reduced dependency on fuel oil from approximately 90% in 2000 to approximately 15% in 2020.

Andres' current natural gas agreements have the following characteristics:

- Denominated in U.S. dollars.
- The agreements' duration varies from three to twelve years.
- Minimum natural gas volumes are required to be declared annually.
- Pass-through of the LNG procurement conditions (price and take-or-pay obligations), with the price metric being based on the client's requirements (such as the Brent Oil Index, NYMEX HHI Index or other).
- Clients must provide financial guarantees to cover one to six months of the declared volumes during the year.
- Fees vary depending on the distribution channel and the point of delivery (clients may be supplied through the truck loading terminal or through the pipeline). Fees are adjusted annually as per U.S. CPI.
- Declared volumes become subject to the take-or-pay condition under each agreement.
- Prepaid bill on a monthly basis.

### ***Technical Failures***

A technical failure in any of Andres' and DPP's generating units could impact the availability of such unit, which has two important effects: first, it could result in a decrease in generation, dispatch and, ultimately, energy sales; secondly, and if the failure results in an energy deficit or an inability of the generator to meet its contractual obligations, such failure will increase the amount of energy that must be purchased in the spot market. In either case, a technical failure resulting in a decrease in generation would negatively affect Andres' or DPP's margins.

For example, after the lightning event which occurred in September 2018 and affected the operation of Andres' steam turbine, Andres installed a new turbine on November 2019 to replace the damaged unit. However, the new steam turbine had to be taken out of service on March 2020 due to issues caused by the turbine manufacturer. The turbine was back online on October 2020, with a total of more than six months of forced outage. The estimated repair cost was \$7.5 million and was covered in full by the turbine manufacturer. Additionally, Andres' insurance covered approximately \$28.0 million of the losses arising from the steam turbine's outage.

Moreover, in October 2020, an issue was discovered on Andres' gas turbine and the unit was taken out of service for two weeks. The estimated repair cost was \$1.8 million and was covered in full by the turbine manufacturer. This outage replaced a planned outage that was scheduled for April 2021.

In relation to DPP, the Los Mina VII steam turbine at DPP's plant was taken out of service on December 20, 2020 due to low demand. The following day, when the unit was activated for energy generation, it failed the initiation process due to high vibrations and high temperature on the turbine's #3 bearing. The turbine was left to cool down for inspection and it was subsequently discovered that it was damaged, since the bearing had lost an important part of its white or anti-friction metal. The bearing was repaired, and the turbine was back online on January 11, 2021, with a total of 21 days of forced outage. An analysis on this failure was conducted, and several improvements and recommendations are being implemented based on such analysis.

### ***Operational Cash Flow – Dominican Republic Liquidity***

Andres' revenues come primarily from sales of electricity to the DISCOs, NRUs and into the spot market and from sales of natural gas. Revenues from NRUs and natural gas sales are collected on time, which provides a high level of certainty with regard to operational cash flow.

A continuous failure by the DISCOs to pay material outstanding amounts owed to Andres or DPP or the failure of the Dominican Government to make financial contributions to the electricity sector will adversely affect the operational cash flows of the business. Historically, the DISCOs have not stayed current with payments for their energy purchases. In recent years, the accumulated accounts receivable have been seasonally reduced as the Dominican Government enters into factoring facilities, whereby banks buy these accumulated accounts receivable and extend payment terms for up to one year or through other financial transactions in which commercial banks and/or institutional investors lend money to the DISCOs and/or the Dominican Government for periods of up to five years. As of December 31, 2020, Andres and DPP had an aggregate amount of accounts receivable of \$111.0 million, representing approximately 2.6 MSO. Accounts receivable outstanding, attributable only to the DISCOs, totaled \$91.1 million at December 31, 2020, representing approximately 2.6 MSO.

In order to decrease outstanding accounts receivables, Andres and DPP have entered into factoring transactions with local and international institutional investors. The factoring transactions are executed: (i) at par value, for U.S. dollar-denominated accounts receivables, and (ii) at a premium, for Dominican peso-denominated accounts receivables. In 2020, total combined factoring transactions amounted to \$45.4 million, as compared to \$4.2 million in 2019 and \$105.9 million in 2018.

The table below sets forth the evolution of accounts receivable collection, net of factoring transactions, by Andres and DPP in MSO for the period from 2015 to 2020.

<b>Accounts Receivable Collections (MSO)</b>			
<b>Year</b>	<b>Andres</b>	<b>DPP</b>	<b>Weighted Average</b>
2015.....	0.7	0.9	0.85
2016.....	2.7	3.5	3.08
2017.....	2.4	2.6	2.49
2018.....	1.5	5.4	3.76
2019.....	2.0	7.6	4.35
2020.....	1.0	2.5	1.55

## RESULTS OF OPERATIONS

### General

*Gross margin* is an important measure of profitability for Andres and DPP. Gross margin is essentially comprised of capacity and associated energy margins. Capacity and associated energy margins can, in turn, be split into contractual margin and spot margin.

The *spot energy margin* is determined by the difference between the spot price and Andres' and DPP's variable cost of generation per hour, as applicable, multiplied by the net energy sold in the spot market during each hour. This margin depends directly on the relative efficiency and fuel cost of the relevant power generation unit. The more efficient the unit or the lower the cost of fuel, the larger the margin and quantity of energy produced.

The *spot capacity margin* is determined by the firm capacity assigned by the OC. See "Electricity Sector in Dominican Republic—Market Summary—Firm Capacity Allocations and Capacity Transactions."

The *contractual energy margin* is the difference between the contract energy price and the variable cost of generation in each operating hour, multiplied by the quantity of energy sold pursuant to a given contract, which in turn depends on user demand. The PPAs in the Dominican wholesale market generally limit damages resulting from a generator's failure to deliver contracted energy to the price of such energy as determined by the SIE. If a generator does not generate sufficient energy to supply the contracted energy every hour or if the spot price for energy is cheaper than a generator's variable cost, Andres and DPP, as applicable, will either buy the difference in the spot market or through contracts with other generators, whichever is more advantageous.

The *contractual capacity margin* is the difference between the contractual capacity price and the spot capacity price multiplied by the quantity of capacity contracted. This payment is affected by price fluctuations rather than quantity, because the generators sell a fixed amount of capacity under their PPAs.

The financial information provided herein has been derived from the consolidated financial statements, statements of financial position, income and cash flows of Andres and the financial statements, statements of financial position, income and cash flows of DPP included elsewhere in this offering memorandum, which have been prepared in accordance with IFRS.

### Results of operations for the year ended December 31, 2020, compared to the year ended December 31, 2019

#### Combined revenues

Combined revenues, for the year ended December 31, 2020, were \$713.9 million, representing an increase of \$37.0 million, or 5.5%, as compared to combined revenues of \$676.9 million in 2019.

The following table shows combined revenues for the years ended December 31, 2020 and December 31, 2019:

	For the years ended December 31, (unaudited)			
	2020		2019	
	<i>(in thousands of U.S. dollars)</i>			
Electricity sales – contracts .....	469,300	66%	500,081	74%
Electricity sales – spot market .....	9,612	1%	20,575	3%
Natural gas sales .....	231,531	32%	153,225	23%
Other sales (non-electricity) .....	3,440	0%	2,991	0%
<b>Total revenues .....</b>	<b>713,883</b>	<b>100%</b>	<b>676,872</b>	<b>100%</b>

- *Electricity sales – contracts.* Contract electricity sales are generated through long-term PPAs with EDE-Este, EDE-Norte, EDE-Sur, CDEEE and short-term contracts with NRUs. In 2020, contract electricity sales

decreased \$30.8 million, or 6.2%, to \$469.3 million, compared to \$500.1 million in 2019. The principal reasons for the decrease in contract electricity sales in 2020 were: (i) a decrease of \$25.8 million in electricity prices under PPAs during 2020, as compared to 2019, as a consequence of the decrease in the NYMEX Henry Hub Index gas price, which is used in the indexation formulas of the PPAs, and (ii) a decrease of \$5.0 million in the volume of energy sold through our PPAs, primarily due to lower demand.

- *Electricity sales – spot market.* Spot market electricity sales decreased by \$11.0 million, or 53.3%, to \$9.6 million in 2020, compared to \$20.6 million in 2019. The decrease was due to: (i) a decrease of \$8.9 million due to lower volumes of sales derived from lower generation, and (ii) a decrease of \$2.1 million due to lower electricity prices in the spot market.
- *Natural gas sales.* Natural gas sales increased \$78.3 million, or 51.1%, to \$231.5 million in 2020, from \$153.2 million in 2019. The principal reason for the increase in natural gas sales in 2020 was an increase of \$146.2 million due to higher volume of sales, which in turn was primarily due to new clients developed through the initial operations of the gas pipeline starting in February 2020. This was partially offset by a decrease of \$67.9 million due to lower sales prices, which in turn was primarily due to the decrease of commodity prices in the international market.
- *Other sales (non-electricity).* Other sales (non-electricity) include income from fees payable by ENADOM pursuant to several agreements entered with Andres DR. See “Related Party Transactions.” During 2020, revenue increased by \$0.4 million, or 15.0% to \$3.4 million as compared to \$3.0 million in 2019 as ENADOM increased its operations in 2020.

#### ***Combined operating costs and expenses***

Combined operating costs and expenses are primarily comprised of commercial costs, including electricity purchases, fuel costs, operating, general and maintenance expenses.

The following table provides information regarding the combined operating costs and expenses for the years ended December 31, 2020 and December 31, 2019:

	<b>For the years ended December 31, (unaudited)</b>			
	<b>2020</b>		<b>2019</b>	
	<i>(in thousands of U.S. dollars)</i>			
Costs of revenues-electricity purchases and fuel costs used for generation.....	(264,217)	50%	(256,971)	57%
Costs of revenues-fuel purchased for resale and related costs .....	(149,953)	29%	(85,500)	19%
Gain (loss) on derivative financial instruments .....	572	0%	(223)	0%
Operating, general and maintenance expenses.....	(111,952)	21%	(106,103)	24%
<b>Total operating costs and expenses .....</b>	<b>(525,550)</b>	<b>100%</b>	<b>(448,797)</b>	<b>100%</b>

*Costs of revenues - electricity purchases and fuel costs used for generation.* Costs of revenues - electricity purchases and fuel costs used for generation increased by \$7.2 million, or 2.8%, to \$264.2 million in 2020, from \$257.0 million in 2019, due to the net effect of the factors described below.

- *Electricity purchases.* In 2020, electricity purchases increased by \$70.4 million, or 1,237.5%, as compared to 2019. This increase was principally due to (i) lower generation during 2020 as a consequence of the damage to the steam turbine in March 2020, with the combined cycle not restarting operations until October 2020, and (ii) lower business interruption compensation in 2020.

- *Fuel costs used for generation.* In 2020, fuel costs used for generation decreased by \$62.3 million, or 27.6%, as compared to 2019. This decrease was due to: (i) a decrease of \$52.5 million in LNG consumption as a consequence of lower generation during 2020, due to the damage in March 2020 to the steam turbine described above, and (ii) a decrease of \$9.8 million in the average cost of fuel, which is based on a combination of the NYMEX Henry Hub index and the weighted average cost of natural gas in the spot market.
- *Transmission charges.* In 2020, transmission charges decreased by \$0.9 million, or 3.4%, from \$25.3 million in 2019 to \$24.4 million in 2020.

*Costs of revenues - fuel purchased for resale and related costs.* In 2020, costs of revenues - fuel purchased for resale and related costs increased \$64.5 million, or 75.4%, to \$150.0 million from \$85.5 million in 2019. This increase was the result of the net effect of: (i) an increase of \$81.6 million due to higher sales volume, which in turn was primarily due to new clients developed through the initial operations of the gas pipeline starting in February 2020, and (ii) a decrease of \$17.1 million in the average cost of fuel which is based on a combination of the NYMEX Henry Hub Index and the weighted average cost of natural gas in the spot market.

*Gain (loss) on derivative financial instruments.* In 2020, a gain on derivative financial instruments of \$0.6 million was recorded, compared to losses on derivative financial instruments of \$0.2 million in 2019. This variation was primarily due to the market valuation of the derivative instruments.

*Operating, general and maintenance expenses.* Operating, general and maintenance expenses consist principally of depreciation and amortization; maintenance expenses; contracted services; salaries, wages and benefits; insurance; consultants and legal fees; taxes on assets; and other expenses. Operating, general and maintenance expenses increased by \$5.8 million, or 5.5%, to \$112.0 million in 2020, as compared to \$106.1 million in 2019. The principal reasons for the increase were: (i) an increase of \$5.9 million in insurance premiums due to an increase in insurance payments in 2020 as a consequence of the insurance claims against Andres and DPP during 2019, (ii) an increase in depreciation and amortization of \$2.6 million, primarily due to the net effect of the capitalization of the steam turbine in Andres in 2019, partially offset by lower depreciation expense of plant and equipment and (iii) an increase of \$2.0 million in salaries, wages and benefits as a result of severance payments made to employees and increases in salaries. These were partially offset by a decrease of \$2.9 million in contracted services and consultants' legal fees mainly due to lower expenses in 2020 related to intercompany agreements and a decrease of \$1.7 million in maintenance expenses, tax on assets and others expenses.

The following table provides certain information about the combined operating, general and maintenance expenses for the years ended December 31, 2020 and December 31, 2019:

	<b>For the years ended December 31,</b>			
	<b>(unaudited)</b>			
	<b>2020</b>		<b>2019</b>	
	<i>(in thousands of U.S. dollars)</i>			
Depreciation and amortization .....	(45,932)	41%	(43,373)	41%
Maintenance expenses.....	(14,062)	13%	(14,456)	14%
Contracted services .....	(7,040)	6%	(13,047)	12%
Salaries, wages and benefits .....	(10,192)	9%	(8,192)	8%
Insurance .....	(17,861)	16%	(11,928)	11%
Consultants and legal fees .....	(6,124)	5%	(3,031)	3%
Tax on assets .....	(4,821)	4%	(5,461)	5%
Other expenses .....	(5,920)	5%	(6,615)	6%
<b>Total operating, general and maintenance expenses .....</b>	<b>(111,952)</b>	<b>100%</b>	<b>(106,103)</b>	<b>100%</b>

### **Combined operating income**

Combined operating income decreased by \$39.8 million, or 17.4%, to \$188.3 million in 2020, from \$228.1 million in 2019, due to the factors described above. As a percentage of revenues, combined operating income decreased to 26.4% in 2020, from 33.7% in 2019.

### **Combined other income (expense), net**

Combined other income (expense), net is primarily comprised of interest expense – net; deferred financing costs amortization expense; equity loss in investment in affiliates; debt discount amortization, other income or expenses – net; and exchange gain or loss.

The following table sets forth the combined other income (expense), net for the years ended December 31, 2020 and December 31, 2019:

	<b>For the years ended December 31,</b>		
	<b>(unaudited)</b>		
	<b>2020</b>	<b>2019</b>	<b>Variance</b>
	<i>(in thousands of U.S. dollars)</i>		
Financial interest expense – net:			
Interest income .....	507	1,577	(1,070)
Interest expense .....	(42,971)	(35,564)	(7,407)
Amortization of deferred financing costs .....	(1,123)	(1,033)	(90)
Write off of deferred financing costs due to early debt repayment .....	-	(1,415)	1,415
Financial interest expense – net .....	(43,587)	(36,435)	(7,152)
Net commercial interest income .....	5,466	9,568	(4,102)
Interest expense, net .....	<u>(38,121)</u>	<u>(26,867)</u>	<u>(11,254)</u>
Equity (loss) earnings in investment in affiliates .....	(687)	(1,160)	473
Debt discount amortization .....	(499)	(516)	17
Other income (expense), net .....	1,646	85,470	(83,824)
Exchange gain, net .....	11,929	3,954	7,975
<b>Total other income (expense), net .....</b>	<b><u>(25,732)</u></b>	<b><u>60,881</u></b>	<b><u>(86,613)</u></b>

*Interest expense and interest income.* Interest (expense) income, net includes financial interest and commercial interest (interest generated from the accounts receivable and accounts payable within the electricity sector spot market denominated in Dominican Pesos) during the period.

*Financial interest expense, net.* In 2020, financial interest expense – net increased \$7.2 million, or 19.6%, to \$43.6 million, from \$36.4 million in 2019, due to: (i) the fact that Andres BV and ADRE entered into loans (as described below in “Liquidity and Capital Resources—Financial Debt”) in September and November of 2019, respectively, and therefore had a full year of debt service on such loans in 2020 as opposed to only a few months of debt service on such loans in 2019, and (ii) lower interest capitalized during 2020 as compared with 2019.

*Net commercial interest income.* In 2020, net commercial interest income decreased \$4.1 million, or 42.9%, to \$5.5 million as compared to \$9.6 million in 2019, primarily due to a decrease in accounts receivable in 2020.

*Equity loss in investment in affiliates.* In 2020, equity loss in investment in affiliates decreased \$0.5 million, or 40.8%, to \$1.2 million, from \$0.7 million in 2019, due to lower losses at our affiliates, principally ENADOM as it further advanced its operations in 2020.

*Debt discount amortization.* Debt discount amortization remained stable in 2020 as compared to 2019, in \$0.5 million each year.

*Other income (expenses), net.* In 2020, other income (expense), net decreased by \$83.8 million to \$1.6 million, from \$85.5 million in 2019. This variance is mainly due to amounts received in 2019 from our insurance provider related to the recovery of damages to Andres' steam turbine caused by a lightning event in September 2018.

*Exchange gain, net.* In 2020, exchange gain, net increased by \$8.0 million to \$11.9 million from \$4.0 million in 2019. This increase is mainly due to the devaluation of Dominican Peso in relation with the U.S. dollar by 10.1% from RD\$52.96 to \$1.00 to RD\$58.33 to \$1.00, and an increase in our net exposure to tax liabilities.

### **Combined income tax expense**

Combined income tax expense decreased \$38.5 million to \$55.3 million in 2020, from \$93.8 million in 2019. This decrease was principally due to lower income before tax in 2020. See Note 22 to Andres' consolidated financial statements for the years ended December 31, 2020 and 2019 and Note 19 to DPP's financial statements for the years ended December 31, 2020 and 2019.

### **Combined net income**

Combined net income decreased by \$87.8 million, or 45.0%, from \$195.1 million for 2019, to \$107.3 million for 2020 for the reasons set forth above.

## **Results of operations for the year ended December 31, 2019, compared to the year ended December 31, 2018**

### **Combined revenues**

Combined revenues for 2019 were \$676.9 million, representing an increase of \$24.3 million, or 3.7%, as compared to combined revenues of \$652.5 million in 2018.

The following table shows combined revenue information for the years ended December 31, 2019, and December 31, 2018:

	<b>Years ended December 31, (unaudited)</b>			
	<b>2019</b>		<b>2018</b>	
	<b>(in thousands of U.S. dollars)</b>			
Electricity sales – contracts .....	500,081	74%	472,064	72%
Electricity sales – spot market.....	20,575	3%	50,487	8%
Natural gas sales .....	153,225	23%	129,486	20%
Other sales (non-electricity) .....	2,991	0%	510	0%
<b>Total revenues.....</b>	<b>\$ 676,872</b>	<b>100%</b>	<b>652,547</b>	<b>100%</b>

- *Electricity sales - contracts.* In 2019, contract electricity sales increased \$28.0 million, or 5.9%, to \$500.1 million, compared to \$472.1 million in 2018. The principal reasons for the increase in contract electricity sales in 2019 were: (i) an increase of \$33.7 million in the volume of energy sales through the PPAs, primarily due to higher demand and new NRUs customers during 2019, as compared to 2018, partially offset by (ii) a decrease of \$5.7 million in electricity prices under our PPAs during 2019.
- *Electricity sales – spot market.* Spot market electricity sales decreased \$29.9 million, or 59.2%, from \$50.5 million in 2018, to \$20.6 million in 2019. The decrease was primarily due to: (i) an increase of \$26.9 million due to an increase in sales volumes in contracts with NRUs and lower generation in 2019, and (ii) a decrease of \$3.0 million due to lower electricity prices in the spot market.
- *Natural gas sales.* Natural gas sales increased \$23.7 million, or 18.3%, to \$153.2 million in 2019, as compared to \$129.5 million in 2018. The principal reasons for the increase in natural gas sales in 2019 were: (i) an increase of \$45.6 million due to increasing volume of sales, which in turn was due to higher demand by third parties and intercompany LNG sold to Gas Natural Atlántico, partially offset by (ii) a decrease of



\$21.9 million due to a decrease in sales prices, which in turn was due to lower commodity prices in the international market.

- *Other sales (non-electricity)*. Other sales (non-electricity) include income from fees payable by ENADOM pursuant to several agreements entered with Andres DR. See “Related Party Transactions.” During 2019, revenue increased by \$2.5 million, or 486.6%, to \$3.0 million as compared to \$0.5 million in 2018 as ENADOM commenced its operations in 2019.

### **Combined operating costs and expenses**

The following table provides information regarding the combined operating costs and expenses for the years ended December 31, 2019, and December 31, 2018:

	<b>Years ended December 31, (unaudited)</b>			
	<b>2019</b>		<b>2018</b>	
	<b>(in thousands of U.S. dollars)</b>			
Costs of revenues – electricity purchases and fuel costs used for generation .....	(256,971)	57%	(286,107)	63%
Costs of revenues – fuel purchased for resale and related costs .....	(85,500)	19%	(72,206)	16%
Loss on derivative financial instruments .....	(223)	0%	(1,298)	0%
Operating, general and maintenance expenses .....	(106,103)	24%	(97,807)	21%
<b>Total operating costs and expenses .....</b>	<b>(448,797)</b>	<b>100%</b>	<b>(457,418)</b>	<b>100%</b>

*Costs of revenues – electricity purchases and fuel costs used for generation.* Costs of revenues - electricity purchase and fuel costs used for generation decreased by \$29.1 million, or 10.2%, to \$257.0 million for 2019 from \$286.1 million in 2018, due to the factors described below.

- *Electricity purchases.* In 2019, the cost of electricity purchases decreased \$43.6 million, or 88.5%, as compared to 2018. This decrease was principally due to the negative impact a lightning event had in September 2018 which affected the operation of Andres’ steam turbine.
- *Fuel used for generation.* In 2019, fuel costs used for generation increased by \$15.2 million, or 7.2%, as compared to 2018. This increase was due to the net effect of: (i) an increase of \$20.2 million in LNG consumption, (ii) a decrease of \$5.0 million in the average cost of fuel, which is based on a combination of the NYMEX Henry Hub index and the weighted average cost of natural gas in the spot market.
- *Transmission charges.* In 2019, transmission charges remained largely stable as compared to 2018, decreasing by a slight \$0.8 million, or 3.0%, from \$26.0 million in 2018 to \$25.3 million in 2019.

*Costs of revenues - fuel purchased for resale and related costs.* In 2019, costs of revenues - fuel purchased for resale increased \$13.3 million, or 18.4%, as compared to 2018. This increase was due to the net effect of: (i) an increase of \$25.4 million due to higher volume sales, as a consequence of higher demand from third parties and LNG intercompany sales to Gas Natural Atlántico, partially offset by (ii) a decrease of \$12.2 million due to a decrease in the average cost of fuel, which is based on a combination of the NYMEX Henry Hub Index and the weighted average cost of natural gas in the spot market.

*Loss on derivative financial instruments.* In 2019, losses on derivative financial instruments decreased \$1.1 million, or 82.8%, as compared to 2018.

*Operating, general and maintenance expenses.* In 2019, operating, maintenance and general expenses increased by \$8.3 million, or 8.5%, to \$106.1 million, compared to \$97.8 million in 2018. The main reasons for the increase were: (i) an increase of \$3.3 million in maintenance expenses mainly due to programmed maintenance in Los

Mina VI and Hot Gas Path Andres during 2019, (ii) an increase in contracted services and consultant legal fees of \$3.0 million mainly due to higher expenses in 2019 related to intercompany agreements, (iii) an increase of \$2.8 million in insurance, mainly due to higher insurance payments in 2019 as a consequence of the claims made to Andres during 2018, (iv) an increase of \$0.7 million in salaries, wages and benefits, tax on assets and other expenses, and (v) a decrease in depreciation and amortization expenses of \$1.5 million, mainly due to the net effect of an increase in depreciation expense related to capitalized projects and a decrease in depreciation expense due to retirement of plant and equipment as a consequence of programmed maintenance.

The following table provides certain information about the combined operating, general and maintenance expenses for the years ended December 31, 2019 and December 31, 2018:

	Years ended December 31, (unaudited)			
	2019		2018	
	<i>(in thousands of U.S. dollars)</i>			
Depreciation and amortization .....	(43,373)	41%	(44,876)	46%
Maintenance expenses .....	(14,456)	14%	(11,115)	11%
Contracted services.....	(13,047)	12%	(9,707)	10%
Salaries, wages and benefits .....	(8,192)	8%	(8,543)	9%
Insurance .....	(11,928)	11%	(9,155)	9%
Consultants and legal fees .....	(3,031)	3%	(3,393)	3%
Tax on assets .....	(5,461)	5%	(4,508)	5%
Other expenses .....	(6,615)	6%	(6,510)	7%
<b>Total operating, general and maintenance expenses .....</b>	<b>(106,103)</b>	<b>100%</b>	<b>(97,807)</b>	<b>100%</b>

#### *Combined operating income*

Combined operating income increased by \$33.0 million, or 16.9%, to \$228.1 million in 2019, from \$195.1 million in 2018, due to factors described above. As a percentage of sales, combined operating income increased to 33.7% in 2019, from 29.9% in 2018.

#### *Combined other income (expense), net*

The following table sets forth combined other income (expense), net for the years ended December 31, 2019 and December 31, 2018:

	Years ended December 31, (unaudited)		
	2019	2018	Variance
	<i>(in thousands of U.S. dollars)</i>		
Financial interest expense – net:			
Interest income.....	1,577	1,284	293
Interest expense.....	(35,564)	(37,641)	2,077
Amortization of deferred financing costs ...	(1,033)	(794)	(239)
Write off of deferred financing costs due to early debt repayment.....	(1,415)	-	(1,415)
Financial interest expense – net.....	(36,435)	(37,151)	716
Net commercial interest income.....	9,568	7,626	1,942
Interest expense – net .....	(26,867)	(29,525)	2,658
Equity loss in investment in affiliates .....	(1,160)	-	(1,160)
Debt discount amortization .....	(516)	(383)	(133)
Other income (expense), net	85,470	(5,374)	90,844
Exchange gain, net .....	3,954	78	3,876

	Years ended December 31, (unaudited)		
	2019	2018	Variance
<b>Total other income (expense), net .....</b>	<b>60,881</b>	<b>(35,204)</b>	<b>96,085</b>

*Interest expense and interest income.* Combined interest (expense) income – net includes financial and commercial interest. In 2019, combined interest expense – net decreased \$2.7 million, or 9.0%, to \$26.9 million, as compared to \$29.5 million in 2018.

*Financial interest expense.* In 2019, financial interest expense decreased by \$0.7 million, or 1.9%, to \$36.4 million, from \$37.2 million in 2018. This decrease was principally due to higher capitalized interest.

*Net commercial interest income.* In 2019, net commercial interest income increased \$1.9 million, or 25.5%, to a net commercial interest income of \$9.6 million, as compared to a net commercial interest income of \$7.6 million in 2018. The increase was mainly associated with higher accounts receivable in 2019.

*Equity loss in investment in affiliates.* In 2019, equity losses in investment in affiliates increased to \$1.2 million, due to a loss in the results of affiliates, principally because ENADOM’s operations only began in September 2019 and the company was developing its business.

*Debt discount amortization.* In 2019, debt discount amortization remained stable, increasing slightly to \$0.5 million in 2019 as compared to \$0.4 million in 2018.

*Other income (expense) – net.* In 2019, there was a variation in the other income (expense), net results from other expense of \$5.4 million in 2018 to other income of \$85.5 million in 2019. This variation was due to the receipt in 2019 of amounts for recovery damages from Andres’ insurance company as a result of the lightning event in September 2018 which affected Andres’ steam turbine.

*Exchange gain, net.* In 2019, exchange gain, net increased by \$3.9 million to \$4.0 million from \$0.1 million in 2018. This increase is mainly due to a 5.3% depreciation of the of the Dominican Peso against the U.S. Dollar, from RD\$50.28 to \$1 to RD\$52.96 to \$1, and the increase in our net exposure to tax liabilities.

### **Combined income tax expense**

In 2019, combined income tax expense increased by \$46.2 million, or 49.2%, to \$93.8 million, from \$47.6 million in 2018. This increase was principally due to higher income before tax in 2019. See Note 22 to Andres’ consolidated financial statements for the years ended December 31, 2019 and 2018 and Note 19 to DPP’s financial statements for the years ended December 31, 2019 and 2018.

### **Combined net income**

Combined net income increased \$82.8 million to a net income of \$195.1 million in 2019 from net income of \$112.3 million in 2018 for the reasons set forth above.

## **Taxes**

### *Andres*

Andres BV is a private limited liability company registered in the Netherlands and, since January 26, 2016, with its place of effective management in Madrid, Spain. Therefore, it was subject to Dutch corporate income tax until January 26, 2016. Based on Spanish corporate income tax legislation and provided that its place of effective management is solely in Spain, Andres BV is subject to Spanish corporate income tax as of January 1, 2016 and should be taxed as a Spanish tax resident corporation, subject to the Spanish corporate income tax general rate that currently is 25%.

On September 1, 2014, Andres BV authorized the transfer of all of its assets and liabilities previously held at its branch office in the Dominican Republic to its newly-formed subsidiary Andres DR, a limited liability company incorporated under the laws of the Dominican Republic, subject to the condition, which was met, that Andres DR issues shares in favor of Andres BV in exchange for such transfer of assets and liabilities.

Andres DR is subject to the tax regime applicable to Dominican business activities, established by Law No. 11 of 1992, as amended.

Andres DR is also subject to a Dominican tax on assets corresponding to 1% of its taxable assets. For electricity companies, taxable assets correspond to total fixed assets, net of accumulated depreciation. Pursuant to Article 407 of the Dominican tax code, this tax may be used as a credit against income tax payable as follows: if the income tax is greater than the tax on assets, then there is no obligation to pay the tax on assets; otherwise, the difference between the income tax due and the tax on assets must be paid. Andres DR recorded the tax on assets expense in its consolidated statements of income under operating, maintenance and general expenses based on the general scope for income tax accounting, which excludes taxes not based on income from income tax expense. According to Article 40 of Law No. 253-12, starting in 2015, the applicable rate for the tax on assets was reduced to 0.5%, and in 2016, the tax on assets is to be eliminated. Such reduction and elimination, however, will only be implemented if they do not interfere with the targeted collection of taxes as set forth in Article 26 of Law No. 01-12. Given that the targeted collection of taxes has not been met as of the date of this offering memorandum, such reduction and elimination have not been implemented.

The Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital between the Dominican Republic and the Kingdom of Spain entered into force as of July 25, 2014 and was affirmed by the Dominican constitutional court. This convention provides exemptions or reduced rates of income tax withholding for dividends, interest, royalties, certain cross-border payments, and capital gains (which do not derive from the sale of shares in “land rich” entities), as well as for information sharing between the respective tax authorities in order to prevent income tax evasion.

Under IFRS, tax positions are recognized in a company’s financial statements if those position is more likely than not to be sustained by the tax authority. Any interest and penalties related to income tax exposures would be recognized within interest expense and other non-operating income (expense) respectively, in the consolidated statements of income. Andres DR has not recorded any liabilities for uncertain tax positions as of December 31, 2020, 2019, and 2018.

#### *DPP*

DPP is an exempted company incorporated with limited liability in the Cayman Islands which operates in the Dominican Republic through a branch office. DPP is not subject to the payment of income taxes in the Cayman Islands. For Dominican tax purposes, DPP’s branch office is considered a foreign company and is therefore subject to the Dominican tax regime applicable to business activities, which was established by Law No. 11 of 1992, as amended. Although DPP uses the U.S. dollar as its functional currency, income tax calculations are determined in the local currency, the Dominican Peso.

#### **Liquidity and Capital Resources**

Andres’ and DPP’s principal sources of liquidity have been cash inflows from its operations, bank financing, vendor financing, factoring and the local and international capital markets, while their principal cash outflows have been for operating activities, debt service, capital expenditures and investments in joint ventures.

#### ***Combined Cash Flow Analysis for the Years Ended December 31, 2020, December 31, 2019 and December 31, 2018***

For the year ended December 31, 2020, combined net cash provided by operating activities was \$171.8 million compared to \$223.6 million for the year ended December 31, 2019, resulting in a net decrease of operating cash of \$51.8 million, mainly related to the net effect of: (i) a decrease in net income of \$87.8 million from 2019 to

2020, (ii) an increase in cash provided by decreases in accounts receivable of \$110.2 million from 2019 to 2020, (iii) a lower prepayment of LNG in 2019 of \$22.1 million compared to 2020, (iv) an increase in operating payments of \$32.3 million, (v) a decrease in inventory purchases of \$16.7 million from 2019 to 2020, (vi) an increase in payment of taxes of \$35.8 million from 2019 to 2020, and (vii) a decrease in non-cash adjustments of \$43.0 million from 2019 to 2020.

For the year ended December 31, 2019, combined net cash provided by operating activities was \$223.6 million compared to \$83.3 million for the year ended December 31, 2018, resulting in a net increase of operating cash of \$140.3 million, mainly related to the net effect of: (i) a higher net income by \$82.8 million from 2018 to 2019, (ii) an increase in cash provided by a decrease in accounts receivable of \$18.2 million from 2018 to 2019, (iii) a lower prepayment of LNG in 2018 of \$23.5 million compared to 2019, (iv) a decrease in operating payments of \$29.1 million from 2018 to 2019, (v) an increase in inventory purchases of \$17.3 million from 2018 to 2019, (vi) an increase in payment of taxes of \$18.1 million from 2018 to 2019, and (vii) an increase in non-cash adjustment of \$22.2 million from 2018 to 2019.

During 2020, combined net cash used in investing activities was \$73.7 million, as compared to \$50.2 million used in 2019. The increase was mainly due to: (i) a decrease in cash provided by insurance proceeds of \$110.6 million from 2019 to 2020, (ii) a decrease in cash provided by sales of property given that in 2019 Andres received cash proceeds of \$47.3 million from the sale of the eastern gas pipeline to ENADOM, partially offset by (iii) an increase in cash dividends received in 2020 of \$0.3 million, (iv) a decrease in cash used in investment in affiliates of \$1.7 million given that in 2019 Andres made a contribution to the Domi Trading/ ENADOM joint venture of \$48.7 million, and (v) a decrease in cash used for the acquisition of property, plant and equipment of \$83.8 million, which in turn was partially offset by an increase in cash used to fund the Bayasol project in 2020.

During 2019, combined net cash used in investing activities was \$50.2 million, as compared to \$34.7 million used in 2018. The increase was mainly due to: (i) an increase in cash used for the acquisition of property and plant equipment of \$116.1 million, mainly in relation to purchases related to Andres' steam turbine and gas pipeline from 2018 to 2019; (ii) an increase in cash used in investment in affiliates of \$48.7 million related to Andres' contribution to the Domi Trading/ENADOM joint venture from 2018 to 2019, partially offset by (x) an increase in cash provided by insurance proceeds of \$101.9 million related to the damage caused to the Andres steam turbine from a lightning event in September 2018 and (y) an increase in cash provided by sales of property of \$47.3 million received by Andres from its the sale of the eastern gas pipeline to ENADOM in 2019.

In 2020, combined financing activities consisted of \$106.6 million combined net cash used compared to \$168.9 million used in 2019 and \$25.6 million used in 2018.

During 2020, Andres and DPP authorized and paid dividends of \$144.1 million. Additionally, Andres and DPP borrowed \$127.5 million in credit lines in 2020 and paid \$122.5 million in the same year. In 2020, Andres received \$33.0 million from new loans related to the Bayasol project.

During 2019, Andres and DPP authorized and paid dividends of \$228.5 million. Additionally, Andres and DPP borrowed \$160.0 million in credit lines in 2019 but paid \$135.0 million in credit lines in 2019 as well. In 2019, Andres received \$60.0 million in new loans related to the Bayasol project and other projects. In 2019, Andres paid \$24.0 million related to the October 2018 loan for the eastern gas pipeline project.

During 2018, Andres and DPP authorized and paid dividends of \$38.0 million. Additionally, Andres and DPP borrowed \$25.0 million in credit lines in 2018, but paid \$25.0 million in credit lines in 2018 as well. In 2018, Andres received \$14 million in new loans for the eastern gas pipeline project.

### ***Financial Debt***

#### *2026 Andres-DPP Notes*

On May 11, 2016, Andres BV, DPP and Itabo issued an aggregate principal amount of \$370.1 million Notes Units consisting of (i) \$99.9 million aggregate principal amount of Itabo Notes and (ii) \$270.1 million aggregate principal amount of 2026 Andres-DPP Notes. The Andres-DPP Notes are guaranteed by Andres DR.

Pursuant to the terms thereof, the Notes Units have been separated due to the fact that, on April 8, 2021 AES (indirectly through a subsidiary) consummated the sale of 100% of its ownership in Coastal Itabo (and indirectly 100% of its ownership of Itabo's class B shares, which represent 50% of the total number of Itabo's subscribed and paid in shares) to Inversiones Radiante, for \$103.2 million. The sale represented a transfer of all of AES' 43% indirect ownership of Itabo. This constituted a "Separation Date" under the terms of the indentures governing the 2026 Andres-DPP Notes and the Itabo Notes and the Notes Units were separated into the 2026 Andres-DPP Notes and the Itabo Notes, respectively. The Notes Units no longer trade as a unit and instead the 2026 the Andres-DPP Notes and the Itabo Notes trade separately under new CUSIP and ISIN identifiers.

On April 19, 2021, Andres and DPP commenced an offer to purchase for cash any and all of the \$270.1 million outstanding of the 2026 Andres-DPP Notes pursuant to the terms of, and subject to the conditions set forth in, the Tender Offer Documents. The Tender Offer is conditional upon our receipt of the financing necessary for the payment of the purchase price offered thereby and accrued interest to tendering holders of the 2026 Andres-DPP Notes, plus fees and expenses, and other general conditions set forth in the Tender Offer Documents. Andres and DPP expect to finance the Tender Offer with the proceeds from the issuance of the Notes. Andres and DPP may waive any of these conditions at their sole discretion. Andres and DPP cannot assure you that the Tender Offer will be consummated. This offering is not conditioned on the successful consummation of the Tender Offer.

#### *DPP Local Bonds*

On January 24, 2017, the Superintendence of Securities Market of the Dominican Republic authorized a global program for DPP to issue up to \$300.0 million in local bonds. DPP has issued a total of \$260.0 million in local bonds, offered in six different series. All of them have a ten-year maturity from the issuance date. The following is a description of the local bonds issued as of the date of this offering memorandum: (i) on February 3, 2017, DPP issued \$50.0 million of 6.25% local bonds due February 2027, (ii) on March 31, 2017, DPP issued \$50.0 million of 6.25% local bonds due March 2027, (iii) on May 9, 2017, DPP issued \$50.0 million of 6.25% local bonds due May 2027, (iv) on June 30, 2017, DPP issued \$50.0 million of 6.25% local bonds due June 2027, (v) on August 17, 2017, DPP issued \$35.0 million of 6.00% local bonds due August 2027, and (vi) on November 14, 2017, DPP issued \$25.0 million of 5.90% local bonds due November 2027.

#### *Andres BV Loan Agreement*

On September 26, 2019, Andres BV entered into a \$45.0 million credit facility with Banco Multiple BHD Leon, S.A., guaranteed by Andres DR and DPP, in order to make an equity contribution to Domi Trading. The interest rate of this credit facility is 4.5% per annum and the facility matures in September 2022.

#### *ADRE Loan Agreement*

On November 5, 2019, ADRE entered into a \$50.0 million credit facility with Banco Multiple BHD Leon, S.A. and BHD International Bank Panama, S.A., guaranteed by Andres DR, Andres BV and DPP, in order to finance the construction of a 50 MWn solar farm. Of the \$50.0 million, only \$45.0 million were disbursed. The interest rate of this credit facility is three-month LIBOR plus 3.25% per annum and the facility matures in October 2029.

#### *Uncommitted Line of Credit*

As of the date of this offering memorandum, Andres BV, Andres DR and DPP have a combined \$115.0 million in uncommitted lines of credit with The Bank of Nova Scotia in order to finance their working capital needs.

The debt instruments described above contain certain restrictions and covenants, including financial covenants which are customary for these types of instruments. As of the date of this offering memorandum, Andres

BV, Andres DR, ADRE and DPP were in compliance with their obligations under the indebtedness described above, including all restrictions and covenants therein.

### **Commitments and Contingencies**

*Letter of Credit.* Andres DR has in place a stand-by letter of credit with Banco Latinoamericano de Comercio Exterior, S.A., on behalf of ABS, in compliance with the LNG Contract. The main terms of the letter of credit are as follows:

- Amount: \$16.5 million.
- Expiration: May 16, 2021.

*Litigation and claims.* Andres are involved in certain tax claims and legal proceedings in the normal course of business and, while management is unable to predict the final outcome of such claims and legal proceedings, based on available information, management does not believe that the resolution of these matters will have a material adverse effect on Andres' results of operations, cash flows or financial condition, assessing the contingencies as remote in accordance with IFRS 37, Provision and Contingent Liabilities.

*Guarantee.* In January 2001, Andres BV granted a limited liability guarantee to BP with respect to the obligations of ABS under the LNG Contract. In 2014, the obligations under the guarantee were assigned to Andres DR. The guarantee has the same term as the LNG Contract, expiring in 2023. The maximum amount payable by Andres DR under the guarantee is \$100.0 million, unless there is a breach by ABS or Andres BV of certain negative covenants under the LNG Contract.

### **Tax Contingencies**

Andres is involved in certain tax audits in the normal course of business and while its management is unable to predict the final outcome of such audits, based on available information, its management does not believe that the ultimate resolution of these matters will have a material adverse effect on its results of operations, cash flows or financial condition, assessing the contingencies as remote in accordance with IAS 37, Provision and Contingent Liabilities.

As of the date of this offering memorandum, DPP is not involved in any tax audits.

### **Dividends**

In 2020, Andres declared dividends of \$47.0 million, corresponding to 2020 retained earnings, that were paid during the third and last quarters of 2020. In 2019, Andres declared dividends of \$140.0 million, corresponding to 2019 retained earnings, that were paid during 2019. In 2018, Andres declared dividends of \$38.0 million, corresponding to 2018 retained earnings, that were paid during 2018.

Andres' dividends are declared annually at a meeting of the shareholders. The shareholders may decide to declare a dividend based on, among other factors, current and projected operating results, debt service requirements, expected capital expenditures and compliance with covenants under Andres' debt agreements.

In 2020, DPP declared dividends of \$97.1 million, corresponding to 2020 retained earnings, that were paid during the last quarter of 2020. In 2019, DPP declared dividends of \$28.8 million, corresponding to 2019 retained earnings, that were paid during 2019. In 2018, DPP declared dividends of \$59.7 million, corresponding to 2018 retained earnings, that were paid during 2018.

DPP's dividends are declared annually at a board meeting. The directors may decide to declare a dividend based on, among other factors, current and projected operating results, debt service requirements and expected capital expenditures and compliance with covenants under DPP's debt agreements.

## Exposure to Foreign Exchange Rates

Andres and DPP are exposed to foreign currency risk because of the exposure of Dominican Peso-denominated assets and liabilities to fluctuations of the Dominican Peso against the U.S. dollar. Although the U.S. dollar is the prevailing currency for most of the transactions of Andres and DPP, such as the pricing of the PPAs, natural gas purchases and spare parts acquisitions and borrowings, some operations such as spot market transactions, Dominican payroll and taxes are denominated in Dominican Pesos. Therefore, fluctuations in the U.S. dollar to Dominican Peso exchange rate generate either gains or losses on Andres' and DPP's monetary exposure denominated in Dominican Pesos. As of December 31, 2020, Andres' and DPP's monetary exposure denominated in Dominican Pesos was a net liability, principally comprised of current and deferred spot market payables and taxes.

## Exposure to Interest Rates

Andres and DPP are exposed to risk resulting from changes in their accounts payable and receivable resulting from purchases of electricity from the DISCOs and in the spot market and sales of electricity to the DISCOs that bear interest at the current domestic lending interest rate (*tasa activa*) for Dominican Pesos plus a fixed penalty. Average interest rates applied to spot market accounts receivable and payable at December 31, 2020, 2019 and 2018 were 4.82%, 5.77% and 6.08% in U.S. Dollars, respectively, and 9.85%, 12.44% and 12.06% in Dominican Pesos, respectively. Andres and DPP do not hedge against these exposures.

## Credit Risk

Andres and DPP have a few customers who may not always make timely payments, which may adversely affect the financial condition of Andres and DPP. Andres' revenues come primarily from sales of electricity to DISCOs, and DPP's revenues come from sales of electricity to CDEEE. Andres and DPP are therefore exposed to the credit risk of the Dominican electricity sector.

## Critical Accounting Policies and Estimates

Andres' and DPP's discussion and analysis of their financial condition and results of operations are based upon a combination of their financial statements, each of which has been prepared in accordance with IFRS. Andres and DPP are entities under common control as defined under IFRS. The preparation of each of their financial statements and related disclosures in compliance with IFRS requires the application of appropriate technical accounting rules and guidance as well as the use of estimates. A critical accounting policy is one that is both important to the presentation of their financial condition and results of operations and requires management to make difficult, subjective or complex accounting estimates. An accounting estimate is an approximation made by management of a financial statement element, item or account in the financial statements. Accounting estimates in Andres' and DPP's historical financial statements measure the effects of past business transactions or events, or the present status of an asset or liability. The accounting estimates described below require the management of Andres and the management of DPP to make assumptions about matters that are highly uncertain at the time the estimate is made. Additionally, different estimates that the management of Andres and DPP could have used or changes in an accounting estimate that may be reasonably likely to occur could have a material impact on the presentation of their financial condition or results of operations. The circumstances that make these judgments difficult, subjective and/or complex have to do with the need to make estimates about the effect of matters that are inherently uncertain. Estimates and assumptions about future events and their effects cannot be predicted with certainty. The management of Andres and DPP base their estimates on historical experience and on various other assumptions that the management of Andres and DPP believe to be reasonable under the circumstances, the results of which form the basis for making judgments. These estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as Andres' and DPP's operating environment changes. The management of Andres and DPP believe the following accounting policies involve the application of critical accounting estimates.

*Impairment of Long-lived Assets.* Andres and DPP are each required to periodically evaluate their long-lived assets, such as the generation facilities, property, plant and equipment, for impairment in accordance with IAS 36, "Impairment of Assets," to determine whether any events or circumstances may cause an asset to be impaired. Examples of such events include a significant decrease in the market price of an asset, a significant adverse change in the manner an asset is being used or its physical condition and an accumulation of cost significantly in excess of the



amount originally expected for the construction or acquisition of an asset, among others. If any indication exists, or when annual impairment testing for an asset is required, Andres or DPP, as applicable, estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generation unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash generation unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

*Andres' and DPP's property, plant and equipment's depreciation.* PP&E, including the cost of improvements, are stated at cost. Cost includes major expenditures for improvements and replacements, which extend useful lives or increase capacity. Interest costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All major maintenance disbursements represent the reconditioning of the plant or other assets. These costs are capitalized and then amortized based on the useful life of each asset. Capital spare parts, including rotatable spare parts, are included in the electric generation plants and are depreciated over their useful life after the part is placed in service.

Depreciation is computed primarily using the straight-line method over the estimated useful lives of the assets, which are determined on a component basis.

In 2021, Andres contracted the services of a third party in order to update the useful lives of assets in service. As of the date of this offering memorandum, the full results of the study are not yet available. In the prior study, completed in 2014, the lifetime of buildings was increased, thus impacting Andres' consolidated statement of income through a lower depreciation expense. The useful life of Andres' assets is reviewed internally every year and there have not been any changes as from the 2014 study.

Following are the estimated useful lives of Andres' assets according to the 2014 study:

	<u>Estimated Useful Life</u>
Generation plant	5 to 40 years
LNG facility, pier and pipeline	6 to 50 years
Buildings	5 to 65 years
Vehicles	3 to 5 years
Office equipment and others	4 to 7 years

In 2020, DPP contracted the services of a third party in order to update the useful lives of assets in service. Based on this study, the lifetime of buildings was increased and the service life of vehicles, office equipment and others were decreased, thus impacting DPP's statement of income through a lower depreciation expense.

Following are the estimated useful lives of DPP's assets:

	<u>Estimated Useful Life</u>
Generation equipment	8 to 40 years
Buildings	30 to 65 years
Vehicles	4 to 8 years
Office equipment and others	4 to 7 years

*Revenue recognition.* Revenues from the sale of electricity and LNG are recorded based on physical and contractual delivery of energy, capacity and LNG at the rates specified in the respective contracts or at prevailing market rates. Revenues include income from energy and capacity supplied but not billed at each period end, which is accounted for at the contractual rates or estimated spot market prices existing at each respective period end.

## ELECTRICITY SECTOR IN THE DOMINICAN REPUBLIC

### History

In 1997, the Dominican Republic began to reorganize and privatize its electric utility industry along functional lines of thermal and hydroelectric generation, transmission and distribution. This reorganization and privatization process was instituted primarily to address chronic problems in the Dominican electricity sector, including chronic effective capacity deficit, poor service quality, political interference, mismanagement of public electricity utilities, insufficient tariffs and lack of capital investment in the public electricity sector. The reorganization and privatization process was formalized on June 24, 1997, with the enactment of the Law for the Reform of State Owned Companies, or the Reform Law.

Prior to the commencement of the privatization and reorganization process, all of the commercial electricity generation, transmission and distribution assets in the Dominican Republic were owned by *Corporación Dominicana de Electricidad*, or CDE, an autonomous, vertically integrated, state-owned entity which was by law the only entity authorized to operate in the electricity sector. In the mid-1990s, in response to progressive deterioration in certain major assets, and the unavailability of several power plants to produce and supply required electricity to the Dominican population, CDE entered into several PPAs, with Independent Power Producers, or IPPs, which effectively transferred control of some of the country's generation capacity to private parties. During this period, the sector was regulated by a series of administrative resolutions issued by the MIC.

In 1999, pursuant to the reorganization and privatization process, the DISCOs and the two thermal generation companies were privatized through the sale of a 50% ownership interest to private investors, which was referred to as the "capitalization process." Private investors were invited to bid for 50% ownership interests in these DISCOs and the Dominican Government would retain approximately 49% ownership interests in the DISCOs, while approximately 1% ownership interest was transferred to the employees of the DISCOs at the time of privatization. Private investors were also invited to bid for 50% ownership interests in the two thermal generation companies and the Dominican Government would retain the remaining 50% ownership interests. This capitalization process attracted significant investments in power generation and distribution in the Dominican Republic. A 50% ownership interest in each of EDE-Norte and EDE-Sur was purchased by Unión Fenosa and a 50% ownership interest in EDE-Este was purchased by an affiliate of AES. Also in 1999, Gener and the Coastal Power Company purchased, in aggregate a 50% ownership interest in Itabo, and Seaboard Corporation and Enron Caribe Ltd. purchased in aggregate, a 50% ownership interest in EGE-Haina.

Through the different stages of the reorganization and privatization process, the Dominican Republic electricity assets held by CDE were divided into eight state-owned companies:

- CDE, a parent holding company;
- three distribution companies:
  - Empresa Distribuidora de Electricidad del Norte, S.A.;
  - Empresa Distribuidora de Electricidad del Sur, S.A.; and
  - Empresa Distribuidora de Electricidad del Este, S.A.;
- two thermal generation companies:
  - Empresa Generadora de Electricidad Haina, S.A., or EGE-Haina; and
  - Empresa Generadora de Electricidad Itabo, S.A.;
- a hydroelectric company:

- Empresa de Generación Hidroeléctrica Dominicana, S.A., or EGEHID; and
- a transmission company:
  - Empresa de Transmisión Eléctrica Dominicana, S.A., or ETED.

The General Electricity Law, which was enacted in July 2001, regulates all entities that generate, transport or distribute electricity to third parties in the Dominican Republic, including self-generators and co-generators (entities that produce electricity and other related products such as steam or heat for its own consumption) organized as electricity companies that sell their excess capacity through the SENI. The *Corporación Dominicana de Empresas Eléctricas Estatales*, or CDEEE, was created pursuant to the General Electricity Law. The CDEEE led and coordinated the operations of the state-owned utilities in the Dominican electricity sector, implemented the Dominican Government’s electricity programs and administered the various PPAs with IPPs.

Although significant private investments were made in the Dominican electricity sector and independent bodies were created to coordinate oversight and to regulate the electricity sector, the Dominican Government retains ultimate oversight and regulatory functions as well as control and ownership of the transmission grid and the hydroelectric facilities in the country and over the DISCOs as well. The Dominican Government’s oversight responsibilities for the electricity sector are carried out by the *Comisión Nacional de Energía*, or CNE, the *Superintendencia de Electricidad*, or SIE, and by the *Ministerio de Energía y Minas*, or MEM.

On February 25, 2021, representatives from various sectors of Dominican society gathered to sign the “*National Pact for the Reform of the Electric Sector in the Dominican Republic (2021-2030)*”, or Electric Pact. The document outlines several principles regarding the management of the electric sector, and the participation of every sector of the economy. It defines a strategic business plan which allows the DISCOs to subcontract with other companies for the management of the commercialization of the electric service, including the billing of their customers. The Electric Pact also defines the loss reduction goals that the distribution companies must meet, as well as the application of a transitional tariff regime for regulated users, calculated based on the variations of the average sale price of energy, the exchange rate, the reduction of losses of the DISCOs and the improvement of efficiency for these companies. The Electric Pact states that these rates will be reviewed every three months. However, they are to remain unchanged for approximately one year. The agreement establishes a new policy for subsidies in the electricity subsector, stating that these will be based on the quality of life index and the level of electricity consumption of a decent home in household poverty conditions, both in terms of cross-subsidies and direct subsidies. The SIE must issue regulations implementing the Electric Pact within nine months from the signing of thereof for its dispositions to enter into force for all the DISCOs.

## **Electricity Sector**

### ***Distribution***

There are four distribution companies in the Dominican Republic that operate within the interconnected national electrical system, or SENI: EDE-Este, EDE-Norte, EDE-Sur and Compañía de Luz y Fuerza de las Terrenas, or CLFLT. During 2020, these companies distributed approximately 87% of the energy demanded in the Dominican Republic. Each of EDE-Este, EDE-Norte and EDE-Sur was incorporated in the Dominican Republic and in 1999 was granted 40-year electricity distribution concessions over the East, North and South regions of the Dominican Republic, respectively. CLFLT was initially incorporated in 1992 with a concession to operate as an isolated system, supplying energy to the regions within the province of Samaná that were not served by the CDE. However, on August 6, 2015, CLFLT’s distribution system was connected with the SENI and it became a new agent in the wholesale electricity market.

#### *EDE-Este*

EDE-Este is currently 100% owned by the Dominican Government and managed by CDEEE. Previously, AES owned 50% of EDE-Este, and that interest was later sold to Trust Company of the West, or TCW, and managed by AES DR Services, Ltd., a subsidiary of AES, through a management contract with DR Energy Holding, Ltd., a

TCW subsidiary. EDE-Este has the concession for exclusive distribution of electricity in the eastern region of the country (11,700 square kilometer concession area). In 2009, TCW sold its remaining shares of EDE-Este to the Dominican Republic. In 2020, EDE-Este covered 30.6% of the country's energy demand.

#### *EDE-Norte*

EDE-Norte is currently 100% owned by the Dominican Government and managed by CDEEE. Previously, Unión Fenosa owned 50% of EDE-Norte before it sold its ownership interest to the Dominican Government in 2003. EDE-Norte covers 14 provinces in the northern part of the country (19,061 square kilometer concession area). In 2020, EDE-Norte covered 26.0% of the country's energy demand.

#### *EDE-Sur*

EDE-Sur is also currently 100% owned by the Dominican Government and managed by CDEEE. Previously, Unión Fenosa also owned 50% of EDE-Sur before it sold its ownership interest to the Dominican Government in 2003. EDE-Sur covers 10 provinces of the Dominican Republic (17,939 square kilometer concession area). In 2020, EDE-Sur covered 30.2% of the country's energy demand.

#### *CLFLT*

CLFLT is a privately owned and managed distribution company. It currently covers the regions of Las Terrenas, Las Galeras and El Limon within the province of Samaná, serving a little over 13,362 customers. In 2020, CLFLT covered 0.3% of the country's energy demand.

The tables below, which were prepared by the Superintendency of Electricity, set forth the number of customers served and the energy sold by each of EDE-Norte, EDE-Sur, and EDE-Este for the periods specified therein.

### Number of Customers Served

Type of Customer	EDE-Este				EDE-Norte				EDE-Sur			
	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
Residential.....	614,426	638,003	645,173	685,617	834,663	881,171	931,094	979,631	573,927	612,606	650,384	654,861
Commercial.....	65,149	67,430	69,173	73,183	78,329	88,682	95,165	103,684	35,983	38,696	40,361	60,976
Industrial.....	5,530	5,895	6,109	6,675	2,219	3,555	3,938	4,068	4,611	4,864	5,016	5,128
Government Offices.....	3,240	3,347	3,353	3,555	4,397	4,964	5,270	5,630	4,138	4,365	4,580	4,731
City Offices.....	1,929	1,931	1,944	2,069	1,267	1,387	1,520	1,738	855	904	1,019	1,078
<b>Total.....</b>	<b>690,273</b>	<b>716,606</b>	<b>725,751</b>	<b>771,099</b>	<b>921,875</b>	<b>979,759</b>	<b>1,036,988</b>	<b>1,094,750</b>	<b>619,515</b>	<b>664,434</b>	<b>701,359</b>	<b>706,774</b>

### Energy Sold (GWh)

Type of Customer	EDE-Este				EDE-Norte				EDE-Sur			
	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
Residential.....	1,078	1,097	1,183	1,267	1,607	1,705	1,805	1,983	1,498	1,563	1,726	1,826
Commercial.....	259	257	276	237	399	454	509	483	511	466	589	585
Industrial.....	620	632	661	630	725	763	854	766	1,188	1,334	1,690	1,443
Government Offices.....	387	418	438	440	225	243	255	252	605	418	531	496
City Offices.....	100	100	103	101	80	90	102	105	78	66	71	78
<b>Total.....</b>	<b>2,444</b>	<b>2,505</b>	<b>2,661</b>	<b>2,676</b>	<b>3,036</b>	<b>3,256</b>	<b>3,525</b>	<b>3,589</b>	<b>3,880</b>	<b>3,847</b>	<b>4,607</b>	<b>4,429</b>

\* Estimated values

Source: Superintendency of Electricity.

Each of the DISCOs has been affected by the financial crisis of the system. Currently, the financial strength of the DISCOs is measured by the Cash Recovery Index, or CRI. The CRI reflects the operational efficiency of the distribution company by combining the energy losses and the collections rate of the company in its concession area. Based on these two operational variables, the CRI is calculated as follows:

CRI = (EF / ED) \* (\$C / \$F) where,  
 EF is the total energy billed to clients;  
 ED is the total energy purchased;  
 C is the dollar amount of total collections;  
 and F is the dollar amount billed.

### CRI, Losses and Collection rate

Type of Customer	EDE-Este				EDE-Norte				EDE-Sur			
	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
Cash Recovery												
Index <sup>(1)</sup> .....	59.2%	58.6%	60.3%	46.5%	73.1%	74.8%	77.4%	74.7%	70.5%	72.9%	74.6%	70.4%
Losses.....	25.5%	23.1%	20.5%	22.6%	26.5%	23.9%	21.4%	25.1%	37.2%	37.5%	38.3%	49.8%
Collection Rate.....	94.3%	93.8%	97.8%	92.6%	98.1%	97.2%	97.4%	96.5%	96%	95.8%	94.9%	93.9%

Source: CDEEE and EDE-Este.

### Transmission

The transmission grid of the SENI is formed by approximately 5,462 km of lines operating at 69 kV, 138 kV, 230 kV and 345 kV with transformer and connection substations. The 345 kV line covers an approximate length of 350 km.

The 138 kV grid, which is part of the high-voltage grid, serves as the backbone to the grid and connects all the major substations in Andres' and DPP's three geographical regions with the Santo Domingo zone. It has an approximate length of 3,141 km.

In addition to the 138 kV grid, the Dominican electricity system has a transmission network of 69 kV with an approximate length of 1,696 km connected to the main transmission system by means of step-down transformer substations.

If a power generation company constructs additional transmission lines, it will be required, pursuant to Dominican law, to transfer such lines to the Dominican Republic in exchange for negotiated payments that could take the form of tolling payments for use of the lines.

### Generation

A generator's capacity is measured in terms of Installed Capacity and Effective Capacity. The table below sets forth Installed Capacity and Effective Capacity for generation companies in the Dominican Republic as of December 31, 2020:

COMPANY	Installed Capacity (MW)	As % of Installed Capacity	Effective Capacity (MW)	As % of Effective Capacity	Technology
Empresa Generadora de Electricidad Haina, S.A.....	687	14.0%	492	18.8%	Steam Turbine, Gas Turbine, Wind Turbine and Diesel Engines
Empresa de Generación Hidroeléctrica Dominicana (EGEHID).....	623	12.7%	0	0.0%	Hydro Turbines
Andres .....	319	6.5%	296	11.3%	Combined Cycle

<b>COMPANY</b>	<b>Installed Capacity (MW)</b>	<b>As % of Installed Capacity</b>	<b>Effective Capacity (MW)</b>	<b>As % of Effective Capacity</b>	<b>Technology</b>
Compañía de Electricidad San Pedro de Macorís S.A .....	300	6.1%	294	11.3%	Combined Cycle
San Felipe Limited Partnership ....	185	3.8%	176	6.7%	Combined Cycle
Empresa Generadora de Electricidad Itabo, S.A. ....	294	6.0%	266	10.2%	Steam Turbine and Gas Turbines
Dominican Power Partners .....	359	7.3%	318	12.2%	Gas Turbine
Generadora Palamara La Vega, S.A. ....	199	4.0%	190	7.3%	Diesel Engines
Los Origenes Power Plant .....	61	1.2%	57	2.2%	Diesel Engines
CDEEE (Catalina) .....	782	15.9%	-	-	Diesel Engines
Consortio Laesa Ltd.....	111	2.2%	109	4.2%	Diesel Engines
Compañía de Electricidad de Puerto Plata .....	77	1.6%	65	2.5%	Diesel Engines
Monterio Power Corporation, Ltd.	40	0.8%	38	1.5%	Diesel Engines
PVDC. ....	225	4.6%	67	2.6%	Diesel Engines
Seaboard.....	111	2.3%	109	4.2%	Diesel Engines
Complejo Metalúrgico Dominicano, C. por A .....	42	0.9%	41	1.6%	Diesel Engines
Lear Investments .....	30	0.6%	97	3.7%	Diesel Engines
Electronic J.R. C. SRL .....	102	2.1%	-	-	Solar
San Pebro Bio-Energy SRL.....	30	0.6%	-	-	Biomass
Montecristi Solar FV, S.A.S.....	58	1.2%	-	-	Solar
Grupo Eolico Dominicano.....	34	0.7%	-	-	Wind
Parques Eolicos del Caribe, S.A...	53	1.1%	-	-	Wind
Agua Clara, S.A .....	53	1.1%	-	-	Wind
Poseidon Energia Renovable, S.A	48	1.0%	-	-	Wind
Emerald Solar Energy, SRL .....	33	0.7%	-	-	Solar
Wcg Energy, LTD .....	67	1.4%	-	-	Solar
<b>Total .....</b>	<b>4,921</b>	<b>100%</b>	<b>2,614</b>	<b>100%</b>	

Source: OC.

### Natural Gas Distribution

The natural gas fuel market is regulated by the MIC and the MEM, which issue ministerial resolutions. Currently, the most important resolutions pertain to the regulation of entrance into the natural gas fuel market, including the issuance of permits, concessions and licenses, the price of natural gas sold to NGVs and the regulation of the quality of natural gas that can be imported to the Dominican Republic.

## Market Summary

### Demand

Electricity demand experienced an average growth rate of 5% during the period from 2015 to 2019. Peak capacity demand for the system reached 2,576 MW in 2020. Net energy demand increased approximately 1% from 17,412 GWh in 2019 to 17,663 GWh in 2020, primarily due to a rapid recovery from an early economic reopening following the COVID-19 national lockdown.

The table below sets forth yearly demand and annual growth rate for the period from 1990 to 2020.

Year	Demand		Growth Rate	
	Energy (GWh)	Capacity (MW)	Energy (%)	Capacity (%)
1990.....	3,121	620		
1991.....	3,457	689	10.8	11.1
1992.....	4,564	835	32.0	21.2
1993.....	5,353	927	17.3	11.0
1994.....	5,653	969	5.6	4.5
1995.....	5,478	968	(3.1)	(0.1)
1996.....	6,615	1,168	20.8	20.7
1997.....	7,236	1,261	9.4	8.0
1998.....	7,693	1,363	6.3	8.1
1999.....	9,049	1,486	17.6	9.0
2000.....	9,472	1,670	4.7	12.4
2001.....	9,623	1,705	1.6	2.1
2002.....	10,231	1,631	6.3	(4.3)
2003.....	10,396	1,712	1.6	4.9
2004.....	8,868	1,695	(14.7)	(1.0)
2005.....	9,823	1,647	10.8	2.8)
2006.....	10,708	1,760	9.0	6.9
2007.....	11,179	1,767	4.4	0.4
2008.....	11,645	1,957	4.2	10.7
2009.....	11,176	1,740	(4.0)	(11.1)
2010.....	11,773	1,745	5.0	0.3
2011.....	12,242	1,822	4.0	4.4
2012.....	13,102	1,995	7.0	9.5
2013.....	13,546	2,084	3.0	4.5
2014.....	13,212	1,896	(2.0)	(9.0)
2015.....	13,929	1,967	5.4	3.7
2016.....	14,893	2,160	7%	10%
2017.....	15,282	2,219	3%	3%
2018.....	15,702	2,219	3%	-
2019.....	17,412	2,437	11%	10%
2020.....	17,663	2,576	1%	6%

Source: OC.

According to the OC, which annually provides a long-term forecast of capacity and associated energy demand projection as included in the “Programa de Operación de Largo Plazo del SENP”, the increase in demand through 2024 will be as follows:

Year	Energy	Capacity	Energy	Capacity
	GWh	MW	% Increase	% Increase
2021.....	21,294	2,997	21%	16%
2022.....	22,054	3,104	4%	4%



Year	Energy	Capacity	Energy	Capacity
	GWh	MW	% Increase	% Increase
2023 .....	22,815	3,211	3%	3%
2024 .....	23,575	3,318	3%	3%

Source: OC.

### Supply

As of December 31, 2020, SENI's Installed Capacity in the Dominican Republic was 4,921 MW, with 2,614 MW of Effective Capacity. The generation of electricity in the Dominican Republic is highly dependent on thermal generation, which for 2020 represented 84% of total energy production, the remaining 17% being hydroelectric, solar and wind production. The table below sets forth the Installed Capacity in the Dominican Republic by technology and fuel type as of December 31, 2020.

Installed Capacity by Technology			Installed Capacity by Fuel Type		
Technology	Capacity (in MW)	% of Total Installed Capacity by Technology	Fuel Type	Capacity (in MW)	% of Total Installed Capacity by Fuel Type
Steam Turbine .....	1,157	23.51	Fuel Oil No. 06	646	13.12%
Gas Turbine .....	135	2.74	Fuel Oil No. 02	100	2.03%
Solar .....	187	3.80	Natural Gas	678	13.78%
Wind Turbine .....	370	7.52	Water	623	12.66%
Combustion Engine .....	1,286	26.13	Solar	188	3.81%
Combined-cycle .....	1,163	23.63	Wind	370	7.52%
Hydro .....	623	12.66	Biomass	30	0.61%
<b>Total</b> .....	<b>4,921</b>	<b>100</b>	Coal	1094	22.23%
			Nat. Gas & Fuel Oil No. 02	334	6.79%
			Nat. Gas & Fuel Oil No. 06	674	13.69%
			Fuel Oil No. 06 & Fuel Oil No. 02	185	3.76%
			<b>Total</b>	<b>4,921</b>	<b>100</b>

Source: OC.

### Spot Market

The spot market in the Dominican Republic commenced operations in June 2000. All participants in the Dominican electric system with power generation units available are put in order of merit for dispatch. The variable production cost of each power generator determines when, and if, each participant is dispatched. Generators are dispatched in order beginning with the generator with the lowest declared variable cost until the demand for electricity by the system is satisfied. The variable cost of the last generator dispatched determines the marginal price of electricity in the market for that hour, or the spot price. The OC publishes a weekly order of merit list that it uses to coordinate the dispatch of the generation units. The order of merit is effective for one week and is the same for the entire week. Dispatched variable cost is based on the price of fuel, the units' efficiency (heat rate), and the nodal factor (or transmission losses due to transportation from the generator to the principal connection point in the grid).

The transactions in the spot market are denominated in Dominican Pesos. The amount of the obligations derived from transactions in the spot market are subject to the domestic lending interest rate (*tasa activa*) set by the Central Bank if not paid when due, as well as a penalty established under Dominican electricity regulations.

### Firm Capacity Allocations and Capacity Transactions

The regulatory framework in the Dominican electricity market establishes a methodology for allocating firm capacity to each power generation unit. The OC allocates firm capacity to a power generation unit based on many factors, including yearly peak demand, the number of power generation units installed in the Dominican Republic, the capacity of each power generation unit, the level of reliability required by the system and the availability rate of each power generation unit. In addition, the availability rate takes into account the ability to generate without relief for force majeure, lack of fuel or other similar events.

Under the regulatory framework, firm capacity is defined as the power that a generation unit is allowed to provide during the peak demand hours, typically from 7 p.m. to 12 a.m., taking into account each power generation unit's availability and the reliability of such unit. The aggregate firm capacity of all power generation units for the entire year should equal the aggregate demand estimated for that year.

The OC calculates firm capacity for power generation units on a monthly basis based on preliminary data and estimates of the actual yearly peak demand, the availability of thermal and hydroelectric generation units and other variables. Once the definitive information is obtained at the end of each year, the OC makes the final calculation of firm capacity for such year and determines the differences from the preliminary calculations, including the interest rate in effect. This recalculation takes place during the first quarter of the following year. At that time net payments are made based upon final calculations.

To determine the firm capacity allocations, the availability factor of each power generation unit is calculated by weighing historical availability data for up to a maximum of 120 months, as 60% of the availability factor, and the international reference availability for a power generation unit with a similar technology, as published by the North American Electric Reliability Council, or NERC, as the remaining 40% of the availability factor. When power generation units have completed 120 months of operation, the availability is based only on historical data. The formula is structured so that the historical availability has more impact than the NERC data on the total availability as determined for firm capacity allocation. Therefore, firm capacity allocation for new power generation units is highly affected by their short operational history.

### ***Contracts***

Sector participants such as distributors, generators and NRUs may also execute private contracts in which they agree to specific energy and capacity transactions. The contracts are governed by private law and can be long-term (five to twenty years) or short-term (typically one to two years). Negotiated terms include the term, price, payment schedules, guarantees and default provisions. The contracts between generators and distributors and/or large NRUs are normally in the form of PPAs and these agreements generally establish damages resulting from a generator's failure to deliver energy at the replacement price of such energy as determined by the SIE. The PPAs are registered with the OC.

The financial settlement of PPAs is independent of the actual dispatch of any particular power generator. There is no obligation to produce the electricity necessary to fulfill the PPA commitments. Consequently, if a power generator, which entered into a PPA and committed to sell electricity to a customer, does not generate the total amount of electricity needed to satisfy its contractual obligation during a particular month, the OC will cover such deficit in generation through allocating purchases in the spot market at the spot price to be delivered to the buyer under the PPA and paid for by the generator.

## BUSINESS

### Overview

AES is the largest investor in the Dominican Republic's energy sector, with investments in excess of \$1.3 billion. AES' presence in the Dominican Republic's energy sector is comprised of its operating subsidiaries Andres and DPP, which are each indirect majority-owned subsidiaries of AES. Andres and DPP have a total Installed Capacity of 678 MW and in 2020 generated 3,541.03 GWh of electricity, approximately 20% of the total electricity generated in the country.

Andres, through its 319 MW natural gas-fired combined-cycle plant, and DPP, through its 359 MW natural gas-fired combined-cycle plant, together have an aggregate 678 MW of Installed Capacity, representing 13.8% of the current total Installed Capacity in the Dominican Republic. Andres has the only liquefied natural gas facilities in the country, which includes an on-load and off-load pier, a 160,000 cubic meter storage LNG tank, an LNG re-gasification plant with a 375,000 mcf/day capacity, and a 34 km gas pipeline that connects the on-load pier with DPP's processing facilities located further inland.

In terms of renewable energy related projects, Andres added 1.24 MWn of solar panels in 2016 within the premises of the Andres Facilities. In addition, Andres and DPP each added 10 MW of battery energy storage system, or BESS, within their own facilities in 2017.

Furthermore, Andres is currently developing the following projects:

- *Bayasol*: In 2018, Andres BV acquired a special purpose company, AES Dominicana Renewable Energy S.R.L. (formerly Parque Eólico Beata, S.R.L.), or ADRE, to develop and construct a 50 MWn solar farm in Baní, Peravia Province of the Dominican Republic. The project is in its commissioning stage and started dispatching electricity into the transmission grid in March 2021. ADRE is installing more than 149,760 solar PV panels, divided in 13 arrays and one 138Kv sub-station. The total cost of the Bayasol project is \$48.0 million and it is partially financed through a \$50.0 million credit facility entered into by ADRE with Banco Multiple BHD Leon, S.A. and BHD International Bank Panama, S.A. and guaranteed by Andres DR, Andres BV and DPP, of which only \$45.0 million were disbursed. The remainder was financed with Andres DR' available cash. The Bayasol project has been fully contracted with PPAs with NRUs having similar characteristics as those described below.
- *Santanasol*: Andres DR is developing a 50 MWn photovoltaic farm in the Dominican Republic and issued an NTP on April 7, 2021. The total cost of the Santanasol project is expected to be approximately \$45.0 million. During or around May 2021, Andres DR expects to enter into a credit facility with a commercial bank to finance the project.

Additionally, Andres has made the following investments:

- *Domi Trading / ENADOM*: On June 7, 2019, Andres BV entered into a partners' agreement with the Energas Group, which led to a 50/50 joint venture implemented through Domi Trading. Andres BV and the Energas Group are each the direct owners of 50% of the shares in Domi Trading. Domi Trading formed a subsidiary named Energia Natural Dominicana ENADOM, S.R.L., a limited liability company (*sociedad de responsabilidad limitada*) incorporated in the Dominican Republic, or ENADOM, with the sole purpose of developing, constructing and operating LNG assets. Domi Trading expects to commercialize LNG in the Dominican Republic through ENADOM. ENADOM currently owns a 50 km regasified LNG pipeline that runs from the Andres Terminal to the municipality of San Pedro de Macoris in the Dominican Republic. Through this pipeline, ENADOM supplies LNG to two power plants and one mining company for generation of electricity. On December 30, 2020, ENADOM achieved financial close and issued an NTP for the construction of two truck loading bays and a 120,000 m<sup>3</sup> LNG storage tank, located within the Andres Facilities; ENADOM currently expects to complete the truck loading and the LNG storage tank projects during the second quarter of 2022 and the second quarter of 2023, respectively. The total cost of the ENADOM project is expected to be approximately \$253.0

million, of which \$180.0 million is being financed through a project finance facility with a syndicate of international banks, with the ENADOM pipeline serving as part of the collateral package. ENADOM is expected to own the pipeline, the LNG storage tank and the truck loading bays, while Andres DR will be in charge of the construction management, O&M services, administrative services and leases the land where the LNG storage tank will be built. Andres BV does not consolidate Domi Trading or ENADOM's results into its consolidated results of operations. Instead, Andres BV accounts for its ownership interest in these companies in its consolidated income statement under the equity method, recording its share of the net income of each of these companies' net income in the line item "equity gain/(loss) investment in affiliates." This line item forms part of Andres' total income and, hence, net income for any relevant period.

Andres and DPP have contracted a total of 655 MW of their aggregate capacity through PPAs with: (i) CDEEE, the leader and coordinator of the state-owned electric companies in the Dominican Republic (totaling 270 MW); (ii) EDE-Este, a distributor of electricity in the eastern region within the interconnected system of the Dominican Republic (totaling 82.5 MW); (iii) EDE-Norte, a distributor of electricity in the northern region within the interconnected system of the Dominican Republic (totaling 82.5 MW); (iv) EDE-Sur, a distributor of electricity in the southern region within the interconnected system of the Dominican Republic (totaling 110 MW); and (v) non-regulated users, or NRUs (totaling 110 MW).

Furthermore, Andres has contracted a total of 75 MW with NRUs that will be supplied from its solar farm projects: (i) 50 MWn to be supplied by ADRE through the Bayasol project, and (ii) 25 MW to be supplied by Andres DR through the Santanasol project. The delivery of renewable energy will start once each project reaches its commercial operation date.

The main characteristics of Andres' and DPP's PPAs are as follows:

- The contracts are denominated in U.S. dollars.
- The price structures of the PPAs provide monthly indexation for changes in U.S. CPI and, in the case of thermal power plants, for changes in natural gas prices.
- The fuel pricing components of the contracts are closely linked to Andres' and DPP's fuel cost structures. Small deviations are due to power plant efficiencies as defined in the PPAs, which on average are lower than actual values.

The PPA contracts with NRUs also contemplate:

- A performance bond or a stand-by letter of credit as guarantee from the clients for the equivalent of two months of invoices.
- Maximum yearly energy demand limits on the clients.
- An average initial duration of the contracts of five years, with a remaining average life of 4.3 years.

Additionally, Andres is currently the only importer and supplier of natural gas in the Dominican Republic. The imported gas is used for the generation of Andres' and DPP's power plants, and for the sale to third parties, either directly or via distributors. For the year ended December 31, 2020, third party natural gas sales accounted for \$ 231.5 million of Andres' and DPP's combined revenues, representing 32.4% of Andres' and DPP's combined total revenues.

Andres imports LNG pursuant to a 20-year contract expiring in 2023 for up to 33.6 TBtu per year with BP Gas Marketing Ltd., a subsidiary of BP plc, through Atlantic Basin Services Ltd., an AES subsidiary, or ABS, strictly for the consumption of the Andres and DPP power plants. For supplying third parties, ABS entered into a LNG sale and purchase agreement with TOTAL that expires in 2032. Andres may contract additional volumes year to year on a spot basis in order to support LNG sales to third parties. Currently, the supply of LNG is primarily imported from the United States and the Republic of Trinidad and Tobago. Andres' LNG capabilities have helped transform the energy

market in the Dominican Republic and have reduced dependency on fuel oil from approximately 90% in 2000 to approximately 15% in 2020.

Andres' current natural gas agreements have the following characteristics:

- Denominated in U.S. dollars.
- The agreements' duration varies from three to twelve years.
- Minimum natural gas volumes are required to be declared annually.
- Pass-through of the LNG procurement conditions (price and take-or-pay obligations), with the price metric being based on the client's requirements (such as the Brent Oil Index, NYMEX HHI Index or other).
- Clients must provide financial guarantees to cover one to six months of the declared volumes during the year.
- Fees vary depending on the distribution channel and the point of delivery (clients may be supplied through the truck loading terminal or through the pipeline). Fees are adjusted annually as per U.S. CPI.
- Declared volumes become subject to the take-or-pay condition under each agreement.
- Prepaid bill on a monthly basis.

#### Historical Information of Andres and DPP

The following tables summarize energy production and energy sales for Andres and DPP for the years ended December 31, 2020, 2019 and 2018:

	<b>For the years ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>ENERGY BALANCE</b>			
<b>(in GWh)</b>			
Andres .....	1,424.29	1,935.71	1,941.66
DPP .....	2,116.74	2,394.05	2,522.74
<b>Production</b> .....	<b>3,541.03</b>	<b>4,329.76</b>	<b>4,464.40</b>
Backup Contract.....	-	-	-
<b>Total energy available for sale</b> .....	<b>3,541.03</b>	<b>4,329.76</b>	<b>4,464.40</b>
Sales Contract.....	4,729.64	4,845.03	5,089.20
Surplus (Deficit).....	-1,188.61	-515.27	-624.80
<b>NET ENERGY SALES</b> .....	<b>3,541.03</b>	<b>4,329.76</b>	<b>4,464.40</b>

#### Assets

##### *Andres*

Andres BV was incorporated in the Netherlands on September 14, 1999 to construct a new combined-cycle power plant in the Dominican Republic and began operations in 2003. In September 2014, all assets and liabilities of Andres BV located in the Dominican Republic were contributed to Andres DR. In January 2016, Andres relocated its place of effective management to Madrid, Spain and became resident for tax purposes in Spain and subject to Spanish taxation. It remains, however, incorporated under the laws of the Netherlands. Currently, Andres owns and operates

a 319 MW LNG combined-cycle power plant in Punta Caucedo, Dominican Republic, and, through ADRE, a 50 MWn photovoltaic power plant located in the Peravia Province, Dominican Republic.

In addition, Andres has an LNG shipment-receiving terminal, a storage facility and a re-gasification facility located in the southeastern tip of the Caucedo Peninsula, in the Dominican Republic, as well as a 34 km re-gasified LNG pipeline from Caucedo to Los Mina, Santo Domingo. The LNG received by Andres is re-gasified and the resulting natural gas is used by Andres and DPP to operate their combined-cycle power generation units and to sell natural gas to third parties. In January 2010, Andres also began commercial operations of the first truck terminal for LNG unloading in the Dominican Republic, with two loading bays that can operate simultaneously. In addition, Andres has developed the projects described above in “—Overview.”

### *DPP*

DPP was incorporated as an exempted company with limited liability in the Cayman Islands on November 14, 1995, after a consortium of Turbine Energy Inc. and Destec Cayman Islands Holdings Ltd. was formed with the objective of rehabilitating the 236 MW power plant located in Los Mina and selling the energy produced thereby to CDE. In 1997, AES acquired 100% of DPP’s outstanding shares and currently remains as the indirect majority owner of DPP. DPP has a combined-cycle power plant that has 359 MW of Installed Capacity. In addition, DPP has developed the projects described above in “—Overview.”

### **Electricity Sector in the Dominican Republic**

After the Dominican electricity sector’s privatization in late 1999, competition among electricity generation companies in the Dominican Republic increased significantly. Investments in new electricity generation units and significant upgrades to, and conversions of, existing electricity generation units from 2000 to 2020 resulted in a 94% increase in the Installed Capacity of the Dominican electricity market. This increase tracked an increase in the annual consumption from 9,510 GWh in 2001 to 17,663 GWh in 2020.

As of December 31, 2020, SENI’s Installed Capacity in the Dominican Republic was 4,921 MW, with 2,614 MW of Effective Capacity. Electricity generation in the Dominican Republic is highly dependent on thermal generation, which for 2020 represented approximately 84% of total energy generation (of which approximately 16% was generated using fuel oil, approximately 31% using natural gas and approximately 37% using coal). In addition, approximately 7% was provided by hydroelectric energy generation, approximately 6% was provided by wind energy generation, approximately 2% was provided by solar energy generation and approximately 1% was provided by biomass. The electricity wholesale market is based on centralized economic dispatch. The OC regulates planning and supervises the operation through the *Centro de Control de Energia*, which determines real-time dispatch. Dispatches of electricity generation units are based on declared variable costs subject to audit by the OC. The hydroelectric, wind and solar generation units’ variable cost is equal to zero, which means that they are always the first for dispatch. The Andres and DPP thermal generation units are among the first units to be dispatched after the wind and solar generation units and are currently running as base load units, which means that they are dispatched to fulfill base demand and not just during times of peak demand. Electricity is transported via transmission lines at voltages of 69 kV, 138 kV, 230kV and 345 kV via a network owned by the Dominican Republic.

Currently, it is expected that several renewable generation units will be completed and generate energy within the next few years. These additions to the Installed Capacity of the Dominican Republic are expected to continue to help support growing demand and will impact the dispatch order of the existing units once they become operational.

### **Impact of COVID-19**

The ongoing COVID-19 pandemic has caused severe disruptions in the world economy. In order to contain the spread of COVID-19 in the Dominican Republic, the Dominican Government announced and implemented several measures such as: (i) the declaration on March 19, 2020 of a state of emergency at a national level; (ii) the establishment of a curfew and restrictions on freedom of transit, association and assembly; (iii) the temporary closure of air, sea and land borders; (iv) the implementation of a “Stay at Home” program; (v) the creation of the Employee Solidarity Assistance Fund, or FASE, aimed at assisting formal employees in the private sector whose employment

agreements had been suspended; (vi) the implementation of a liquidity facility program for up to RD\$15 billion to be channeled into loans to small and medium-sized businesses and personal loans for smaller amounts through *Banco de Reservas*; (vii) the reduction by the Dominican Central Bank of the monetary policy rate with the objective of encouraging a general decrease in interest rates in the financial system and the implementation of other interest rate cuts; and, (viii) an increase in the resources released from *Banco de Reservas*' legal reserve to channel new loans to the different productive sectors and households. While some of these restrictions have since been lifted, we can offer no assurance that they will not be re-imposed.

For the year ended December 31, 2020 and through the date of this offering memorandum, Andres' and DPP's operations have not been materially affected by the COVID-19 pandemic or the measures implemented by the Dominican Government. However, the construction and development of the Bayasol project underwent certain delays, mainly due to disruptions in the logistics sector (import of equipment and parts) and restrictions on workable hours of the construction personnel.

Nonetheless, the ultimate severity of the pandemic's impact on Andres and DPP remains uncertain. See "Risk Factors—Risk Factors Relating to Andres and DPP—The COVID-19 pandemic has severely impacted global economic activity, including electricity and energy consumption" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations" below for further information. The implementation of mandatory health protocols such as social distancing, employee quarantines, and regular COVID-19 screenings may restrict Andres' and DPP's operational capacity or increase costs. In addition, changes in existing regulations or implementation of future regulations in response to the spread of COVID-19 may restrict Andres' and DPP's existing operations and require extensive system and operating changes that may be difficult or costly for Andres and DPP to implement. The ultimate impact of the COVID-19 outbreak on Andres' and DPP's operations remains uncertain at this time.

## **Competitive Strengths**

*Base load thermal generation plants with world class infrastructure in the Dominican Republic.* The Andres and DPP power plants both operate as base load plants, demonstrating their cost effectiveness. Andres' combined-cycle natural gas fired plant is the most efficient thermal plant in the Dominican Republic. The quality of the assets has also permitted Andres and DPP to generate additional revenues through frequency regulation services to the SENI since, as gas-fired plants, they have relatively short ramp-up and ramp-down rates for their turbine generators, which makes them well-suited to provide frequency regulation and other ancillary services. We believe that these services are important to achieve service quality and stability of the power system in the Dominican Republic and make them integral participants in the power industry and provide for better dispatch characteristics.

Andres and DPP have developed the infrastructure to support their core operations that is best-in-class. This infrastructure includes the LNG terminal, the gas pipeline, the LNG truck loading terminal, the LNG storage tank, and the port facilities at Andres. Andres, by itself or through its subsidiaries, is developing two renewable energy projects. The Bayasol project, currently under development by ADRE, consists of the construction of a 50 MWn solar farm in Bani, Peravia Province of the Dominican Republic. The Santanasol project is being developed by Andres DR and consists of the construction of a 50 MWn photovoltaic farm in the Dominican Republic. Moreover, Andres, together with the Energas Group, is also spearheading the commercialization of LNG in the Dominican Republic through the ENADOM projects described above. Andres is certified ISPS for port security.

*Diversified and reliable sources of revenue with low foreign exchange risk.* As of December 31, 2020, Andres' and DPP's current revenue mix is 65.7% from contracted sale of capacity and energy to the DISCOs and NRUs, 32.4% from contracted sales of LNG and the remaining 1.9% through sales in the spot market. As Andres (directly or indirectly) continues to invest in its LNG infrastructure, it expects the percentage of sales of LNG will continue to increase.

Further, Andres' and DPP's revenues and costs are largely denominated in U.S. dollars. 96.5% of the combined revenues of Andres and DPP for the year ended December 31, 2020, were derived from U.S. dollar-linked sales of capacity and energy, LNG and other non-electricity sales. Since substantially all of Andres' and DPP's costs, primarily fuel and maintenance costs are in U.S. dollars, these U.S. dollar revenues largely mitigate their foreign currency exchange rate risk.

*Only LNG terminal in the Dominican Republic.* Andres built and operates the only LNG terminal in the Dominican Republic, including an on-load pier, an LNG storage tank, an LNG re-gasification plant, cryogenic truck loading facilities and a 34-km gas pipeline. Andres, through the ABS contract, has contracted for a period of 20 years for the supply of LNG with BP Gas Marketing Ltd., a subsidiary of BP plc, for up to 33.6 TBtu per year expiring in 2023. In addition, Andres is sourcing up to 15 additional tankers of LNG (approximately 45 TBtu) on the market per year in order to support LNG sales to third parties. In the last six years, the third-party LNG sales have risen from negligible to accounting for approximately 48% of the LNG being imported into the Dominican Republic. Andres' LNG customer base has expanded to encompass one generator (DPP), one direct user (Seaboard), one distributor (ENADOM) and five retailers, who in turn sell natural gas to various players in the natural gas market.

*Competitive fuel procurement contracts.* All of Andres and DPP benefit from the global AES fuel procurement platform. As part of AES, Andres has benefited in the past and is expected to continue to benefit from the launch of regional tenders that aggregate the fuel needs of several AES subsidiaries, a global platform for forging relationships with suppliers and intercompany transactions. In terms of natural gas, Andres and DPP have largely met their demand through a long-term contract that is linked to natural gas prices in the U.S. (NYMEX Henry Hub Index) that, as of December 31, 2020, showed a lower delivered price than all public contracts of LNG facilities outside of the U.S. This platform currently allows the plants to maintain a very competitive position in the Dominican electricity sector. Further, by acting as a demand aggregator for natural gas clients and leveraging existing relationships with LNG suppliers, Andres enables customers to access the international natural gas market at competitive prices, which they would not be able to individually procure. In addition, market prices are consistently monitored in order to identify and capture value-added opportunities.

*Solid financial performance.* Andres and DPP, on a combined basis, have exhibited solid financial performance over the past three years. Collectively, the companies have moderate leverage and strong cash generation as demonstrated by the Debt/EBITDA ratio which was 2.70x in 2020 and 2.18x in 2019.

*Proactive, constructive relationship with stakeholders, regulators and market participants.* Andres and DPP have been active participants with the Dominican Government in seeking to resolve the various challenges to the Dominican electricity sector and consider their relationship with the regulators to be strong and constructive. AES has also attracted the investment of Grupo Estrella and Linda, two of the Dominican Republic's leading economic groups, as equity investors in the holding company for AES' Dominican assets, which AES believes demonstrates the strength of its business in the Dominican Republic as well as its commitment to the Dominican electricity sector.

*World-class management team.* Andres' and DPP's management team has an average of over 15 years of experience in the Dominican electricity sector and/or operating generation assets, and is responsible for implementing a strategy that has resulted in the development of the LNG market in the Dominican Republic and delivered stable and solid growth.

*Benefits from the relationship with AES.* AES is one of the largest U.S. private investors in the energy sector in the Dominican Republic and one of the largest private investors in the power sector in Latin America. AES began to make investments in the Dominican Republic in 1997; operates more than 16,500 MW in Latin America; and serves more than nine million customers in Latin America through its distribution companies. Andres and DPP benefit from the operational and technical expertise and best practices of AES in optimizing their operational performance and improving their margins. Both companies have contracts to receive technical, administrative and management services from AES and its affiliates.

## **Business Strategy and Objectives**

The following key projects and initiatives will drive the business strategy for the following years:

*Maximize plant availability.* Andres and DPP seek to maximize plant availability to enable the highest levels of energy generation available for dispatch. To achieve this objective, Andres and DPP intend to continue to implement their reliability program, which enables them to improve preventive maintenance, to benefit from AES' technological and global operational expertise and practices, and to continue to execute their comprehensive asset management program. Andres' and DPP's asset management program is a series of coordinated and systematic activities and practices by which they can manage and operate their physical assets and their related risks and costs,



in a sustainable and optimal way, so as to achieve their goals under their strategic business plan. This systematic approach to management enables the maximization of value and the effective management of their assets through their life cycles.

*Continue to optimize and diversify commercial sales portfolio for the electricity business.* Andres and DPP intend to capitalize on this high level of production capability resulting from high availability by having a commercial portfolio of short-, mid- and long-term contracts with the DISCOs and NRUs, which range from three to 15 years, and a defined amount of sales to the spot market. Historically, Andres and DPP have relied on long-term contracts with the DISCOs for a stable revenue stream. We expect that the Dominican Government will tender for approximately 500 MW of capacity in the near future and we expect energy blocks from these tenders to be allocated to Andres and DPP. From time to time, however, Andres has entered into short-term contracts with the DISCOs at higher prices than those for long-term contracts, in order to optimize its short-term position and improve its financial results. In addition, Andres and DPP will continue to enter into more PPAs with NRUs in sectors such as hotels, mining and manufacturing. This is expected to allow them to reduce their exposure to the DISCOs and, through them, to the Dominican Government, thus, on average, improving their collection cycles and risk profile. Andres and DPP believe that these methods are the best way to balance commodity price risk, margin volatility and counterparty risk in the Dominican Republic electricity market.

*Continue to expand the natural gas market in the Dominican Republic and develop a natural gas market in the Caribbean and Latin America.* Andres has developed a strong and diversified market for natural gas in the Dominican Republic. It intends to continue to encourage the expansion by helping smaller generators and industrial users to convert from fuel oil and diesel to natural gas. Andres is seeking to enter into new contracts with power generators and industrial users to sell them LNG for their operations. We believe the development of the natural gas market is based on three fundamentals: (i) optimization of the use of the current LNG infrastructure; (ii) maximization of value in the LNG and natural gas supply chain; and (iii) guaranteeing sustainable growth of the LNG market by promoting modern regulation in the Dominican Republic.

Andres' LNG terminal is the only operating LNG facility in the Caribbean capable of exporting LNG. As a result, we have a competitive advantage that could allow Andres and DPP to serve Caribbean and Central American markets with a potential aggregated demand of up to 422.8 TBtu by 2025, estimates published in studies conducted by the Oxford Institute for Energy Studies. These markets currently are unable to receive large vessels due to infrastructure limitations, so they will need mid- and small-scale solutions to fulfill their energy needs.

Therefore, in order to take advantage of the strategic location of Andres' LNG terminal, Andres has re-configured it to allow for imported LNG to be re-loaded into smaller vessels. It also has the capability to fill ISO containers in its existing truck loading facility to be shipped to clients through the Dominican Republic's two major international ports that are serviced frequently by most of the world's major shipping lines.

In addition, increasing environmental regulation on the world's shipping fleets has opened up the market for LNG-propelled vessels. Due to its strategic location, in the middle of one of the busiest trade routes in the world, the Dominican Republic is perfectly located to capture this growing market.

*Increase revenues through new projects and maximizing utilization of existing assets.* Andres and DPP remain invested in increasing revenues through the development of new projects and maximizing utilization of existing assets, while also providing increasingly sustainable, affordable and reliable energy solutions to the region. Transitioning to a low-carbon economy presents both a significant opportunity and a challenge for the energy sector, and Andres and DPP have been spearheading efforts to address these new challenges in the Dominican Republic. Besides the renewable energy projects currently under development directly and indirectly by Andres, Andres and DPP have:

- *DPP Combined-Cycle Project.* In 2017, DPP converted its facility from an open-cycle gas-fired power plant to a combined-cycle power plant at Los Mina, which involved the installation of two heat recovery steam generators and a steam turbine. The combined-cycle power plant expanded its generation capacity by 123 MW.

- *LNG Expansion Project.* Andres is seeking to develop a natural gas market elsewhere in the Caribbean to take advantage of its rights to re-sell LNG outside of the Dominican Republic. In connection with the expansion of this market, Andres has finished the construction of an in-and-out terminal to allow the large LNG tankers currently coming into the Dominican Republic to offload their LNG cargo into smaller vessels which could dock at other islands in the region.
- *ENADOM Projects.* As described above, Andres, together with the Energas Group, is spearheading the efforts to commercialize LNG in the Dominican Republic through the ENADOM projects. See “—Overview.”

*Invest in community development and environmental sustainability.* Given the diverse challenges of operating power plants, development of projects and a gas pipeline in populated areas and the possibility of more demanding environmental requirements, Andres and DPP are committed to investing in the communities where they operate. Andres and DPP are engaged in community outreach, education and programs through Fundación AES Dominicana. These include school and sport facilities construction, sponsoring sports programs, education on safety issues relating to the plants and financial support for local government initiatives, among others.

*Investment in renewable energy projects and reduction of greenhouse emissions.* At a global level, AES has targeted to reduce significantly the carbon intensity of its energy generation portfolio, selling or retiring approximately 8.9 GW of coal-fire generation units and expanding its renewable energy portfolio by approximately 9.9 GW as from 2016. AES’ goal is to have zero carbon emissions from its energy generation portfolio by 2040. In the Dominican Republic, Andres and DPP remain committed to continuing their focus on enhancing their capabilities to better serve the region’s energy needs, with Andres integrating renewable energy projects into its portfolio and setting a target to generate 250 MW through solar energy projects by 2025. Andres DR is currently developing the Santanasol project and ADRE is developing the Bayasol project, each of which is described above under “—Overview” and in further detail under “Business—Overview—Facilities.” In terms of the reduction of greenhouse emissions, Andres’ and DPP’s current carbon intensity is measured at 561.4 and 513.5 CO<sub>2</sub> metric tonnes/MWh (equity adjusted values) at the end of 2020, respectively, and they expect to decrease that carbon intensity in the medium term.

*Maintain strong multilateral and government relationships.* Andres and DPP continue to collaborate with the Dominican Government in its discussions with the multilateral sector, including the IMF, the IDB and the World Bank to assist the Dominican Government in addressing the various challenges facing the electricity sector in the country. Andres and DPP intend to continue to be engaged and to facilitate the development of permanent solutions to these challenges.

*Strategic alliances oriented to new projects and into the stakeholder structure.* Andres and DPP will continue to explore strategic partnerships in new projects as they continue to expand their business in the Dominican Republic.

## **Concurrent Tender Offer**

On May 11, 2016, Andres BV, DPP and Itabo issued an aggregate principal amount of \$370.0 million of Notes Units consisting of (i) \$99.9 million aggregate principal amount of 7.950% of Itabo Notes and (ii) \$270.1 million aggregate principal amount of 7.950% of 2026 Andres-DPP Notes.

Pursuant to the terms thereof, the Notes Units have been separated due to the fact that, on April 8, 2021, AES (indirectly through a subsidiary) consummated the sale of 100% of its ownership in Coastal Itabo (and indirectly 100% of its ownership of Itabo’s class B shares, which represent 50% of the total number of Itabo’s subscribed and paid-in shares) to Inversiones Radiante, for \$103.2 million. The sale represented a transfer of all of AES’ 43% indirect ownership of Itabo. This constituted a “Separation Date” under the terms of the indentures governing the 2026 Andres-DPP Notes and the Itabo Notes and the Notes Units were separated into the 2026 Andres-DPP Notes and the Itabo Notes, respectively. The Notes Units no longer trade as a unit and instead the 2026 Andres-DPP Notes and the Itabo Notes trade separately under new CUSIP and ISIN identifiers.

On April 19, 2021, Andres and DPP commenced an offer to purchase for cash any and all of the \$270.1 million outstanding of the 2026 Andres-DPP Notes pursuant to the terms of, and subject to the conditions set forth in,

the Tender Offer Documents. The Tender Offer is conditional upon our receipt of the financing necessary for the payment of the purchase price offered thereby and accrued interest to tendering holders of the 2026 Andres-DPP Notes, plus fees and expenses, and other general conditions set forth in the Tender Offer Documents. Andres and DPP expect to finance the Tender Offer with the proceeds from the issuance of the Notes. Andres and DPP may waive any of these conditions at their sole discretion. Andres and DPP cannot assure you that the Tender Offer will be consummated. This offering is not conditioned on the successful consummation of the Tender Offer.

This offering memorandum does not constitute an offer to purchase 2026 Andres-DPP Notes pursuant to the Tender Offer. An offer to purchase the 2026 Andres-DPP Notes is being made solely on the terms and subject to the conditions set forth in a separate offer to purchase that is being directed to holders of the 2026 Andres-DPP Notes.

### **Primary Commercial Transactions**

The primary sources of income of Andres and DPP are sales of capacity and associated energy through its long-term and short-term PPAs with the DISCOs and NRUs and through the spot market, as well as Andres' natural gas sales.

### **Power Purchase Agreements**

Andres and DPP both sell capacity and associated energy through PPAs and the spot market. Andres and DPP intend to pursue a strategy of contracting a substantial portion of their respective generating capacities and adding new high-credit customers in the unregulated market. The rest of the energy is sold in spot market transactions if market conditions are attractive.

#### *Andres*

In April 2017, Andres entered into individual PPAs with EDE-Este, EDE-Sur and EDE-Norte, after being selected in a competitive bid to supply power to the DISCOs. All three PPAs expire in April 2022. Under the PPAs, Andres currently supplies EDE-Este, EDE-Sur and EDE-Norte with 82.5 MW, 110 MW and 82.5 MW, respectively, of capacity and associated energy under the PPAs. Under the PPAs, Andres may arrange with third parties to provide the contracted capacity and associated energy to the DISCOs. In addition, damages resulting from Andres' failure to deliver energy are limited to the price of such energy as determined by the SIE.

Pursuant to the PPAs, Andres is paid for contracted capacity and for the actual energy provided, which is subject to the demand of the DISCOs. The price for contracted capacity is calculated using a base purchase price that is adjusted over time for changes in the U.S. CPI and costs to transport the energy. The price for energy sold is calculated using a base energy price that is adjusted over time for changes: (i) between the price of natural gas set on the execution date of the PPAs and the average natural gas price as quoted on the NYMEX Henry Hub Index for the month prior to the month in which the energy price is calculated and (ii) between the U.S. CPI for August 2016 and the U.S. CPI for the month prior to the month in which the energy price is calculated. All amounts associated to the sale of energy are calculated, and must be paid, in U.S. dollars, while amounts associated to the capacity payment and transmission fees are calculated in U.S. dollars pursuant to the exchange rate in effect on the date of invoicing.

Andres also entered its short-term PPA with DPP in June 2017; this PPA renews automatically every month. Under this PPA, DPP has agreed to supply Andres with the additional energy it generates in excess of DPP's PPAs. Andres has paid the spot market price on any capacity and associated energy that Andres purchases from DPP pursuant to this PPA. Andres' PPA with DPP may be temporarily suspended upon 20 days' prior notice from either party to the other party and the OC.

In connection with its portfolio diversification strategy, Andres has entered into certain contracts with NRUs and self-producers, diversifying its exposure to the DISCOs. As of the date of this offering memorandum, Andres has approximately 24% of the NRUs market, representing approximately 493 GWh per year.

#### *DPP*

On June 18, 2014, DPP entered into a long-term PPA with CDEEE with a start date of August 1, 2016 and an expiration date of December 31, 2022. Under this PPA, CDEEE agreed to purchase 210 MW of capacity and associated energy on demand from DPP for the period of August to December 2016. After December 2016, CDEEE has agreed to purchase 270 MW of capacity. After the completion of the conversion to a combined-cycle power plant in 2017, the PPA with CDEEE represents 75.2% of DPP's new Installed Capacity.

Pursuant to the PPA with CDEEE, DPP is paid for the contracted capacity and for the actual energy provided, which is subject to the demand of EDE-Norte. The price for the contracted capacity will be the capacity marginal cost of the wholesale electricity market, as determined each month by the OC, with a floor of \$8.45/kW per month, indexed by CPI. The price for energy sold is calculated using a base energy price that is adjusted over time for changes: (i) between the price of natural gas set on the execution date of the PPA and the average natural gas price as quoted on the NYMEX Henry Hub Index for the month prior to the month in which the energy price is calculated and (ii) between a base value of the CPI and the U.S. CPI for the month prior to the month in which the energy price is calculated. All amounts are calculated and paid in U.S. dollars.

DPP has entered into certain contracts with NRUs and self-producers, diversifying its exposure to CDEEE and the DISCOs. As of the date of this offering memorandum, DPP has approximately 15% of the NRUs market, representing approximately 388 GWh per year.

#### *Availability and Dispatch*

Under the regulatory framework in the Dominican Republic, the availability of a power generation unit is reduced by certain factors, including maintenance schedules, forced outages and the lack of supply of fuel. The average availability factor of a power generation unit as calculated according to standards issued by NERC is the percentage of hours such unit is available for generation in the relevant period, whether or not the unit is actually dispatched or used for generating power. The average availability factor of Andres' power generation unit for the years ended December 31, 2020, 2019 and 2018 was 71.0%, 70.6% and 75.1%, respectively. During the last three years, Andres' power generation units were generally available, except for an outage in 2018 due to a steam turbine's failure on September 3, 2018, which also caused a decrease in Andres' availability factor in 2019 due to the steam turbine's recovery. Moreover, during 2020, there was a decrease in Andres' availability factor as a result of a forced outage on a steam turbine that lasted from March 2020 to October 2020. The average availability factor of DPP's power generation units for the years ended December 31, 2020, 2019 and 2018 was 89.9%, 90.6% and 91.8%, respectively. During the last three years, DPP's units were generally available, except for the failure during 2019 of steam turbine LM7, which was covered by warranty, and to certain failures during 2020 on steam turbines LM6, LM7 and an extended outage of LM5. Under the OC methodology, availability is a condition to dispatch. Dispatch, in turn, is determined by order of merit. See "Electricity Sector in the Dominican Republic—Market Summary—Spot Market."

In 2020, Andres and DPP were among the first two companies to be dispatched according to the order of merit, after the hydroelectric and coal generation units.

#### *Firm Capacity*

The OC allocates firm capacity under the methodology adopted in the Dominican Republic, which is based on the capacity that a given unit could provide during the peak hours with between a 95% and 98% certainty, based on a ten-year database of historical performance. See "Electricity Sector in the Dominican Republic." Under the regulatory framework in the Dominican Republic, the availability of a power generation unit is reduced by factors including maintenance schedules, forced outages and the lack of supply of fuel.

#### *Andres and DPP*

In December 2020, Andres was allocated 295 MW of firm capacity by the OC in accordance with the regulatory framework calculation and DPP's power generation units were allocated 313 MW of firm capacity by the OC.

From 2018 to 2020, Andres and DPP increased their firm capacity as a result of higher availability and related dispatch during those years. Andres' firm capacity averaged 283 MW and DPP increased its firm as shown in the table below.

The following table sets forth Andres' and DPP's power generation units' average firm capacity allocated by the OC for the years 2016 through 2020.

<b>Firm Capacity (MW)</b>	<b>Andres</b>	<b>DPP</b>
2016.....	256	116
2017.....	280	178
2018.....	295	177
2019.....	291	215
2020.....	295	313

Source: OC.

### Natural Gas Operations

Andres is currently the only entry point for LNG in the Dominican Republic. Andres has an LNG shipment receiving terminal, a storage facility, cryogenic truck loading facilities, and a re-gasification facility located in the southeastern tip of the Caucedo Point in the Dominican Republic, together with a 34 km gas pipeline from Caucedo to Los Mina, Santo Domingo. Through ENADOM, an additional 50 kilometers of gas pipeline have been constructed and are operative since February 2020, transporting natural gas from Caucedo to the San Pedro de Macoris area. In addition to the gas pipeline, in December 2020 an NTP was issued to build two additional truck-loading bays and a second LNG storage tank that are expected to be operative by the second quarter of 2022 and the second quarter of 2023, respectively.

The table below sets forth Dominican Republic's yearly LNG consumption and annual growth rate for the period from 2015 to 2020.

<b>Year</b>	<b>LNG Consumption (TBtu)</b>	<b>Growth Rate (%)</b>
2015.....	44.3	0.9
2016.....	41.9	(5.4)
2017.....	50.0	19.3
2018.....	49.4	(1.2)
2019.....	57.4	16.2
2020.....	63.9	11.3

Since it started operations in 2003, the Andres natural gas assets have supplied the needs of Andres DR and DPP. In 2007, Andres started selling LNG to third parties, and since then, the market has been growing and getting more mature and robust. Andres, by itself and through ENADOM, supplies the needs of more than 70 industrial users through five distribution companies, more than 25 natural gas service stations for vehicles, approximately 10,500 LNG trucks and five power generators with an installed capacity of 900MW. As of the date of this offering memorandum, more than 245 LNG vessels have unloaded natural gas in Andres' LNG shipment receiving terminal.

In 2016, Andres changed its strategy for LNG sales. First, it signed an LNG marketing agreement with TOTAL, which enabled Andres to offer third parties more favorable commercial terms and helped capture an untapped market that was previously mostly supplied by fuel oil and diesel oil. Second, Andres entered into a joint venture which resulted in the incorporation of ENADOM, a company that developed the eastern gas pipeline and is constructing the second LNG storage tank in the Dominican Republic. This has caused an increase in natural gas consumption in the Dominican Republic from 44.3 TBtu in 2015 to 84.7 TBtu in 2021.

Andres' current natural gas agreements have the following characteristics:

- Are denominated in U.S. dollars.
- The agreements' duration varies from three to twelve years.
- Minimum natural gas volumes are required to be declared annually.
- Pass-through of the LNG procurement conditions (price and take-or-pay obligations), with the price metric being based on the client's requirements (such as the Brent Oil Index, NYMEX HHI Index or other).
- Clients must provide financial guarantees to cover one to six months of the declared volumes during the year.
- Fees vary depending on the distribution channel and the point of delivery (clients may be supplied through the truck loading terminal or through the pipeline). Fees are adjusted annually as per U.S. CPI.
- Declared volumes become subject to the take-or-pay condition under each agreement.
- Prepaid bill on a monthly basis.

<b>Natural Gas Sales to Third Parties by Client (MMBtu) – 2016 – 2020</b>						
<b>Client</b>	<b>Year</b>					<b>Total</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	
CEPM.....	-	-	-	3,739,221	2,924,117	6,663,338
CESPM.....	-	-	-	-	3,166,606	3,166,606
EGE Haina .....	-	-	-	-	5,352,698	5,352,698
Lineaclave .....	1,554,851	1,404,551	1,414,774	991,801	1,053,692	6,419,669
Plater Investment.....	1,064,594	954,265	1,076,072	562,629	329,400	3,986,960
Propano y Derivados .....	608,792	635,962	711,293	622,946	519,013	3,098,006
PVDC .....	-	-	-	-	9,856,327	9,856,327
Soluciones en Gas Natural.....	1,148,443	939,025	1,014,182	1,582,536	1,353,332	6,037,517
Seaboard.....	2,328,255	6,697,468	5,774,905	6,795,383	4,301,077	25,897,088
Tropigas Dominicana .....	1,372,544	1,421,838	1,341,134	1,363,967	1,669,113	7,168,596
<b>Total.....</b>	<b>8,077,480</b>	<b>12,053,109</b>	<b>11,332,359</b>	<b>15,658,482</b>	<b>30,525,374</b>	<b>77,646,804</b>

<b>Natural Gas Sales to Third Parties by Technology (MMBtu) – 2016 – 2020</b>						
<b>Technology</b>	<b>Year</b>					<b>Total</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	
LNG .....	4,791,525	7,177,657	6,255,150	7,172,468	7,544,800	32,941,600
LNG-R.....	3,285,955	4,875,452	5,077,209	8,486,014	22,980,575	44,705,204
<b>Total.....</b>	<b>8,077,480</b>	<b>12,053,109</b>	<b>11,332,359</b>	<b>15,658,482</b>	<b>30,525,374</b>	<b>77,646,804</b>

The price of natural gas sold to the NGV segment is approved by the MIC every Friday and includes the cost of natural gas to Andres, taxes and payments to the entities involved in the distribution of natural gas. According to the procedure for determining the price of natural gas sold to NGVs, Andres must inform the MIC of any changes in prices of natural gas for NGVs every time a cargo of LNG is received.

#### *ENADOM*

On June 7, 2019, Andres BV entered into a partners' agreement with the Energas Group, which led to a 50/50 joint venture implemented through Domi Trading. Andres BV and the Energas Group are each the direct owners of 50% of the shares in Domi Trading. Domi Trading formed ENADOM, with the sole purpose of developing, constructing and operating LNG assets. Domi Trading expects to commercialize LNG in the Dominican Republic through ENADOM. ENADOM currently owns a 50 km regasified LNG pipeline that runs from the Andres Terminal to the municipality of San Pedro de Macoris in the Dominican Republic. Through this pipeline, ENADOM supplies

LNG to two power plants and one mining company for generation of electricity. On December 30, 2020, ENADOM achieved financial close and issued an NTP for the construction of two truck loading bays and a 120,000 m3 LNG storage tank, located within the Andres Facilities; ENADOM currently expects to complete the truck loading and the LNG storage tank projects during the second quarter of 2022 and the second quarter of 2023, respectively. The total cost of the ENADOM project is expected to be approximately \$253 million, of which \$180 million is being financed through a project finance facility with a syndicate of international banks, with the ENADOM pipeline serving as part of the collateral package. ENADOM is expected to own the pipeline, the LNG storage tank and the truck loading bays, while Andres DR will be in charge of the construction management, O&M services, administrative services and leases the land where the LNG storage tank will be built. Andres does not consolidate Domi Trading or ENADOM's results into its consolidated results of operations. Instead, Andres accounts for its ownership interest in these companies in its consolidated income statement under the equity method, recording its share of the net income of each of these companies' net income in the line item "equity gain/(loss) investment in affiliates." This line item forms part of Andres' total income and, hence, net income for any relevant period.

Each service provided by Andres DR to ENADOM is paid for through certain fees, which vary according to the service provided. For the year ended December 31, 2020, ENADOM paid Andres DR an aggregate of \$3.0 million for such services.

Andres DR has conditionally assigned two of its LNG supply agreements to ENADOM. These agreements were entered into by Andres DR with CESPМ and EgeHaina on March 20, 2019 and November 14, 2019, respectively, for the supply of up to 18.0 TBtu and 12.0 TBtu of LNG per year, respectively. The effectiveness of the assignments is conditional upon the approval of an LNG import license for which ENADOM has already applied. Thereafter, ENADOM will replace Andres as the supplier of LNG to CESPМ and EgeHaina.

## **Fuel and Spare Parts**

### *Natural Gas*

The natural gas provided by Andres and DPP to meet demand in the Dominican Republic has mainly three sources: the BP LNG supply agreement, the TOTAL joint marketing agreement and spot market operations.

#### ***BP LNG Supply Contract***

Andres and DPP primarily obtain their natural gas to operate its power generation facilities pursuant to an LNG sales agreement with AES Andres (BVI) Ltd., or the DR Contract, and a back-to-back agreement between AES Andres (BVI) Ltd. and ABS, or the ABS Contract. ABS, in turn, has entered into an agreement (the "BP Contract") with BP, a subsidiary of the British-based company BP plc. In addition, Andres DR has guaranteed payment of all obligations due by ABS under the BP Contract up to \$100.0 million, which cap will not apply in case of certain breaches by ABS or Andres DR under the BP Contract.

ABS entered into the BP Contract in January 2001 and the BP Contract became effective in April 2003. The BP Contract has a term of 20 years and expires in 2023. Under the terms of the BP Contract, ABS has a take-or-pay commitment to purchase 33.6 TBtu each year for the duration of the agreement. Pricing under the BP Contract is at a premium to the NYMEX Henry Hub Index price of natural gas per MMBtu. ABS' take-or-pay payment obligations for LNG contracted but not taken is determined annually based on the LNG quantity of ABS' take-or-pay commitment not taken by ABS, multiplied by the difference between the resale price of the LNG not taken and resold by BP and the price under the BP Contract for the LNG, if any. BP currently obtains LNG from the Republic of Trinidad and Tobago and is responsible for transporting the LNG to Andres' LNG terminal in the Dominican Republic.

Currently, Andres' and DPP's power generation units are fully dispatched. Therefore, they are able to fulfill their commitments under the BP Contract without selling to third parties.

#### ***TOTAL Joint Marketing Agreement***

In November 2016, Andres DR entered into a joint marketing agreement with Engie S.A.S. in order to increase natural gas sales subject to supply exclusivity set by combined demand for Panama and Dominican Republic

of 36 TBtu per year. In 2018, TOTAL acquired Engie’s portfolio of upstream LNG assets, therefore assuming all rights and obligations under the joint marketing agreement with Andres DR. By 2019, the target volume of this joint marketing agreement was already attained with the customers of the eastern gas pipeline. For each of the contracts negotiated with a downstream customer, back-to-back conditions were negotiated, including the pricing, guarantees, term and take-or-pay provisions.

The joint marketing agreement facilitates the monthly adjustment of prices under each contract entered with a downstream customer based on the arrival time of the LNG vessel to Andres’ LNG shipment receiving terminal. Moreover, prices for pipeline customers are based on the NYMEX Henry Hub Index, while prices for DISCOs and truck customers are based on the Brent Oil Index. Further, three individual gas sale agreements have been entered into with downstream customers pursuant to the joint marketing agreement. Two of them will expire in 2030 and the third agreement will survive until 2032.

### ***Spot Market Optimizations***

In order to supply additional LNG gas to Andres, DPP and/or LNG clients of Andres and also with the objective of rebalancing the inventory in the case of any mismatches, Andres enters from time to time into spot transactions, taking advantage of favorable market conditions.

### ***Spare Parts***

Mitsubishi, Hitachi and Siemens are Andres’ principal suppliers of spare parts for turbines, generators and boilers. Historically, Andres has been able to obtain its supplies when needed and is current in its payments to Dominican and foreign suppliers.

Siemens is DPP’s principal supplier of spare parts for turbines and generators. Other goods and materials are purchased from a variety of Dominican and international vendors. Historically, DPP has been able to obtain its supplies when needed and DPP is current with its payment to Dominican and foreign suppliers.

## **Competition**

### ***Power Generation***

Andres’ and DPP’s power generation units represent, in the aggregate, approximately 14% of the current total Installed Capacity and 24% of the current total Effective Capacity in the Dominican Republic. The table below sets forth the Installed and Effective Capacity levels for electricity generating companies in the Dominican Republic as of December 31, 2020.

<b>COMPANY</b>	<b>Installed Capacity (MW)</b>	<b>As % of Installed Capacity</b>	<b>Effective Capacity (MW)</b>	<b>As % of Effective Capacity</b>	<b>Technology</b>
Empresa Generadora de Electricidad Haina, S.A.....	687	14.0%	492	18.8%	Steam Turbine, Gas Turbine, Wind Turbine and Diesel Engines
Empresa de Generación Hidroeléctrica Dominicana (EGEHID) .....	623	12.7%	-	-	Hydro Turbines
Andres .....	319	6.5%	296	11.3%	Combined Cycle
Compañía de Electricidad San Pedro de Macorís S.A .....	300	6.1%	294	11.3%	Combined Cycle
San Felipe Limited Partnership .....	185	3.8%	176	6.7%	Combined Cycle



COMPANY	Installed Capacity (MW)	As % of Installed Capacity	Effective Capacity (MW)	As % of Effective Capacity	Technology
Empresa Generadora de Electricidad Itabo, S.A. ....	294	6.0%	266	10.2%	Steam Turbine and Gas Turbines
Dominican Power Partners .....	359	7.3%	318	12.2%	Gas Turbine
Generadora Palamara La Vega, S.A. ....	199	4.0%	190	7.3%	Diesel Engines
Los Origenes Power Plant .....	61	1.2%	57	2.2%	Diesel Engines
CDEEE (Catalina) .....	782	15.9%	-	-	Diesel Engines
Consorcio Laesa Ltd. ....	111	2.2%	109	4.2%	Diesel Engines
Compañía de Electricidad de Puerto Plata .....	77	1.6%	65	2.5%	Diesel Engines
Monterio Power Corporation, Ltd. ....	40	0.8%	38	1.5%	Diesel Engines
PVDC. ....	225	4.6%	67	2.6%	Diesel Engines
Seaboard. ....	111	2.3%	109	4.2%	Diesel Engines
Complejo Metalúrgico Dominicano, C. por A .....	42	0.9%	41	1.6%	Diesel Engines
Lear Investments.....	30	0.6%	97	3.7%	Diesel Engines
Electronic J.R. C. SRL.....	102	2.1%	-	-	Solar
San Pebro Bio-Energy SRL.....	30	0.6%	-	-	Biomass
Montecristi Solar FV, S.A.S.....	58	1.2%	-	-	Solar
Grupo Eolico Dominicano .....	34	0.7%	-	-	Wind
Parques Eolicos del Caribe, S.A .....	53	1.1%	-	-	Wind
Agua Clara, S.A.....	53	1.1%	-	-	Wind
Poseidon Energia Renovable, S.A .....	48	1.0%	-	-	Wind
Emerald Solar Energy, SRL .....	33	0.7%	-	-	Solar
Wcg Energy, LTD .....	67	1.4%	-	-	Solar
<b>Total.....</b>	<b>4,921</b>	<b>100%</b>	<b>2,614</b>	<b>100%</b>	

Source: OC.

Andres and DPP face competition from alternative and potentially more cost-efficient power generators. The marginal cost of coal fired plants currently is significantly lower than other fuels and, therefore, the use of natural gas and fuel oil has been less competitive. Approximately 48% of the generation in the Dominican Republic is fueled by

renewables, LNG and hydro, which is equivalent to 8,380 GWh of generation for 2020. Therefore, generators using coal and fuel oil compete for the remaining 52% of the demand based on efficiency and price.

The table below sets forth the average monthly NYMEX Henry Hub Index price of natural gas per MMBtu from 2017 through 2020.

<b>Month</b>	<b>NYMEX LNG Prices (\$/MMBtu)</b>			
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
January.....	3.5428	2.7929	4.0760	2.3076
February.....	3.3501	3.1452	3.1277	2.0635
March.....	2.9532	2.7066	2.6856	1.8557
April.....	2.9527	2.6955	2.8160	1.7360
May.....	3.1824	2.7193	2.6221	1.7361
June.....	3.2492	2.8155	2.5999	1.8163
July.....	2.9999	2.9412	2.3488	1.7107
August.....	2.9723	2.8029	2.3150	1.7573
September.....	2.8946	2.8989	2.1645	2.2645
October.....	3.0037	2.8816	2.5119	2.2897
November.....	2.9200	3.1913	2.3136	2.7650
December.....	3.0426	3.9415	2.6586	2.9185
<b>Annual Average.....</b>	<b>3.0886</b>	<b>2.9610</b>	<b>2.6866</b>	<b>2.1017</b>

Source: Platts

### *Natural Gas*

Currently, Andres has the only existing LNG shipment receiving terminal in the Dominican Republic and is the only LNG importer. Further, Andres' LNG facility is comprised of the only LNG re-gasification and storage facility in the Dominican Republic. However, natural gas does compete with other alternative fuels such as Fuel Oil No. 6, or propane.

### **Facilities**

#### *Andres*

#### *Power generation*

Andres operates a combined-cycle power generation unit that has been in commercial operation since December 2003. As of the date of this offering memorandum, Andres' power generation unit has an Installed Capacity of 319 MW and an effective capacity of 296 MW, which represent approximately 6.5% of the current total Installed Capacity and approximately 11.3% of the current total Effective Capacity in the Dominican Republic. Andres' power generation unit is comprised of a Mitsubishi Heavy Industries 501F combustion turbine, a Hitachi steam turbine with a Siemens electrical generator, and a Babcock/Hitachi heat recovery steam generator.

The Andres power generation unit is connected to the Dominican transmission system through a 138 kV single circuit transmission line. The line is 17 km long and interconnects with the Boca Chica substation located approximately 10 km to the northeast of the Andres complex. Andres' power generation unit's normalized heat rate is approximately 7,500 Btu/kWh HHV, which may vary, depending upon the energy load and other technical and atmospheric conditions.

The table below sets forth the yearly heat rate (Btu/kWh) for Andres' power generation unit for the period from 2018 to 2020.

<b>Year</b>	<b>Heat Rate (Btu/kWh)</b>
2018.....	8,244.28
2019.....	9,678.43

Year	Heat Rate (Btu/kWh)
2020 .....	9,127.55

*LNG facility*

Andres’ LNG facility, which has been in commercial operation since March 2003, is the only existing entry point for LNG in the Dominican Republic. Andres’ LNG facility is comprised of an LNG shipment receiving terminal, which includes a jetty, a set of mooring and breasting dolphins, three LNG discharge arms and a vapor return arm, a LNG re-gasification facility and a LNG storage facility in Caucedo, a truck loading terminal with two loading bays, as well as a gas pipeline from Caucedo to Los Mina, Santo Domingo. In 2020, another pipeline project was completed, this time a 50 kms long 20” diameter pipeline that transports natural gas to the eastern part of the Dominican Republic. The discharged LNG is stored in a tank with 160,000 cubic meters of capacity and transported by a set of pumps (in-tank and send-out) which are capable of handling more than 10,000 cubic meters of LNG each day. Andres’ re-gasification facility can process up to 375,000 MMBtu of LNG each day into natural gas that can be used in Andres’ power generation unit, transported through the natural gas pipeline to DPP, or sold to third parties.

*Other facilities*

Andres’ plant also includes other ancillary facilities necessary for generating electricity, including a water treatment plant, Fuel Oil No. 2 handling facilities, emergency generator facilities, water storage tanks, firefighting facilities, a 138 kV switchyard and administrative buildings.

In 2016, Andres completed the construction of a 1.24 MWn photovoltaic plant that allows Andres to use the energy produced to meet its energy needs. In 2017, a 10 MW BESS was installed that enables Andres to provide frequency regulation services while maintaining base load at the same time.

*Santanasol*

Andres DR is developing a 50 MWn photovoltaic farm in the Dominican Republic and issued an NTP on April 7, 2021. The total cost of the Santanasol project is expected to be approximately \$45.0 million. During or around May 2021, Andres DR expects to enter into a credit facility with a commercial bank to finance the project.

*Bayasol*

In 2018, Andres BV acquired a special purpose company, AES Dominicana Renewable Energy S.R.L. (formerly Parque Eólico Beata, S.R.L.), or ADRE, to develop and construct a 50 MWn solar farm in Bani, Peravia Province of the Dominican Republic. The project is in its commissioning stage and started dispatching electricity into the transmission grid in March 2021. ADRE is installing more than 149,760 solar PV panels, divided in 13 arrays and one 138kV sub-station. The total cost of the Bayasol project is \$48.0 million and it is partially financed through a \$50.0 million credit facility entered into by ADRE with Banco Multiple BHD Leon, S.A. and BHD International Bank Panama, S.A. and guaranteed by Andres DR, Andres BV and DPP, of which only \$45.0 million were disbursed. The remainder was financed with Andres DR’s available cash. The Bayasol project has been fully contracted with PPAs with NRUs having similar characteristics as those described above.

**DPP**

DPP operates the Los Mina power plant, which, as of the date of this offering memorandum, has a total Installed Capacity of 359 MW and a total Effective Capacity of 318 MW, which represent approximately 7.3% of the current total Installed Capacity and 12.2% of the current total Effective Capacity in the Dominican Republic. Los Mina is comprised of two Westinghouse combustion turbines, Los Mina V and Los Mina VI, which work in a two-by-one combined cycle which was completed in 2017 and can burn natural gas. Los Mina was converted to natural gas in February 2003 when a pipeline was built between Andres DR and Los Mina. The heat rate of each turbine was originally 12,686 Btu/kWh, but improved substantially with the closing of the cycle, to a normalized heat rate of approximately 8,100 Btu/kWh.

The table below sets forth the yearly heat rate (Btu/kWh) for DPP’s power generation unit for the period from 2018 to 2020.

<u>Year</u>	<u>Heat Rate (Btu/kWh)</u>
2018 .....	8,009.0
2019 .....	8,671.0
2020 .....	8,340.0

Los Mina is generally dispatched when the SENI requires frequency stability and as a baseload plant. In 2017, DPP converted its turbines to a combined-cycle power plant that added 123 MW of extra capacity. A new steam turbine and auxiliaries were supplied by Mitsubishi Power. The project also included two heat recovery steam generators, or HRSG, supplied by Nooter Eriksen, a cooling tower and all the BOP equipment for the operation of the combined cycle.

In terms of recent projects, in 2017, DPP added a 10 MW BESS.

## Maintenance

### *Andres and DPP Power Generation Units*

The maintenance programs for Andres and DPP provide for scheduled outages of their combustion turbine units through Long-Term Service Agreements (LTSA) entered on March 30, 2018 between Andres and Mitsubishi Hitachi Power Systems, or MHPS, and between DPP and Siemens.

The maintenance programs for Andres’ and DPP’s combustion turbines vary depending on the amount of accumulated equivalent operating hours, or EOH, for each unit. The inspections are divided into the categories described below.

#### *Andres*

- **Minor Combustion Inspection MCI (NB) Nozzles and Basket plus Balance of Plant, or BoP.** This inspection consists of replacing fuel nozzles and baskets, is performed every 16,000 EOH and is scheduled to last approximately seven days at a cost that ranges from approximately \$5.0 million to \$6.0 million.
- **Borescope Inspection.** This inspection consists of the review of, among other things, the combustion parts, baskets, fuel nozzles, transition pieces, row 1, 2, 3 and 4 blades and vanes and the axial compressor, is performed annually, and is scheduled to last approximately two days at a cost that ranges from approximately \$0.1 million to \$0.6 million.
- **Turbine Inspection.** This inspection consists of replacing fuel nozzles, igniters, combustor baskets and transition pieces (row 1 blade, row 1 vanes, row 2 blade, row 2 vanes) as well as visual observation of the condition of the row 3 vanes, row 3 blade, row 4 blade and row 4 vanes. Every 32,000 EOH, the turbine section undergoes a hot gas path inspection, and is scheduled to last approximately eleven days at a cost that ranges from approximately \$11.0 million to \$16.0 million.
- **Major Inspection Schedule 2023.** This inspection consists of replacing fuel nozzles, igniters, combustor baskets and transition pieces and a rotor exchange for the axial compressor for the turbine with row 1, 2, 3, 4 blades and row 1, 2, 3, 4 vanes and the axial compressor with all stages of diaphragms and rotative blades, is performed every 64,000 EOH and is scheduled to last approximately 26 days at a cost that ranges from approximately \$27.0 million to \$30.0 million.

The following new components and improvement actions are also installed by MHPS with the purpose of increasing the intervals between scheduled maintenances of the combustion turbine covered unit from every 8,000 EOH to every 16,000 EFH, the turbine inspection, or TI, to every 32,000 EFH and the major inspection, or MI, to every 64,000 EFH:

- **F3 Turbine First Upgrade During Turbine Inspection in 2019.**
  - Replacement of blade ring #1 with LTEM style with e-seals
  - Replacement of row 1 vanes
  - Water injection reduction (W/F ratio by 0.35%)
- **F3 Turbine Second Upgrade During Major Inspection in 2023.**
  - New exhaust cylinder (for plant reliability).
  - Rotor exchange.

The table below sets forth the scheduled maintenance plan for Andres.

Scheduled Maintenance Plan													
Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
GTI	--	TI	Minor TI	BI	BI	MI	BI	MCI(NB)	BI	TI	BI	MCI(NB)	BI
GTG	--	Robotic	--	--	--	MI	--	Minor	--	Robotic	--	Minor	--
ST	Recovery Project	Recovery Project	MI(Changed L-1)	--	--	Valve Insp	--	--	--	Valve Insp	--	--	--
STG	Recovery Project	Recovery Project	--	--	--	Robotic	--	Minor	--	Robotic	--	Minor	--

Payments under the Andres/MHPS LTSA are made annually and range from \$2.3 million to \$7.3 million per year for the following twelve years.

#### DPP

DPP units became base load units in 2010. Since then, they have been subject to annual inspections. The outage program for DPP is somewhat different from that of Andres, since it has only one hot gas path inspection between major inspections instead of two. This difference is primarily because the DPP units are 501D technology with lower firing temperature and there are no water injection fuel nozzles, unlike the Andres units, which are 501F technology. The table below sets forth a summary of DPP's planned outages during the last ten years and through the date of this offering memorandum.

#### DPP Planned Outages 2012 – 2021

DPP	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
LM-V	CI	HGPI	CI	CI	MI	-	CI	MCI	HGPI	
LM-VI	CI	MI		CI		HGPI	-	CI	-	MI

- **Borescope Inspection.** This inspection consists of the review of, among other things, the combustion parts, baskets, fuel nozzles, transition pieces, row 1, 2, 3 and 4 blades and vanes and the axial compressor, is performed annually, and is scheduled to last approximately two days at a cost that ranges from approximately \$0.1 million to \$0.6 million.

- **Turbine Inspection.** This inspection consists of replacing fuel nozzles, igniters, combustor baskets and transition pieces (row 1 blade, row 1 vanes, row 2 blade, row 2 vanes) as well as visual observation of the condition of the row 3 vanes, row 3 blade, row 4 blade and row 4 vanes. Every 32,000 EOH, the turbine section undergoes a hot gas path inspection and is scheduled to last approximately 12 days at a cost that ranges from approximately \$7.0 million to \$12.0 million.

- **Major Inspection Schedule 2023.** This inspection consists of replacing fuel nozzles, igniters, combustor baskets and transition pieces and a rotor exchange of the axial compressor for the turbine with row 1, 2, 3, 4 blades and row 1, 2, 3, 4 vanes and the axial compressor with all stages of diaphragms and rotative blades, is performed every 64,000 EOH and is scheduled to last approximately 20 days at a cost that ranges from approximately \$25.0 million to \$28.0 million.

The following new components and improvement actions shall be installed by Siemens with the purpose of increasing the intervals between scheduled maintenances of the combustion turbine covered unit from every

32,000 EOH for a TI and MI every 64,000 EFH:

- Upgrade During Turbine Inspection in 2020 for the unit Los Mina V Unit
  - Replacement of blade ring #1, row 1, 2, 3, 4 blades and vanes
  - Replacement of fuel nozzles DF42 for a DLN / Si3D
  
- W501D5A Upgrade During Major Inspection in 2021 for the unit Los Mina VI Unit
  - Rotor exchange
  - Replacement of fuel nozzles DF42 for a DLN / Si3D

The table below sets forth the scheduled maintenance plan for DPP.

Scheduled Maintenance Plan													
Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Combustion Turbine 5	CI	HGP + DLN/Si3D Upgrade	BI	BI	BI	Major + Rotor Refurbishment	BI	BI	BI	HGP	BI	BI	BI
Generator 5		Minor				Major				Medium			
Combustion Turbine 6		CI	Major 9 DLN/Si3d + New Rotor Blade	BI	BI	BI	HGP	BI	BI	BI	Major	BI	BI
Generator 6			Minor				Medium				Major		
Steam Turbine						Major				Minor			
Steam Turbine Generator						Medium				Medium			

BI: Boroscope Inspection.  
 CI: Combustion Turbine Inspection.

HGP: Hot Gas Path Inspection  
 MI: Combustion Turbine Major Inspection.

Payments under the DPP/Siemens LTSA are made annually and consist of an initial payment of approximately \$13.0 million in 2021, with subsequent payments ranging from \$2.6 million to \$13.0 million per year for the following twelve years.

Depreciation of the replacement of parts is made in accordance with the equivalent operating hours method, or EOHM, taking into consideration that the component service durability is directly affected by actual operating hours, number of starts and stops, number of load rejections, number of trips and rapid load changes. The manufacturer's expected life for the hot gas path parts is as follows:

Item	EOH
Combustion Basket .....	24,000
Transition Piece.....	24,000
Cross Flame Tube .....	24,000
Fuel Nozzle .....	50,000
Transition Seal (inner/ outer) .....	24,000
Turbine Vane #1.....	50,000
Turbine Vane #2.....	50,000
Turbine Vane #3.....	80,000
Turbine Vane #4.....	100,000
Turbine Blade #1 .....	50,000
Turbine Blade #2.....	50,000
Turbine Blade #3.....	50,000
Turbine Blade #4.....	100,000
Ring Segment #1 .....	50,000
Ring Segment #2.....	50,000

Ring Segment #3 .....	80,000
Ring Segment #4 .....	100,000

Maintenance work is also conducted on the heat recovery steam generator, the steam turbine generator and the remaining plant equipment. All these inspections are done according to the manufacturer recommendations. The heat recovery steam generator inspections principally consist of internal drum inspection and assessment, safety valves inspection and calibration and steam water piping inspection. These inspections are carried out every 8,000 EOH, depending on the wear on the turbines. The steam turbine is inspected with a minor inspection every 32,000 EOH. This inspection consists mainly of inspections of both the main stop and reheat stop valves. Every 48,000 EOH, a major inspection is performed that includes a complete rotor inspection.

From 2010 to 2014, Andres performed outages according to a normal schedule. In 2010, 2012, 2014 and 2016, combustion inspections were performed, and in 2011 and 2013, 2017 and 2019 hot gas path inspections were performed.

According to its maintenance schedule, Andres underwent its second major maintenance outage during the first two months of 2015, which lasted 42 days and was the longest in Andres' history. There were no major safety issues or lost time incidents. The next major inspection will be in 2023.

On April 9, 2019, in accordance with its outage schedule, Andres underwent a hot gas path inspection that lasted 15 days, at a cost estimate of \$8.5 million. During this inspection, the steam turbine was completely replaced, and the gas turbines were completely disassembled, and the electric generators were also changed.

The rest of the plant, including all major auxiliary equipment, pumps, motors, and compressors, was inspected and received proper maintenance. During this outage, plant management also decided to replace the original Mark VI Steam Turbine Control system with Emerson's Ovation control system on the basis of service needs and financial capacity.

### ***Andres LNG Facilities***

Inspections at Andres' LNG terminal are based on operating hours of primary equipment such as in-tank and send-out pumps, gas compressors and gas blowers. Monthly and semi-annual preventive maintenance is recommended by the manufacturer for the discharge arms. Instrumentation calibration is done prior to the arrival of each LNG tanker.

Following the manufacturer's preventive maintenance recommendations, we periodically perform inspections in main LNG delivery and intake components, such as the LNG unloading arms, the main storage fuel gas tank and the jetty structure. These are performed monthly, semi-annually, and annually and may include inspection of moving parts and all components, checking control adjustment of cables, paint inspection and circuit.

Based on the growth in demand for natural gas with new customers in the eastern gas pipeline, several projects are underway that will increase the reliability of the LNG terminal, such as:

- Second LNG tank construction which will add 50 TBtu of additional capacity by ENADOM
- Reinforcement Mooring dolphins / Breasting dolphins to receive vessel until 180,000 m<sup>3</sup>
- Fender change
- Major maintenance to the Jetty arms
- Purchased Order of Send-out pump and In-tank pumps for the preventive maintenance.
- Jetty structure corrosion, breaker inspection, lubrication of the mechanical joint, bearings, cables and swivel joints, replacement of the hydraulic oil filter, changing the hydraulic oil and cleaning the tanks.
- Installation of a boil off compressor

In 2012, Andres carried out the installation of a third send-out train. This installation, which cost \$8.5 million, was a major modification and Chicago Bridge & Iron Company, or CB&I, acted as EPC contractor. This third train, which is identical to the other two, gives the terminal the capacity to handle extra send-out and makes the

terminal more reliable. The third train is mainly comprised of an additional in-tank pump, an additional send-out pot and pump, an additional vaporizer and related instrumentation and civil works and infrastructure.

The LNG facility is also periodically subject to the audit of various LNG providers. Furthermore, BP, which has the current supply long-term contract, conducts an audit every two years and Andres has to comply with the resolution of any findings in order for BP to dock its vessels. These audits keep management aware of many issues that exist or may arise, including procedural, security, instrumentation, and infrastructure concerns.

### ***ADRE***

ADRE entered in a two-year operations and maintenance agreement with TSK, the EPC contractor of the Bayasol project, that covers the two-years warranty period. This agreement covers all required preventive maintenance and site security for the project. ADRE pays TSK an annual fee of \$7,300 per MWp installed for this service. After the two-years warranty period, the Andres team will take control of the operation and maintenance activities.

### **Insurance**

#### *Andres*

As of the date of this offering memorandum, Andres has a property, all risk and business interruption insurance policy that provides coverage for physical damage to its declared assets, machinery breakdown and resulting business interruption. The maximum aggregate coverage limit under Andres' policy is \$836.8 million per occurrence. The most relevant sub-limit of Andres' policy is for natural catastrophes, which is \$200.0 million per occurrence for windstorms and floods and \$250.0 million per occurrence for earthquake shock.

The deductibles under Andres' policy are: \$2.5 million for property damage for any one occurrence, with the exception of \$100,000 for any one conveyance for property damage only, with respect to transit; \$25,000 for any one occurrence with respect to loss or damage to mobile equipment (not applicable to rolling stock); and 2% of the actual value per unit of insurance, subject to a minimum of \$1.0 million and maximum of \$5.0 million for any one occurrence for the perils of an earthquake, a named windstorm and/or a flood. Andres' deductible for business interruption, extra expense, contingent time element and service interruption is 45 days.

In addition, Andres procures and has in place a general commercial liability insurance policy as well as other insurance policies customary for its business.

#### *DPP*

As of the date of this offering memorandum, DPP has a property, all risk and business interruption insurance policy that provides coverage for physical damage to its declared assets, machinery breakdown and resulting business interruption. The maximum aggregate coverage limit under DPP's policy is \$950.4 million per occurrence. The most relevant sub-limit of DPP's policy is for natural catastrophes, which is \$200.0 million per occurrence for windstorms and floods and \$250.0 million per occurrence for earthquake shock.

The deductibles under DPP's policy are: \$2.5 million for property damage for any one occurrence, with the exception of \$100,000 for any one conveyance for property damage only, with respect to transit; \$25,000 for any one occurrence with respect to loss or damage to mobile equipment (not applicable to rolling stock); and 2% of the actual value per unit of insurance, subject to a minimum of \$1.0 million and maximum of \$5.0 million for any one occurrence, for the perils of an earthquake, a named windstorm and/or a flood. DPP's deductible for business interruption, extra expense, contingent time element, and service interruption is 45 days.

In addition, DPP procures and has in place a general commercial liability insurance policy as well as other insurance policies customary for its business.



## *ADRE*

As of the date of this offering memorandum, ADRE has a property, all risk and business interruption insurance policy that provides coverage for physical damage to its declared assets, machinery breakdown and resulting business interruption. The maximum aggregate coverage limit under ADRE's policy is \$46.8 million per occurrence. The most relevant sub-limit of ADRE's policy is for natural catastrophes, which is 2% value of loss subject to a minimum of \$100,000 for any one occurrence and a maximum of \$500,000 for any one occurrence of the perils of wind, flood and earthquake.

The deductibles under ADRE's policy are: \$50,000 for property damage for any one occurrence, and 2% value of loss subject to a minimum of \$100,000 for any one occurrence and a maximum of \$500,000 for any one occurrence of the perils of wind, flood and earthquake. ADRE's deductible for business interruption, extra expense, contingent time element, and service interruption is 30 days.

In addition, ADRE has in place a general commercial liability insurance policy as well as other insurance policies customary for its business.

## **Environmental Matters, Security and Safety Compliance**

### *Andres*

Andres' power generation plant has obtained environmental certifications from the Dominican Government with respect to its compliance with environmental laws. All of Andres' equipment and operations are in compliance or exceed Dominican environmental standards. In addition, Andres' power generation plant was built taking into account the World Bank environmental guidelines, and its nitrogen oxide and carbon monoxide emission levels are in compliance with World Bank standards. Andres uses water injection for nitrogen oxide reduction at its combustion turbine. The effluents at Andres' power generation plant are also in compliance with World Bank standards regarding the temperature of the water released to the sea from the generation plant.

With respect to clean production, Andres obtained recognition twice in the "Large Energy" category in the Fourth Regional Cleaner Production Award, specifically with respect to projects focusing on boil-off gas recovery for generation and the replacement of the chlorination plant with bromine injection. Andres has received the following awards:

- Golden Hardhat Award in 2014
- Safety Sustainability Award from MCAC in 2014 and 2015
- Gold Medal from the National Quality Awards in 2014, the highest industrial quality award given in the Dominican Republic
- Safety Recognition of Significant Safety Milestone Achievement at Andres for 5 years without a lost time incident, in 2013
- Safety Recognition Letter for one million working hours without a lost time incident in 2012 and 2013
- Silver Medal from the National Quality Awards in 2012
- Safety Management System certified by the Ministry of Labor (*Ministerio de Trabajo*) in 2011
- Great Place to Work in 2009, 2010, 2011, 2012, 2014, 2015, 2016 and 2017

Since July 2003, Andres has had in place a safety program monitored by an EHS manager, an HS supervisor and an EHS committee in order to maintain the required level of safety at its facilities. The safety program covers the following elements:

- Health and Safety Policy, a commitment to improve safety and health of all associates and contractors
- Health and Safety Hazard Identification, Risk Assessment and Risk Control
- Regulatory and AES SH Standards requirements
- Safety Goals, Objectives and Targets
- Safety Program Management
- Management of Change
- Structure and Responsibility
- Awareness and Communications
- Consultation and Participation
- Safety Management System Documentation
- Document and Records Control
- Operational Control
- Monitoring and Measurement
- Non-Conformance and Corrective and Preventive Action
- Safety Audits
- Reporting
- Management Review

Other programs covered by the safety program, besides the Safety Management System, are:

- Emergency Response Plans
- Chemical Management and MSDS
- Fire Protection
- Safety Culture Evaluation and Assessment
- Andres' Safety Management System has been certified by the Ministry of Labor (*Ministerio de Trabajo*).

During the last three years, Andres has not recorded any lost time incidents.

#### *DPP*

DPP has obtained necessary environmental permits from MIMARENA, the Dominican environmental agency. DPP has complied with all environmental requirements promulgated by MIMARENA. In addition, DPP has received the following awards:

- Golden Hardhat Award in 2014
- Safety Sustainable Award from MCAC in 2014 and 2015

- Special Mention from the National Quality Awards in 2014 (first individual recognition after Andres)
- Safety Recognition Letter for one million working hours without a lost time incident in 2012 and 2013
- Safety Recognition of Significant Safety Milestone Achievement at DPP for 5 years without a lost time incident in 2013
- Safety Management System certified by the Ministry of Labor (*Ministerio de Trabajo*) in 2011
- Great Place to Work in 2009, 2010, 2011, 2012, 2014, 2015, 2016 and 2017

Since July 2003, DPP has had in place a safety program monitored by an EHS manager, an HS supervisor and an EHS committee in order to maintain the required level of safety at its facilities. The safety program covers the following elements:

- Health and Safety Policy, a commitment to improve safety and health of all associates and contractors
- Health and Safety Hazard Identification, Risk Assessment and Risk Control
- Regulatory and AES SH Standards requirements
- Safety Goals, Objectives and Targets
- Safety Program Management
- Management of Change
- Structure and Responsibility
- Awareness and Communications
- Consultation and Participation
- Safety Management System Documentation
- Document and Records Control
- Operational Control
- Monitoring and Measurement
- Non-Conformance and Corrective and Preventive Action
- Safety Audits
- Reporting
- Management Review

Other programs covered by the safety program, besides the Safety Management System, are:

- Emergency Response Plans
- Chemical Management and MSDS
- Fire Protection

- Safety Culture Evaluation and Assessment
- DPP Safety Management System has been certified by the Ministry of Labor (Ministerio de Trabajo).

During the last three years, Andres has not recorded any lost time incidents.

#### *ADRE*

ADRE has obtained necessary environmental permits from MIMARENA, the Dominican environmental agency. ADRE has complied during the construction process with all environmental requirements mandated by MIMARENA.

During construction process, ADRE had in place a safety program monitored by an EHS manager, an HS supervisor, safety rovers and an EHS committee in order to maintain the required level of safety. The same safety program will be in place during operations. The safety program covers the following elements:

- Health and Safety Policy, a commitment to improve safety and health of all associates and contractors
- Health and Safety Hazard Identification, Risk Assessment and Risk Control
- Regulatory and AES SH Standards requirements
- Safety Goals, Objectives and Targets
- Safety Program Management
- Management of Change
- Structure and Responsibility
- Awareness and Communications
- Consultation and Participation
- Safety Management System Documentation
- Document and Records Control
- Operational Control
- Monitoring and Measurement
- Non-Conformance and Corrective and Preventive Action
- Safety Audits
- Reporting
- Management Review

Other programs covered by the safety program, besides the Safety Management System, are:

- Emergency Response Plans
- Chemical Management and MSDS
- Fire Protection

- Safety Culture Evaluation and Assessment

## **Legal Proceedings**

Andres and DPP and their affiliates are involved in legal proceedings from time to time arising in the ordinary course of business. As of the date of this offering memorandum, Andres and DPP were party to the following legal proceedings, which may have a material impact on its financial condition and results of operation if adversely decided:

### ***Andres***

#### *Proyectos de Ingeniería Electromecánica, S.A., or PRINEL, claim for damages*

On November 21, 2003, Andres entered into an engineering procurement and construction agreement, or the EPC, agreement with Dominican Republic Closed Cycle LLC, or DRCC, for construction of the Andres plant. DRCC subcontracted several aspects of the project to PRINEL. DRCC alleges that PRINEL did not meet certain quality standards established in the EPC and thus was in breach of the contract. As a result, DRCC withheld payments of invoices in favor of PRINEL. Subsequently, PRINEL brought a collection lawsuit against DRCC, which impleaded Andres as a co-defendant. Based on the terms of the EPC, DRCC was obligated to indemnify Andres for any claim or lawsuit. The damages amounted to approximately \$31.4 million, which would ultimately be borne by DRCC.

This action had been inactive since 2005, because the suit had corresponding accessory motions regarding procedural matters that were appealed before other courts. These courts had to rule on these accessory motions prior to the lawsuit continuing its normal proceedings. On April 29, 2015, a final hearing was held where closing arguments were presented. Andres petitioned the court to dismiss the lawsuit brought on by PRINEL.

#### *AES Appeal before the Administrative Court against the SIE*

On November 30, 2011, the SIE issued Resolution No. 535 of 2011, which established a mechanism to penalize deviations by operating agents in the wholesale electricity market from what they declared for the daily and weekly operating programs of the wholesale electricity market. The resolution penalizes operating agents for hourly deviations in the Dominican electric system for differences between: (i) the forecasted demand or generation declared by any such agent, and (ii) the actual demand or generation of each such agent. The amount of the penalty is equal to the absolute value of such difference, multiplied by the spot price per hour. The penalty is capped at a maximum monthly charge of one thousand minimum wages (approximately \$116,000) per agent per month.

On December 29, 2011, Andres and DPP filed an appeal before the Administrative Court on the basis that the SIE lacked the legal authority to establish and enforce Resolution No. 535 of 2011 and petitioned for the annulment of the resolution.

On May 31, 2012, the SIE issued Resolution No. 384 of 2012, which replaced Resolution No. 535 of 2011. Although this new resolution modified certain sections of Resolution No. 535 of 2011, the new resolution continued to penalize agents for their hourly operating deviations in the Dominican electric system.

On May 31, 2013, the SIE issued new Resolution No. 018 of 2013, which modified Articles 1-5 of Resolution No. 384 of 2012, but retained the penalty provisions for the hourly deviations of all agents operating in the Dominican electric system.

On May 21, 2015, the Third Chamber of the Supreme Administrative Court, through Judgment No. 00129 of 2015, rejected the administrative appeal brought by Andres and DPP against Resolution No. 018 of 2013. On July 7, 2015, Andres and DPP filed a motion before the Supreme Court of Justice against the ruling of the Supreme Administrative Court, based on errors of law. As of the date of this offering memorandum, the decision of the Supreme Court of Justice remains pending.

#### *Diego Sousa vs. AES Andrés*

On September 5, 2019, Mr. Diego Sousa de Paz and other claimants filed for land rights protection, damages and losses against Andres DR for an alleged illegal occupation of the land they claim belongs to them. There are two proceedings currently pending in the Administrative Court: (i) a claim to physically stop the alleged illegal occupation (*amparo*), which was dismissed on February 8, 2021 by the court; and (ii) a claim for damages and losses resulting from the alleged illegal occupation, which originally had a hearing scheduled for March 2021 but was suspended until further notice.

*Banco Federal de Ahorros, S.A. vs. AES Andrés*

In 2010, Andres DR purchased land from VILLEPLUME, S.R.L. an area adjacent to the area where the Andres LNG facilities are currently installed in Boca Chica. Apparently, there was an error in the cadastral data provided by the seller during the land registration process at the Land Registry. As a result of the incorrect data, erroneous land titles were issued by the Land Registry. As there are two land plots in the area roughly similar in size and dimensions (32,000 m<sup>2</sup>) and are adjacent to each other, the land title issued for Andres contains a cadastral description and UTM coordinates different than the land actually purchased by Andres. This error in the issuance of the land titles means that the land title of the property which AES is currently occupying was registered and issued on behalf of AES' counterpart in the land purchase operation, who later sold the land to a third party, who subsequently used the land title as collateral for a loan, that was eventually defaulted. As a result, Banco de Ahorros y Crédito Federal, as creditor under the loan, initiated proceedings for executing the two mortgages on the land.

On August 2016, Andres DR filed a claim in the Land Court aiming to amend and correct the wrong land certificates. On December 2016, Andres invoked and successfully obtained from the Civil Court the suspension of proceedings for executing the mortgages registered for the land that Andres DR occupies.

On February 2021, the first instance Land Court declared it had no jurisdiction on the matter. Andres DR plans to appeal this ruling, but it is also looking for other options to resolve the dispute, such as a settlement with Banco de Ahorros y Crédito Federal.

**DPP**

*Inmuebles Lux v. DPP*

On February 6, 2014, Inmuebles Lux, S. R. L., or Inmuebles Lux, sent DPP an eviction notice for the illegal occupation of the property where DPP's power plant is located. Inmuebles Lux claimed title to the land based on Title Certificate No. 400485363603. Inmuebles Lux requested DPP to vacate the property within 15 days and demanded damages in the amount of \$250.0 million.

CDE was in possession of the land after its seizure by the Dominican Government for public use in the 1970s. As part of negotiations held in 2002 between DPP and CDE, CDE granted the property at issue to DPP as payment in kind for debt. Since that date, DPP has been requesting CDE to provide DPP with the corresponding title of the land, which CDE has failed to do.

DPP has identified serious errors in the land survey made by Inmuebles Lux for securing the title certificate, which would invalidate such title certificate. Therefore, DPP believes that the lawsuit would likely be dismissed. DPP informed CDE of the dispute on February 12, 2014, because any damages suffered by DPP would have to be remedied by CDE.

On March 11, 2014, DPP filed a suit requesting the annulment of the land survey performed by Inmuebles Lux and the annulment of the Title Certificate No. 400485363603, issued in favor of Inmuebles Lux.

The last hearing in connection with the suit was held on April 7, 2015. In that hearing, Inmuebles Lux challenged the judge in charge of the case and deposited an impeachment order before the court in order to delay future hearings and a decision in the case. On May 15, 2015, the judge dismissed the challenge. The date for a new hearing is pending.

*Counterclaim by Inmuebles Lux against DPP*

On October 30, 2014, Inmuebles Lux filed a counterclaim against DPP, arguing that DPP does not have the right to sue for the annulment of the title certificate. The counter claim is for the amount of RD\$200.0 million. On December 30, 2016 the Court suspended the proceedings until a land rights claim filed by DPP in the Land Court is resolved.

*Counterclaim by Zantel against DPP*

On October 30, 2014, Zantel Enterprises, S. R. L., or Zantel, filed a counterclaim against DPP. Zantel argued that DPP does not have the right to sue for the annulment of the title certificate because DPP does not have proper title to the property. The tort claim is for the amount of RD\$200.0 million. On December 30, 2016 the Court suspended the proceedings until a land rights claim filed by DPP in the Land Court is resolved.

***Fundación Rio La Pipa, Inc. v. DPP representatives***

On April 23, 2015, Fundación Rio La Pipa brought an allegation of alleged irregularities before the District Attorney with respect to the process for the granting of DPP's environmental permit for the construction of its combined-cycle plant by MIMARENA. On June 11, 2015, the Court held a hearing, which was extended to July 8, 2015. On July 8, 2015, the District Attorney requested that all the parties be notified under normal due process procedures. The hearing was subsequently held on October 27, 2015. As of the date of this offering memorandum, the Court's decision remains pending.

## MANAGEMENT AND EMPLOYEES

### *Directors*

Andres BV's board of directors is comprised of two directors, Andres DR's board of directors is comprised of three directors and DPP's board of directors is comprised of five directors. In all cases, directors are elected by majority approval at the ordinary shareholders meeting (or in the case of DPP by a unanimous written resolution) until such time as they are removed from office by an ordinary shareholders' resolution. The board of directors of the Issuer was appointed upon its incorporation. The directors' terms, the manner in which they are elected and other related issues are established in the respective memorandum and articles of association and by-laws of each of Andres and DPP.

The mailing address for Andres BV is Calle Bravo Murillo 101, planta 5, puerta 01, 28020, Madrid, Spain. For DPP, c/o Maples Corporate Services Limited, PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

### *Andres BV*

*Leonel Fernández Ferreira*, Andres' Managing Director. Mr. Fernández Ferreira joined AES in 2005 in the Dominican Republic where he worked as Legal Contract Manager for AES' owned businesses in the country. From 2015 to 2020, Mr. Fernández Ferreira relocated to Panama to work under the MCAC SBU Treasury team serving as MCAC Debt Compliance and Credit Risk Manager overseeing loan compliance and counterparty credit risk for Mexico, Panama, El Salvador, Dominican Republic and Puerto Rico. In 2020, Mr. Fernández Ferreira was transferred to Spain to head AES' Madrid office and assume new roles related to governance management. During his time with AES, Mr. Fernández Ferreira has led and participated in over \$3 billion in corporate financing transactions. Mr. Fernández Ferreira has over 16 years of experience as corporate counsel and in corporate finance. Mr. Fernández Ferreira graduated with a degree in Law from PUCMM in the Dominican Republic and has a master's degree in Banking and Finance from UPF in Spain.

*Enma Marcellies Nuñez de Perez*, Andres' Director. Ms. Nuñez de Perez joined AES in 2006 in the Dominican Republic where she worked as Treasury Manager for AES' owned businesses in the country. In 2009, Ms. Nuñez de Perez was relocated to El Salvador to coordinate the implementation and integration of the payments and cash management operations of Central American and Caribbean (AES financial hub) companies. From 2010 to 2012, she worked under the Central American and Caribbean (AES Financial hub) Treasury team serving as Investments and Special Projects Coordinator. In 2012, Ms. Nuñez de Perez was relocated to Panama, where she assumed new responsibilities in Financial Planning & Analysis. In 2018, Ms. Nuñez de Perez was transferred to Spain to AES Madrid office to assume Cost Management responsibilities as well as being assigned as Director of AES Andres BV. Ms. Nuñez de Perez has over 15 years of experience in corporate finance and financial planning. Ms. Nuñez de Perez has a degree in Business Administration from UNAPEC and a master's degree in Corporate Finance from PUCMM, both in the Dominican Republic.

### *Andres DR*

*Juan Ignacio Rubiolo*, President of the Board of Directors. Mr. Rubiolo has over 18 years of experience in energy and electricity markets in America and Asia. He has served in numerous leadership roles in strategic, financial and commercial planning, project management, business development, commodities risk management, structuring of products and commercial contracts for electricity markets. Mr. Rubiolo joined AES Corporation in Argentina in 2001 and has worked in different countries while holding several leadership roles in The Philippines, Panama, Dominican Republic, and Mexico. Mr. Rubiolo leads AES's efforts in Mexico, Central America and the Caribbean, as President & CEO. Some of Mr. Rubiolo's major achievements consist of the structuring of a joint venture in Mexico (with Grupo BAL) and the Dominican Republic (with Energas), that led to growth for AES in the renewables and natural gas industries. He also arranged the first export of energy from AES San Nicolas to Brazil. Mr. Rubiolo is responsible for developing the business and risk management strategies. Mr. Rubiolo has leveraged his experience in The Philippines to replicate that country's model in the Dominican Republic and effectively expanded the natural gas market in Dominican Republic. Mr. Rubiolo has also advised AES in the structuring of several other business models in competitive and emerging markets. Mr. Rubiolo holds a master's degree in project management from Quebec



University and a BSc degree in Business Administration awarded by Universidad Austral of Argentina. He has also completed executive business and leadership programs at Darden School of Business.

*Bernerd Da Santos*, Secretary of the Board of Directors. Mr. Da Santos has 30 years of experience in international corporate finance for generation, transmission and distribution companies in Latin America and has recently performed corporate work in Africa. He is currently the Chief Operating Officer of AES Corporation, a position he has held since January 2015. Previously, he served as of Chief Financial Officer of AES's Global Finance Operations and as Chief Financial Officer for the Utilities group and for the Latin America and Africa group. Mr. Da Santos was executive VP and Controller, during his tenure with La Electricidad de Caracas, or AES EDC, in Caracas, Venezuela. He was awarded a Bachelor's Degree in System Public Administration in 1990 and a Bachelor's Degree in Business Administration cum laude in 1993 from the Universidad José María Vargas in Caracas, Venezuela. He was awarded a Postgraduate Diploma in Business Management cum laude and in Finance cum laude, in 1995. Mr. Da Santos received a Master in Business Administration, cum laude from the Universidad José María Vargas, in Caracas, Venezuela. He also completed an advanced program at IESA, Instituto de Estudios Superiores y de Administración in Caracas, Venezuela as well as an AES leadership program at Darden School, Virginia University, USA.

*Arminio F. Borjas Jr.*, Vocal of the Board of Directors. Mr. Borjas currently serves as the General Counsel for the MCA&C SBU. He joined AES in 2004 through La Electricidad de Caracas (EDC) and worked as the Vice President of Legal Affairs until he joined the corporate team in September 2007. Mr. Borjas graduated from the Catholic University Andres Bello in Caracas with a degree in Law in 1975. In 1977, he completed studies in Latin-American Politics and International Economic Development at The American University in Washington, D.C. In 1978, he joined the law firm Mendoza, Palacios, Acedo, Borjas, Páez Pumar and Cía. Besides practicing law, Mr. Borjas has been a Professor of Law at the Catholic University and the Central University of Venezuela. He also taught in the Advanced Management Program at IESA and at the Consejo de la Judicatura, a course for judges.

## **DPP**

*John Haberl*, DPP's Director. Mr. Haberl joined AES in 2006 and is currently Managing Director, Finance, in the Treasury Group. John assists businesses with project level financings around the world. John also leads AES corporate financing efforts including managing the company's rating agency relationships. John has closed over 10 international project financing transactions in his career at AES funding projects with capital costs of \$6.7 billion utilizing \$5.3 billion of non-recourse debt. He has also closed over \$5 billion in AES corporate financing transactions. Most recently John led the efforts to improve the AES credit profile targeting an investment grade profile requiring a three-notch upgrade. AES achieved investment grade in 2020 allowing the issuance of the company's first investment grade bonds totaling \$3.4 billion. Prior to AES, Mr. Haberl was a Corporate Finance Manager at Sprint Nextel and before that a Senior Finance Associate at PG&E National Energy Group. Mr. Haberl is a CFA charterholder and holds an MBA from the Stern School of Business at New York University and a BA from Moravian College.

*Tina Fink*, DPP's Director. Ms. Fink has over 13 years of experience in energy and electricity markets in the Americas. Ms. Fink joined AES Corporation in Chile in 2007 where she was responsible for the technical accounting of Argentina, Chile and Colombia and moved to corporate headquarters in 2014 where she has overseen technical accounting services for Eurasia, Brazil, Andes, and the United States. Ms. Fink coordinates with multiple business groups within the company to provide analysis and consulting on complex business transactions to provide accounting effects and feedback about U.S. GAAP and IFRS best practices. As of 2018, Ms. Fink leads AES's Global Technical Accounting team and is responsible for strategic advising to optimize financial impacts of proposed and executed transactions. Ms. Fink has also advised AES in the structuring to several other business models in competitive and emerging markets. Ms. Fink holds a master's degree in Business Administration from Tulane University in conjunction with the University of Chile and a BA in Economics and Math awarded by University of Alberta in Canada. She has also completed executive business and leadership programs at Darden School of Business.

*Jeffrey MacKay*, DPP's Director. Mr. MacKay has been the Chief Financial Officer of the Mexico, Central America and Caribbean business unit of The AES Corporation since May 1, 2020. Prior to his current roles, Mr. MacKay served as the Treasurer and Director of Mergers & Acquisitions for MCA&C, and prior to this from 2013 until 2018 he acted as Treasurer and Director of Business Development Analytics for AES's United States business unit, which included two integrated utility companies and 18 generation facilities. Mr. MacKay joined AES in 2004 and during his time with the company has held various leadership positions in the finance area in the United States

and Latin America. Before joining AES, Mr. MacKay worked at a boutique investment bank focused on the energy technology sector. Mr. MacKay holds a bachelor's degree in Political Science from Dartmouth College and has executive education certificates from University of Virginia's Darden School of Business and the Instituto Centroamericano de Administración de Empresas (INCAE) Business School.

*Martin Navarro*, DPP's Director. Mr. Navarro has over 19 years of experience in energy and electricity markets. He has served in numerous leadership roles in accounting, tax, strategic and financial planning, project management, risk management and structuring of M&A transactions. Mr. Navarro joined AES Corporation in Argentina in 2002 and has worked in different countries while holding several leadership roles in Argentina, Chile, the United States and Panama. Mr. Navarro leads AES's financial planning in Mexico, Central America and the Caribbean. Some of Mr. Navarro's major achievements consist of the structuring of new financial teams in Argentina, Chile and Panama. He also participated in AES Financial transformation as part of the Regional Accounting Team in his role in our headquarters in Arlington and lead numerous process re-engineering initiatives focused on efficiency. As part of his role in AES's headquarters, Mr. Navarro was able to gain experience and advise AES businesses around the globe where AES had operations. Mr. Navarro served as the Controller for AES subsidiaries in Argentina, Chile and for the Mexico, Central America and Caribbean region of AES. He is currently responsible for developing the region's budget and long-term strategy. Mr. Navarro is a Certified Public Accountant in the U.S. and holds a master's degree in Accounting awarded by Universidad Nacional de Salta in Argentina. He has also completed executive business and leadership programs at Darden School of Business, University of Virginia in the United States.

*Olivier Marquette*, DPP's Director. Mr. Marquette joined AES in 2006 in the North America Business Development team. He contributed to various early-stage projects in financial modeling, contract negotiation, and permitting. In 2008, he transferred to the AES Singapore office as Director, Business Development, and led development in Indonesia. In 2011, he joined AES Tiete S.A. as Vice-President of Business Development, in charge of the execution of AES Tiete's growth strategy based on natural gas and renewable generation. In 2013, he joined AES Dominicana to lead the development of growth projects leveraging AES existing platform. Prior to joining AES, Mr. Marquette held various positions at Electricite de France, first in Research and Development, then in Operations. Mr. Marquette was Operations Manager at a 500 MW coal-fired power plant in a Paris suburb, and was later promoted to the position of Plant Manager at the Saltillo 250 MW combined cycle plant in Mexico. Mr. Marquette holds an Engineering degree from Ecole des Mines de Paris, France, a Master of Science Degree in Mechanical Engineering from Texas A&M University, and a Master of Business Administration Degree with Distinction from Harvard Business School.

### ***Senior Officers***

AES appointed a team to manage Andres and DPP as combined entities. The officers below are members of the management team.

*Edwin De los Santos*, Market Business Leader of AES Dominicana. Mr. De los Santos currently serves as Country Manager of AES Dominicana, a position he has held since March 2014. He is also ADRE's General Manager. He has 23 years of experience in business and negotiations in the national electricity sector. He joined AES in November 2004 and has also served as General Counsel of AES Dominicana. Mr. De los Santos' significant contributions include the formulation of various proposals for the reformation of the Dominican electricity sector over the past three decades. Mr. De los Santos graduated with honors from the Law School at Universidad Nacional Pedro Henríquez Ureña and holds a master's degree with honors in Judicial Studies from Universidad Nacional Pedro Henríquez Ureña, a master's degree in International Trade Negotiations from Universidad APEC and a Master's Degree in Business Administration from New York University.

*Arturo Gris*, VP Operations. Mr. Gris has been the Chief Operating Officer of the MCA&C SBU since May 2013, including as the VP of Operations for AES Dominicana. In this role, he has focused on leading, operating and maintaining AES plants in such areas (with the exception of the AES businesses in El Salvador), to meet the business strategy and exceed AES key performance indicators. He previously served as Vice President, Generation and Energy Management for AES Brazil and Managing Director for AES Engineering and Construction in Latin America. In 2007, Mr. Gris served as interim Country Manager for AES Panama and previously held other positions in finance, operations and development. Mr. Gris has an MBA from the University of Chicago, a Master's in Engineering from

the University of California at Berkeley and a Bachelor's degree in Mechanical Engineering from the Texas A&M University.

*Angel Guastafarro*, AES Dominicana Complex Director. Mr. Guastafarro has 38 years of experience in the power generation sector starting in investor owned electric utility in Caracas, Venezuela and after that in the Dominican Republic electric sector. He has served in several roles through the years, including operations, maintenance, general services and overall management of thermal power plants. Mr. Guastafarro arrived in the Dominican Republic in 2003 with the specific task of commissioning the first LNG terminal and the first natural gas fired power plant of the country. In 2006, he was named General Manager of Itabo, leading the efforts for the turnaround of the company's generating assets. In the year 2015, Mr. Guastafarro was assigned to the final development stages and subsequent construction management and commissioning of the Colon project in Panama. After completing the project in Panama, Mr. Guastafarro returned to the Dominican Republic, where he currently is the Director of Operations for the DR Complex. Mr. Guastafarro holds a BSc degree in Mechanical Engineering from Universidad Metropolitana in Caracas (1982) and an MBA in Finance at the same university (2002). He also attended the Leadership Development program at Darden School of Business at the University of Virginia.

*Mayka McCalla*, VP Human Resources. Ms. McCalla has served as the Vice President of Human Resources for the MCA&C SBU, a region with over 1,800 AES employees, since January 2013. Prior to her current role, Mrs. McCalla served as the Learning and Development Regional Manager for AES Latin America. She holds a Bachelor's Degree in Psychology from the University of Panama and Master's Degrees in Human Resources and Business Administration from the Latin American University of Science and Technology (ULACIT). She also holds degrees from the Entrepreneurial Executive Program of San Francisco University as well as the Business Administrative Executive Program and the Business Management Program at the Instituto Tecnológico de Monterrey, Mexico.

*Giselle Marie Leger*, General Counsel. Ms. Leger currently serves as General Counsel of AES Dominicana, a position she has held since March 2014. She has also been serving as Legal Director at AES Dominicana since November 2001. She has 19 years of experience in business and negotiations in the national electricity sector. Her previous experience includes her role as Manager in the Investment Banking Department of Banco de Reservas de la República Dominicana. She graduated with honors from the Law School at Pontificia Universidad Católica Madre y Maestra. Ms. Leger holds a Master's Degree with honors in Commercial and Economical Law from Pontificia Universidad Católica Madre y Maestra and also holds a Negotiations Degree from Harvard University.

*Freddy Obando*, Commercial & LNG VP. Mr. Obando joined AES in 2004 and for the last decade has held various roles in the commercial sector of AES. In the Dominican Republic, he was responsible for electricity and natural gas sales and for fuel procurement for the AES power fleet in the Mexico, Central America and Caribbean region, which includes the procurement of LNG, petcoke and coal. Recently, he joined the MCA&C team in Panama to take on the role of LNG Vice President, overseeing the procurement of LNG as well as the commercialization for AES Dominicana and AES in Panama. In 2020, he was given the task to lead the commercial team as well as Commercial & LNG Vice President. He holds a degree in Electrical Engineering from Instituto Tecnológico de Santo Domingo and an Executive MBA from Barna Business School. He has also pursued postgraduate studies in Spain and Argentina by taking courses on the electricity and gas markets.

### ***Other Employees***

The Andres generation plant, LNG facility and other facilities are operated by employees of Andres. As of December 2020, Andres had 96 employees. Of those 96 employees, upper management accounted for 10%, middle management accounted for 50% and the remaining 40% was staff. All personnel are non-unionized and there are no collective bargaining agreements. Andres has not experienced any labor strikes since it began operations in 2003.

The DPP generation plant is operated by employees of DPP. As of December 2020, DPP had 41 employees. Of those 41 employees, 12% of the personnel is upper management, 44% of the personnel is middle management and the remaining 44% is staff. All of DPP's employees are non-unionized and have no collective bargaining agreements. DPP has not experienced any labor strikes since it began operations in 2000.

Andres' and DPP's compensation packages include an annual salary and cash bonus based on performance, in addition to customary benefits in the Dominican labor market, such as medical and dental plans and other non-cash

benefits that are required by Dominican Law. Certain members of senior management of Andres and DPP are granted, as part of their compensation, restricted stock and performance units under an incentive plan sponsored by AES, or the AES Plan. Pursuant to the AES Plan, these restricted stock and performance units vest over a period of time at which point they are wholly owned by the recipient.

The Dominican profit-sharing regulations require Andres and DPP to pay their employees an amount up to 10% of the company's income before taxes. An employee is qualified to receive up to the equivalent of 45 days of his or her daily salary if the employee has been at the company for less than three years or up to the equivalent of 60 days of his or her daily salary if the employee has been at the company more than three years.

## RELATED PARTY TRANSACTIONS

### **Andres' LNG Contract with AES Andres (BVI) Ltd. and its Guaranty to BP**

Andres primarily obtains its supply of LNG, which it re-gasifies to natural gas used to operate its power generation facilities, pursuant to an LNG sales contract with AES Andres (BVI) Ltd., or the DR Contract, who has a back-to-back agreement with ABS, a Cayman Islands subsidiary of AES, or the ABS Contract. ABS, in turn, has entered into the BP Contract. In addition, Andres has guaranteed the payment of all obligations due by ABS under the BP Contract, up to \$100.0 million, unless there is a breach by ABS or Andres of certain negative covenants under the BP Contract, in which case the limitation on the amount of Andres' guaranty does not apply. BP is a subsidiary of the British-based company BP plc.

ABS entered into the BP Contract in January 2001, and the BP Contract became effective in April 2003. The BP Contract has a term of 20 years and expires in 2023. Under the terms of the BP Contract, ABS has a take-or-pay commitment to purchase 33.6 TBtu each year until expiration. Pricing under the BP Contract is at a premium equal to \$1.60 to the Henry Hub natural gas price per MMBtu on the NYMEX Henry Hub Index. ABS' take-or-pay liability for LNG contracted but not taken is determined annually based on the LNG quantity of ABS' take-or-pay commitment not taken by ABS, multiplied by the difference between the resale price of the LNG not taken and resold by BP and the price under the BP Contract for the LNG, if any. BP currently obtains LNG from the Republic of Trinidad and Tobago and is responsible for transporting the LNG to the Andres LNG terminal in the Dominican Republic.

The original LNG Contract contemplated that payment of cargo could be made 15 days after the shipment arrival if a \$15.0 million letter of credit acceptable to BP was posted in its favor by ABS. A later amendment provides for an alternative payment mechanism if ABS is unable to post this letter of credit. This alternative payment mechanism requires Andres and ABS to pay for the LNG cargo in three installments before delivery. The first payment is due two months prior to the unloading date of the LNG cargo, the second payment is due one month before the unloading date of the LNG cargo and the final payment is due 10 days prior to the unloading date of the LNG cargo.

Under the BP Contract, BP has the right to deliver 1/12 of ABS' LNG take-or-pay commitment in Fuel Oil No. 2 and BP also has a right of first refusal with respect to LNG that ABS and Andres seek to purchase above their contracted take-or-pay commitment with BP. Also, ABS and Andres are permitted to sell LNG to third parties with BP's consent and after paying BP a resale fee, equal to the base price plus a premium. The BP Contract also contains covenants that restrict ABS' and Andres' ability to incur indebtedness (other than indebtedness to refinance their current obligations or indebtedness for ordinary business purposes) or sell their assets.

The terms of the DR Contract and ABS Contract are substantially the same as the terms of the BP Contract. However, under the ABS Contract, instead of a take-or-pay obligation, Andres is required to pay ABS the amount of ABS' take-or-pay obligation under the BP Contract up to \$24.0 million per year. Andres is also required to pay AES Andres (BVI) Ltd. a management fee of \$15,000 per month pursuant to the DR Contract; while AES Andres (BVI) must pay a monthly fee of \$10,000.

### **LNG Purchase and Sale agreement and the Joint Marketing Agreement**

On November 29, 2016, Atlantic Basin Services, Ltd and Andres DR, SA, signed the LNG Purchase and Sale agreement and the Amended and Restated LNG Joint Marketing Agreement dated as of May 5, 2017 and entered into by ENGIE, S.A. assigned to Global LNG SAS on June 12, 2018, and further assigned to Total Gas & Power Limited London, Meyrin-Geneva branch, on August 30, 2019, in which the general terms and conditions were agreed of the purchase and sale of LNG. Through additional Confirmation Agreements, quantities and prices of LNG are established to supply each client.

### **Andres' Short-Term PPA with DPP**

On May 10, 2017, Andres DR entered into a PPA with DPP by which Andres DR purchases from DPP 100% of the energy and firm capacity in excess of DPP's PPA. This contract began on June 1, 2017 with an indefinite duration, unless both parties agree on its suspension. The purchases associated with this contract consist of energy purchases that are included in the statements of income as a cost of revenue for Andres and revenue for DPP, as the

case may be, totaling \$13.7 million, \$31.1 million and \$107.5 million for the years ended December 31, 2020, 2019 and 2018, respectively.

### **Long-Term Natural Gas Sale and Transportation Contracts between Andres and DPP**

Andres sells natural gas and provides firm natural gas transportation to DPP under the Natural Gas Contract and the Transportation Contract, respectively. Both the Natural Gas Contract and the Transportation Contract were entered into on March 25, 2002 and both contracts expire March 31, 2023.

Under the Natural Gas Contract, Andres sells natural gas to DPP up to an annual volume of 18.25 TBtu per year. There are no take-or-pay obligations under the Natural Gas Contract. The price is set at the weighted average cost of natural gas stored by Andres plus a margin per MMBtu. Pursuant to an amendment to the Natural Gas Contract made in December 2002, DPP provided Andres with a security deposit for the amount of \$20.0 million to secure its obligations under the contract, which Andres is required to return no later than the fourth anniversary of the receipt by Andres of the first LNG cargo from BP under the BP Contract.

Under the Transportation Contract, Andres supplies firm transportation capacity to DPP for a monthly fee of \$0.7 million, which is adjusted on January 1 of each year using a formula that takes into account the last twelve months' average producer price index as of September 1 of each year. Pursuant to an amendment to the Transportation Contract made in May 2002, DPP provided Andres with a security deposit for the amount of \$6.0 million to secure its obligations under the contract, which Andres is required to return upon the expiration of the term of the Transportation Contract.

### **AES LATAM Service Agreement**

On December 17, 2009, each of Andres and DPP entered into a service agreement with AES Solutions, an indirect subsidiary of AES, in which AES Solutions would provide each of Andres and DPP with global financial services, administration services, risk management and technical services to implement SAP Systems, among others. On July 1, 2019, this contract was assigned to AES Latin America S.R.L., an indirect subsidiary of AES. The expenses of these contracts for the year ended December 31, 2020, were \$3.2 million and \$2.5 million for Andres DR and DPP, respectively.

### **Global Services Agreement**

Andres DR and DPP signed a Corporate Global Services agreement on January 1, 2020 with AES Big Sky, LLC, or AES Big Sky, an affiliate company owned by AES subsidiaries through which AES Big Sky is responsible for providing corporate global services, assistance in technology services, IT management services, human resources center of excellence, operations and commercial services. These services are to be provided by AES Big Sky directly or through AES Big Sky affiliates or subcontractors. The contract is valid for five years and will be automatically renewed for successive periods of one year, unless one of the parties notifies its opposition to renewal at least 90 days before the agreement's expiration. Andres DR will have to pay for this agreement the real cost assumed by AES Big Sky, plus taxes. The expenses of these contracts for the year ended December 31, 2020, were \$2.5 million and \$0.6 million for Andres DR and DPP, respectively.

### **Fluence Services Agreement**

On May 1, 2017, Andres DR entered into a service agreement with Fluence Energy, LLC, an affiliate company owned by The AES Corporation, through which Fluence shall temporarily provide certain technical services. The term of this agreement is one year and will be renewed annually unless terminated by any of the parties. The total expense related to this agreement totaled \$0.1 million in each of the years ended December 31, 2020, 2019 and 2018 and is included in Andres' consolidated statements of income as operating, general and maintenance expenses.

### **AES Global Insurance Corporation Insurance Contract**

On April 1, 2015, each of Andres DR and DPP entered into a comprehensive insurance contract with AES Global Insurance Corporation, one of their affiliates, which covers all operating risks, including broken machinery and interruption of the business. This contract is renewed on an annual basis. The expenses of these contracts for the year ended December 31, 2020 were \$12.2 million and \$5.3 million for Andres DR and DPP, respectively.

### **ENADOM Lease Agreement**

On September 2, 2020, Andres DR and ENADOM entered into a lease agreement over a property located in Santo Domingo, Dominican Republic, owned by Andres DR. The leased land's size is 65,692.64 m<sup>2</sup> and it is being used for the construction of the second LNG storage tank and 56,600.00 m<sup>2</sup> for a temporary building during the construction period. The land must be used exclusively for the construction and operation of the second LNG storage tank and the additional bays for LNG truck loading station, which will be interconnected. The lease term is ten years with automatic renewal for additional periods through the commercial operation useful life of the second tank, expected to be 50 years. In the event that the commercial operation of the second tank ends, the agreement will be terminated automatically. The lease agreement's start date was December 30, 2020 and the annual payments are expected to amount to \$0.3 million during the construction period and to increase to \$0.6 million after operations begin.

### **ENADOM Construction Management Agreement**

On September 23, 2019, Andres DR entered into a construction management agreement with ENADOM through which Andres DR will provide assistance in engineering, purchasing and construction services. The initial term of this agreement ended with the construction of the eastern gas pipeline during 2020, and the initial total amount received by Andres DR totaled \$3.9 million. On October 7, 2020, Andres DR and ENADOM executed an amendment to this agreement, extending its term for Andres DR to provide assistance in the construction of the second LNG storage tank project for an amount of \$5.1 million.

### **ENADOM Administrative Services Agreement**

Andres DR, Domi Trading and ENADOM entered into an administrative services agreement on September 23, 2019, through which Andres DR shall provide general assistance in the following areas: operation, finance, human resources, insurance, information technology, and others. The agreement is for a term of ten years and it will be automatically renewed for a five-year period thereafter. ENADOM shall pay \$0.2 million plus taxes annually from the start date until the commercial operation date of the eastern pipeline project and shall pay \$0.4 million plus taxes per year thereafter. The income from fees to Andres DR related to this agreement is presented in the consolidated statement of income and totaled \$0.3 million for the year ended December 31, 2020 and \$0.1 million for the period from September 1, 2019 to December 31, 2019.

### **ENADOM Operation and Maintenance Agreement**

On September 23, 2019, Andres DR entered into an operation and maintenance agreement with ENADOM to provide assistance in the operation and maintenance activities of the eastern gas pipeline. The start date of this agreement is the commercial operation date of the eastern gas pipeline, which was in February 2020. For the year ended December 31, 2020, the income to Andres DR from fees related to this agreement is presented in the consolidated statement of income in an amount of \$0.6 million.

### **ENADOM Shared Use and Access to Facilities Agreement**

On September 23, 2019, Andres DR entered into an agreement with ENADOM in order to determine the rights and obligations of each company relating to the interconnection of the eastern gas pipeline with the Andres DR's gas terminal. The start date of this agreement was in February 2020. This agreement has no fees associated therewith.

## **ENADOM Interconnection and Shared Infrastructure Agreement**

On September 23, 2019, Andres DR entered into an agreement with ENADOM for the shared use and access to the Andres Facilities, through which the rights to use the interconnection and an easement or right of way for access to the LNG terminal were agreed upon. The agreement shall expire the first occurrence: (i) the closing of commercial operations of the AES Terminal or the eastern gas pipeline; (ii) the mutual consent of the parties to terminate the contract; and (iii) the termination of the Interconnection and Shared Infrastructure Agreement. No fees were paid in 2020 pursuant to this agreement.



## REGULATION OF ELECTRICITY GENERATION IN THE DOMINICAN REPUBLIC

### Overview

Andres and DPP are regulated by various governmental entities. The Dominican Government established frameworks for:

- generation, transmission, distribution and commercialization of electricity;
- the functioning of the energy market; and
- generation prices, capacity payments and other electricity sector charges.

### Regulatory Entities

Pursuant to the General Electricity Law, the entities that primarily regulate and affect Andres' and DPP's businesses are the following:

*MEM.* Created in 2013 under Law No. 100 of 2013, the Ministry of Energy and Mines has the power to formulate, implement, execute and coordinate the public policy focusing on exploration, exploitation, transformation and benefits of the Dominican Republic's minerals. The MEM also has the authority to ensure Dominican energy assurance and sustainability.

Furthermore, the MEM is responsible for: (i) preparing and proposing regulations and legislation for the energy sector; (ii) proposing and adopting rules and regulations governing the energy sector; (iii) preparing plans to ensure the efficient operation and development of the energy sector and proposing such plans to the executive branch of the Dominican Government; (iv) overseeing compliance with any plans approved by the executive branch; (v) promoting investment decisions that are consistent with these plans; and (vi) advising the executive branch on all matters related to the energy sector.

The MEM is also responsible for exploration, construction, exportation, production, transmission, storage, distribution, importation, commercialization, preparation of studies and any other activities pertaining to electricity, coal, gas and petroleum and its by-products, including natural gas, as well as other kinds of energy.

*CDEEE.* The CDEEE is the coordinator of all strategies, objectives and actions of the state-owned electric companies (EDE-Este, EDE-Norte, EDE-Sur, EGE Hidro, ETED), including the plans and strategies for the recovery of the national electricity sector. The recovery plans include an increase of energy capacity, rehabilitation of transmission and distribution lines, promotion of hydro projects and reduction of losses. These functions are expected to be transferred to the MEM in 2021 or early 2022.

*SIE.* On March 16, 1998, the executive branch of the Dominican Government created the SIE as a division of the MIC with the responsibility of formulating policies governing the electricity sector and otherwise coordinating and regulating the activities of the electricity sector, including with respect to IPPs.

Pursuant to the General Electricity Law, the SIE shall, among other things: (i) create, enforce and systematically analyze the structure and pricing levels of electricity in the Dominican Republic and establish tariffs and fees charged to regulated customers; (ii) authorize the modification of tariffs pursuant to indexation formulas; (iii) supervise participants' compliance with legal obligations and regulations, as well as with technical rules relating to generation, transmission, distribution and commercialization of electricity; (iv) supervise the electricity market to prevent monopolistic practices; (v) apply fines and penalties in case of violations of laws and regulations; (vi) award provisional concessions for generation and distribution of electricity; (vii) forward to the MEM its recommendations regarding applications for definitive concessions for generation and distribution; (viii) require from the electricity sector participants all the technical, financial and statistical information necessary to carry out its duties; (ix) enforce compliance by the electricity sector participants of all legal, regulatory and contractual obligations; (x) assess reprimands and fines, including the ability to temporarily assume control of the administration of the service on behalf

of the electricity sector participants in the event of non-compliance with laws and regulations; (xi) handle claims by, between or against consumers and/or the electricity sector participants; and (xii) supervise the operations of the OC.

OC. The General Electricity Law and certain resolutions of the MIC established the OC to coordinate all participants of the electricity sector with the objective of ensuring quality of service at the lowest possible price.

The OC is responsible for: (i) planning and coordinating the operation of the generation plants and transmission lines to assure a safe and reliable supply of electricity at the lowest possible cost; (ii) allocating the firm capacity of the power generation units of the system; (iii) calculating and valuing the transfers of electricity produced; (iv) facilitating the exercise of the right-of-way over transmission lines; (v) assuring the delivery of information to the SIE; and (vi) promoting competition, transparency and equity in the electricity market.

The OC is governed by a coordinating board, which is comprised of representatives of the different electricity sector participants as follows: (i) one representative on behalf of the SIE; (ii) one representative on behalf of the private generation companies; (iii) one representative on behalf of the Dominican Government-owned hydroelectric generation companies; (iv) one representative on behalf of the Dominican Government-owned transmission companies; and (v) one representative on behalf of all of the DISCOs. The representative of the SIE is the chairman of the coordinating board.

### **Relevant Laws and Regulations**

#### *Distribution Pricing (Regulated Tariff)*

*The General Electricity Law.* The General Electricity Law provides that the following tariffs and fees are subject to regulation: (i) tariffs of DISCOs for the supply of electricity to all consumers except large consumers (those consuming in excess of 200 kW per year) that are permitted to contract directly with electricity sector participants; (ii) tariffs for other services provided by the DISCOs to regulated consumers; and (iii) right-of-way fees for the use of transmission and distribution facilities.

*Resolution SEIC No. 237-1998.* On October 1998, the MIC enacted resolution SEIC No. 237-1998, which established a regime for the distribution tariff applicable to the DISCOs. In September 2002, the SIE enacted Resolution SIE 31-2002 and thereby introduced a new tariff regime. Pursuant to Resolution SIE 31-2002, for purposes of calculating the distribution tariff, increases in costs of energy were to be calculated using the cost of Fuel Oil No. 6 (independent of the fuel used for calculations in the indexation formulas of PPAs), the U.S. CPI and a collections ratio. This indexation mechanism created a difference between the costs of energy recognized in the tariff to the consumer and the real costs of energy purchased by the DISCOs.

The tariff is based on, and capped by, the economic factors that affect the delivery of energy to end-users, specifically the generation cost, transmission cost and distribution value added.

In March 2005, Resolution SIE 23-2005 added coal and natural gas as part of the distribution tariff indexation formula.

In June 2005, through Resolution SIE-33-2005, the SIE established new indexation parameters for each fuel source in the calculation of the distribution tariff and fuel's prices. Even though this resolution improves significantly the pass-through mechanism for the DISCOs' tariff, it does not recognize the total cost of energy sold in the Dominican market, as some of the DISCOs' PPAs were not taken into consideration.

In August 2005, the executive branch of the Dominican Government issued Decree No. 376-05, which provided for an increase of 30% in the revenues of DISCOs relative to September 2004 and further instructs the SIE to adjust the tariff accordingly.

*Regulation of generation prices, capacity payments and other electricity system charges.*

The spot market relies on competitive bidding based on each generator's variable costs as a means of providing a merit order for dispatch. Variable cost information is submitted weekly by the generators to the OC, which then determines the merit order for dispatch based on the variable costs declared by the generators. On each day of dispatch, the generators are dispatched in real time and supervisors of the OC make adjustments based on fluctuating demand requirements. These supervisors inform the OC as to the necessary adjustments to optimize the dispatch. All generators dispatched receive the same price for their electricity generated on a given day, which is the "marginal cost" or spot price. The spot market generator is given the first priority. Payments for electricity sold on the spot market are due in approximately 21 days from the last day of the month in which the dispatch occurred.

Capacity transactions are regulated by the *Reglamento de Aplicación a la Ley General de Electricidad*, or Rules for the Application of the General Electricity Law. With respect to PPAs, even though they are bilateral agreements negotiated freely among the parties thereto, in order for the DISCOs to be allowed to include in their tariffs the cost of energy as set forth in their PPAs, the execution and delivery of such PPAs must be the result of a bidding process supervised by the SIE.

## DESCRIPTION OF THE NOTES

*The following summaries of certain provisions of the Indenture and the Notes do not purport to be complete and are qualified in their entirety by reference to the provisions of the Indenture and the Notes. Holders of the Notes will be entitled to the benefits of, be bound by and be deemed to have notice of all of the provisions of the Indenture. Copies of the Indenture will be on file with the Trustee at the corporate trust office of the Trustee as set forth in the Indenture.*

*The Notes will be issued by Andres BV under the Indenture, dated as of May 4, 2021 among Andres BV, as issuer, each of (i) DPP, and (ii) Andres DR, as guarantors and Citibank, N.A., as Trustee (in such capacity, the “Trustee”), which is also acting as registrar, principal paying agent and transfer agent. The following summary of certain provisions of the Indenture and the Notes does not purport to be complete and is subject to, and qualified in its entirety by, reference to the provisions of such documents, including the definitions of certain terms contained therein.*

*In this “Description of the Notes,” (i) the word “Andres BV” refers only to AES Andres B.V., and not to any of its Subsidiaries, as defined herein, (ii) the word “Andres DR” refers only to AES Andres DR, S.A., and not to any of its Subsidiaries, as defined herein, (iii) the word “Andres” refers to Andres BV, along with its subsidiary, Andres DR, (iv) the word “DPP” refers only to Dominican Power Partners, and not to any of its Subsidiaries, as defined herein, and (v) the word “Guarantors” refers to Andres DR and DPP, collectively, as initial guarantors on the issue date. The definitions of certain other terms used in this description are set forth throughout the text or under “—Certain Definitions.” For a description of restrictions on the transfer of the Notes, see “Transfer Restrictions” and “Plan of Distribution.”*

### **Principal, Maturity and Interest**

Andres BV will issue the Notes in the aggregate principal amount of \$300.0 million in this offering. The principal amount of the Notes is payable in full at par in a single payment at the maturity of the Notes which will occur on May 4, 2028. Subject to the covenant described under “—Certain Covenants— Limitation on Indebtedness,” Andres BV is permitted to issue additional Notes under the Indenture (“Additional Notes”). The Notes and any Additional Notes that are issued will be treated as a single class for all purposes under the Indenture, including with respect to waivers, amendments, redemptions and Offers to Purchase. Unless the context otherwise requires, references to the “Notes” for all purposes under the Indenture and in this “Description of the Notes” include any Additional Notes that are issued.

Interest on the Notes accrues from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date, at a rate per annum of 5.700%, and is payable semi-annually in arrears on May 4 and November 4 of each year (each, an “Interest Payment Date”), commencing on November 4, 2021. Interest is payable to Holders of record on each Note in respect of the principal amount thereof outstanding as of the immediately preceding April 19 or October 20, as the case may be.

Interest is computed on the basis of a 360-day year comprising twelve 30-day months. Interest on overdue principal and interest accrue at a rate that is 2.0 percentage points higher than the then applicable interest rate on the Notes. In no event will the rate of interest on the Notes be higher than the maximum rate permitted by applicable law.

The Trustee will have no obligation to calculate or verify the calculation of the interest rate payable on the Notes.

### **The Guaranties**

Through the execution of the Indenture, each of Andres DR and DPP shall unconditionally and irrevocably guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes (each a “Guaranty” and collectively the “Guaranties”). Each Guarantor has (i) agreed that, to the extent permitted by law, its obligations under its Guaranty will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (ii) waived its right to require the Trustee to pursue

or exhaust its legal or equitable remedies against Andres BV and/or any other Guarantor prior to exercising its rights under its Guaranty. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Guaranties will be reinstated with respect to such payments as though such payment had not been made. All payments under the Guaranties are required to be made in U.S. dollars.

As described under the caption “—Future Guarantors,” Andres BV and each Guarantor, and any of their respective Eligible Subsidiaries will be required to guarantee the Notes by executing a supplemental indenture, unless any such Eligible Subsidiary is designated as an Unrestricted Subsidiary in accordance with the terms of the Indenture.

## **Ranking**

The Notes are the general senior unsecured unsubordinated obligations of Andres BV and:

- rank pari passu in right of payment to all of Andres BV’s existing and future senior unsecured and unsubordinated indebtedness;
- rank senior in right of payment to any future subordinated indebtedness of Andres BV;
- are effectively subordinated to any of Andres BV’s existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness;
- are structurally subordinated to all indebtedness and other liabilities of any subsidiary of Andres BV that does not guarantee the Notes; and
- are guaranteed by the Guarantors as described under “The Guaranties” above.

As of December 31, 2020, Andres BV had \$265.1 million indebtedness outstanding, of which none was secured indebtedness. As of December 31, 2020, the Guarantors had a total of \$340.0 million principal amount of indebtedness outstanding, of which none was secured indebtedness. See “Risk Factors—Risk Factors Related to the Notes—Effective subordination of the Notes and the Guaranties may reduce amounts available for payment of the Notes.”

The Guaranties are general senior unsecured unsubordinated obligations of the Guarantors and:

- rank pari passu in right of payment to all of the Guarantors’ existing and future senior unsecured and unsubordinated indebtedness;
- rank senior in right of payment to any future subordinated indebtedness of the Guarantors;
- are effectively subordinated to any of the Guarantors’ existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness; and
- are structurally subordinated to all indebtedness and other liabilities of any subsidiary of Andres DR that does not guarantee the Notes.

As of December 31, 2020, the Guarantors had a total of approximately \$340.0 million principal amount of indebtedness outstanding, of which none was secured indebtedness. See “Risk Factors—Risk Factors Related to the Notes—Effective subordination of the Notes and the Guaranties may reduce amounts available for payment of the Notes.” As of December 31, 2020, the subsidiaries of Andres BV that do not guarantee the Notes did not have any indebtedness outstanding. See “Risk Factors—Risk Factors Related to the Notes—The Notes will be structurally subordinated to the indebtedness of subsidiaries of the Issuer and the Guarantors that do not guarantee the Notes.”

## **Listing**

We will apply to obtain a listing of the Notes on the Official List of the Luxembourg Stock Exchange and have the Notes admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange. The Notes shall not be listed on any other exchange outside of Luxembourg.

## **Form of the Notes**

The Notes will be issued on the Issue Date only in fully registered form without coupons and only in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.

The Notes are initially in the form of one or more global notes (the “Global Notes”). The Global Notes will be deposited with the Trustee as custodian for DTC. Ownership of interests in the Global Notes, referred to in this description as “book-entry interests,” is limited to persons that have accounts with DTC, including Euroclear and Clearstream, or their respective participants. The terms of the Indenture provide for the issuance of definitive registered Notes in certain circumstances. Please see the section entitled “—Book-Entry, Delivery and Form.”

The registered Holder of a Note will be treated as the owner of such Note for all purposes.

## **Transfer and Exchange**

A Holder may transfer or exchange Notes in accordance with the Indenture and the procedures described in “Transfer Restrictions” and “Plan of Distribution.” The registrar and the Trustee may require a Holder to, among others, furnish appropriate endorsements and transfer documents. No service charge will be made for any registration of transfer, exchange or redemption of the Notes, but Andres BV may require from such Holder the payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with any such registration of transfer or exchange.

Andres BV is not required to transfer or exchange any Note selected for redemption. Also, Andres BV is not required to transfer or exchange any Note for a period of 15 days before the mailing of a notice of redemption.

## **Payments on the Notes; Paying Agent and Registrar**

Andres BV will make payments of principal, and premium, if any, interest and Additional Amounts, if any, on book-entry interests through the Trustee, as the principal paying agent, to the depository. In the case of certificated notes, if any, Andres BV will pay the principal and premium, if any, due on the maturity date in immediately available funds upon presentation and surrender by the Holder of the Notes at the office or agency maintained by Andres BV for this purpose in The City of New York, currently the corporate trust office of the Trustee as set forth in the Indenture. Andres BV will pay interest and Additional Amounts, if any, due on the maturity date of a certificated note, if any, through the principal paying agent to the person to whom payment of the principal and premium, if any, will be made. Andres BV will pay interest and Additional Amounts, if any, due on a certificated note on any Interest Payment Date other than the maturity date through the principal paying agent by check mailed to the address of the Holder entitled to the payment as the address shall appear in the note register of Andres BV. Notwithstanding the foregoing, a Holder of \$5.0 million or more in aggregate principal amount of certificated notes will be entitled to receive interest payments, if any, and Additional Amounts, if any, on any Interest Payment Date other than the maturity date by wire transfer of immediately available funds if appropriate wire transfer instructions have been received in writing by the Trustee, as the principal paying agent, not less than 15 calendar days prior to the Interest Payment Date. Any wire transfer instructions received by the Trustee will remain in effect until revoked by the Holder. Any interest or Additional Amounts, if any, not punctually paid or duly provided for on a certificated note on any Interest Payment Date other than the maturity date will cease to be payable to the Holder of the note as of the close of business on the related record date and may either be paid (1) to the person in whose name the certificated note is registered at the close of business on a special record date for the payment of the defaulted interest that is fixed by Andres BV, written notice of which will be given to the Holders of the Notes not less than thirty (30) calendar days prior to the special record date, or (2) at any time in any other lawful manner.

All monies paid by Andres BV to the Trustee or any paying agent for the payment of principal of, and premium, if any, interest and Additional Amounts, if any, on any note which remains unclaimed for two years after the principal, premium, if any, or interest and Additional Amounts, if any, is due and payable may be repaid to Andres BV and, after that payment, the Holder of the Note will look only to Andres BV for payment.

The Trustee will initially act as the principal paying agent and registrar. Andres BV may change the paying agent or registrar without prior notice to the Holders, and Andres BV, any of the Guarantors or any of their respective Subsidiaries may act as paying agent or registrar.

### **Optional Redemption**

Prior to May 4, 2024, Andres BV may redeem all of the Notes in whole or in part at any time, at their option, at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed, and (ii) the sum of the present values of the remaining scheduled payments of principal and interest and Additional Amounts (if any) on the Notes to be redeemed from the date of redemption to May 4, 2024, in each case discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus 50 basis points, in each case plus accrued and unpaid interest on the principal amount being redeemed to the redemption date. Notice of such redemption to each Holder of Notes must be mailed and published by Andres BV not less than 15 days nor more than 30 days prior to the redemption date.

“Comparable Treasury Issue” means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term (“Remaining Life”) of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes.

“Comparable Treasury Price” means, with respect to the redemption date, (1) the average of five Reference Treasury Dealer Quotations for the redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations or (2) if the Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

“Independent Investment Banker” means an independent investment banking institution of international standing appointed by Andres BV.

“Reference Treasury Dealer” means a primary U.S. government securities dealer in New York City, New York.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker at 5:00 p.m., New York City, New York time, on the third Business Day preceding such redemption date.

“Treasury Rate” means, with respect to the redemption date, (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under “Treasury Constant Maturities,” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue will be determined and the Treasury Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (2) if such release (or any successor release) is not published during the week preceding the redemption date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield-to-maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price of the redemption date. The Treasury Rate will be calculated on the third Business Day preceding the redemption date.

The Notes are subject to redemption at the option of Andres BV, in whole or in part, during the 12 month periods beginning on May 4 of the years indicated below upon not less than 5 and not more than 30 days' notice given to the Holders of the Notes for a redemption price (expressed as percentages of principal amount) set forth below plus accrued but unpaid interest, if any, to the applicable redemption date and any Additional Amounts in respect thereto.

<u>Year</u>	<u>Percentage</u>
2024	102.850%
2025	101.425%
2026 and thereafter	100.000%

If Andres BV redeems the Notes in part, the Trustee will select the Notes for redemption in accordance with standard DTC procedures. If the Notes to be redeemed are not global notes then held by DTC, or DTC prescribes no method of selection, the Trustee will select the notes to be redeemed on a pro rata basis, by lot or by such other method as the Trustee in its sole discretion deems fair and appropriate. Andres BV will only redeem Notes in minimum denominations. If any Note is to be redeemed in part only, the notice of redemption will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued upon the cancellation of the original Note. On or after the redemption date interest will cease to accrue on the Notes or portions thereof called for redemption.

### **Redemption for Taxation Reasons**

In the event that as a result of certain changes in circumstances as described below, Andres BV or any Guarantor becomes required to pay any Additional Amounts on the Notes (including pursuant to any of the Guaranties), the Notes will be redeemable, as a whole but not in part, at Andres BV's option at any time at 100% of their principal amount plus accrued and unpaid interest, if any, and Additional Amounts, if any.

The Notes are subject to redemption ("Redemption for Taxation Reasons") on any date set by Andres BV that is no earlier than 60 days prior to the first day on which Andres BV would be required to pay Additional Amounts on the Notes (the "Tax Redemption Date"), as a whole but not in part, at the election of Andres BV, at a redemption price equal to 100% of the unpaid principal amount thereof plus accrued and unpaid interest, if any, and Additional Amounts, if any, to and including the Tax Redemption Date (the "Tax Redemption Price"), if (A) as a result of: (i) any change in or amendment to the laws, rules or regulations of a Taxing Jurisdiction (as defined below under "—Additional Amounts"), which change or amendment is enacted, promulgated, issued or announced, after the Issue Date, (ii) any amendment to or change in the generally applicable rulings or official interpretations relating to such laws, rules or regulations made by any legislative body, court or governmental or regulatory agency or authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) of a Taxing Jurisdiction, which amendment or change is enacted, promulgated, issued or announced or which publication is issued or announced, in each case, after the Issue Date, or (iii) any official interpretation, application or pronouncement by any legislative body, court or governmental or regulatory agency or authority that provides for a position with respect to such laws, rules or regulations that differs from the theretofore generally accepted position, which amendment or change is enacted, promulgated, issued or announced or which interpretation, application or pronouncement is issued or announced, in each case, after the Issue Date, Andres BV and/or any of the Guarantors determine that they would be required to pay Additional Amounts as described below under "—Additional Amounts" on the next Interest Payment Date and (B) the obligation to pay any Additional Amounts on the Notes (including pursuant to any of the Guaranties) cannot be avoided by taking commercially reasonable measures available to Andres BV and/or any of the Guarantors.

The election of Andres BV to redeem the Notes shall be evidenced by a certificate (a "Tax Redemption Certificate") of an Officer of Andres BV, which certificate shall be delivered to the Trustee, and an opinion of counsel recognized in the Taxing Jurisdiction that there has been a change or amendment described above that requires the payment of such Additional Amounts. Andres BV shall, not less than 30 days nor more than 45 days prior to the Tax Redemption Date, notify the Trustee in writing of such Tax Redemption Date and of all other information necessary to the giving by the Trustee of notices of such Redemption for Taxation Reasons. The Trustee shall be entitled to rely conclusively upon the information so furnished by Andres BV in the Tax Redemption Certificate and such opinion and shall be under no duty to check the accuracy or completeness thereof. Such notice shall be irrevocable and upon



its delivery Andres BV shall be obligated to make the payment or payments to the Trustee referred to therein at least two Business Days prior to such Tax Redemption Date. Notice of Tax Redemption shall be given by the Trustee, at the expense of Andres BV, to the Holders of the Notes, in accordance with the Indenture upon the mailing by first-class postage prepaid to each such Holder at the address of such Holder as it appears in the Register not less than 15 days nor more than 30 days prior to the Tax Redemption Date (so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of that exchange so require, either on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or published in English in a leading newspaper with general circulation in Luxembourg (such as the *Luxemburger Wort*) or, if such publication is not practicable, in another leading English language daily newspaper with general circulation in Europe).

The notice of Tax Redemption shall state:

- (1) the Tax Redemption Date;
- (2) the Tax Redemption Price;
- (3) the sum of all other amounts due to the Holders of the Notes under the Notes and the Indenture;
- (4) that on the Tax Redemption Date the Tax Redemption Price will become due and payable upon each such Note so to be redeemed; and
- (5) the place or places where such Notes so to be redeemed are to be surrendered for payment of the Tax Redemption Price.

Notice of Tax Redemption having been given as aforesaid, the Notes so to be redeemed shall, on the Tax Redemption Date, become due and payable at the Tax Redemption Price therein specified. Upon surrender of any such Notes for redemption in accordance with such notice, such Notes shall be paid by the paying agent on behalf of Andres BV on the Tax Redemption Date; provided that moneys sufficient therefor have been deposited with the Trustee for the Holders.

Notwithstanding anything to the contrary herein or in the Indenture or in the Notes, if a Tax Redemption Certificate has been delivered to the Trustee and Andres BV shall have paid to the Trustee for the benefit of the Holders of the Notes (i) the Tax Redemption Price and (ii) all other amounts due to the Holders of the Notes and the Trustee under the Notes and the Indenture, then neither the Holders of the Notes nor the Trustee on their behalf shall any longer be entitled to exercise any of the rights of the Holders of the Notes under the Notes other than the rights of such Holders to receive payment of such amounts from the paying agent. The funds paid to the Trustee shall be used to redeem the Notes on the Tax Redemption Date.

### **Mandatory Redemption; Offers to Purchase; Open Market Purchases**

Andres BV is not required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, Andres BV may be required to offer to purchase the Notes as described under the captions “—Repurchase at the Option of Holders—Change of Control Triggering Event” and “—Repurchase at the Option of Holders—Asset Dispositions.” Andres BV and the Guarantors may at any time and from time to time purchase Notes in the open market or otherwise.

### **Repurchase at the Option of Holders**

#### ***Change of Control Triggering Event***

Unless Andres BV has previously or concurrently mailed a redemption notice with respect to all the outstanding Notes as described under “—Optional Redemption,” Andres BV must commence, within 30 days of the occurrence of a Change of Control Triggering Event, and consummate an Offer to Purchase for all Notes then outstanding, at a purchase price in cash equal to 101% of the aggregate principal amount of the Notes repurchased plus accrued and unpaid interest and Additional Amounts, if any, thereon, to the date of repurchase, subject to the rights of Holders of Notes on the relevant record date to receive interest due on the relevant Interest Payment Date.

Prior to commencing such Offer to Purchase, but in any event within 30 days following any Change of Control Triggering Event, each of Andres BV and each Guarantor covenants to (i) repay in full all indebtedness of Andres BV and/or the Guarantors that would prohibit the repurchase of the Notes pursuant to such Offer to Purchase or (ii) obtain any requisite consents under instruments governing any such indebtedness of Andres BV, and/or the Guarantors, to permit the repurchase of the Notes pursuant to this covenant.

Andres BV and the Guarantors cannot assure you that they will have sufficient funds available to them at the time of any Change of Control Triggering Event to repurchase the Notes required by the foregoing covenant (as well as by any covenant contained in any other agreement governing indebtedness which might be outstanding at the time).

Subject to the limitations discussed below, Andres BV and the Guarantors could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect their capital structure or credit ratings. Restrictions on Andres BV's and the Guarantors' ability to Incur additional Indebtedness are contained in the covenants described under "Certain Covenants—Limitation on Indebtedness" and "Certain Covenants—Limitation on Liens." Except for the limitations contained in such covenants, however, the Indenture will not contain any covenants or provisions that may afford Holders of the Notes protection in the event of a highly leveraged transaction.

Andres BV and the Guarantors will not be required to make an Offer to Purchase upon a Change of Control Triggering Event if a third party makes the Offer to Purchase in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by Andres BV and purchases all Notes validly tendered and not withdrawn under such Offer to Purchase.

### ***Asset Dispositions***

Andres BV and the Guarantors will not, and will not permit any Restricted Subsidiary to, make any Asset Disposition unless:

(1) Andres BV, such Guarantor or such Restricted Subsidiary receives consideration (including by way of relief from or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at the time of such Asset Disposition at least equal to the Fair Market Value of the shares and/or assets subject to such Asset Disposition (for purposes of this subclause (1), all determinations of Fair Market Value shall be made in good faith by the Board of Directors of Andres BV, such Guarantor or such Restricted Subsidiary as certified by an Officers' Certificate delivered to the Trustee);

(2) at least 75% of the consideration thereof received by Andres BV, such Guarantor or such Restricted Subsidiary is in the form of cash or Temporary Cash Investments; provided, however, that the following shall be deemed to be cash for the purposes of this subclause (2): (i) the amount (without duplication) of any Indebtedness or other liabilities of Andres BV, such Guarantor or such Restricted Subsidiary (other than Subordinated Indebtedness) that is expressly assumed by the transferee in such Asset Disposition, and with respect to which Andres BV, such Guarantor or such Restricted Subsidiary, as the case may be, is unconditionally released by the holder of such Indebtedness; (ii) Additional Assets; and (iii) securities, notes or other obligations that are converted into cash within 180 days of the acquisition thereof; and

(3) within 365 days of the later of the date of such Asset Disposition and the receipt of such Net Available Cash, Andres BV, the Guarantors or a Restricted Subsidiary may apply an amount equal to 100% of the Net Available Cash from such Asset Disposition:

(a) to invest, or to enter into a binding agreement to invest, in Additional Assets (including by means of an Investment in Additional Assets by any Restricted Subsidiary with cash in an amount equal to the amount of Net Available Cash received by, or to be received by, any of Andres BV, a Guarantor or a Restricted Subsidiary);

(b) to prepay, repay or purchase Senior Indebtedness (other than the Notes); provided, however, that, in connection with any prepayment, repayment or purchase of such other Indebtedness pursuant to this clause (b), Andres BV, such Guarantor or such Restricted Subsidiary will retire such Indebtedness and, in the case of

any such Senior Indebtedness which constitutes a revolving credit facility, will cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased; or

(c) to make an Offer (as defined below) to purchase Notes pursuant to and subject to the conditions set forth in such same paragraph below.

Following the application of such Net Available Cash pursuant to clause (1), (2) or (3) above, the amount of Net Available Cash shall be reset at zero and Andres BV, the Guarantors or the Restricted Subsidiaries shall be entitled to use any remaining proceeds for any corporate purposes to the extent permitted under the Indenture.

Notwithstanding the foregoing provisions of this covenant, Andres BV, the Guarantors and the Restricted Subsidiaries will not be required to apply any Net Available Cash in accordance with this covenant unless the aggregate Net Available Cash from all Asset Dispositions that is not applied in accordance with this covenant exceeds \$5.0 million (in which case Andres BV, any Guarantor and/or any Restricted Subsidiary shall be required to apply in accordance with this covenant all Net Available Cash that has not previously been applied in accordance with this covenant).

In the event of an Asset Disposition that requires an Offer to purchase the Notes pursuant to subclause 3(c) above, Andres BV or the Guarantors will be required to offer to purchase Notes tendered pursuant to an offer by Andres BV or the Guarantors for the Notes (an "Offer") at a purchase price of 100% of their principal amount plus accrued and unpaid interest (including premium and Additional Amounts, if any) thereon, to the date of purchase.

Andres BV and the Guarantors will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other applicable securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any applicable securities laws or regulations conflict with provisions of this covenant, Andres BV and the Guarantors will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue thereof.

### **Certain Covenants**

The Indenture contains, among others, the following covenants.

#### ***Limitation on Restricted Payments***

(1) Andres BV and the Guarantors will not, and will not permit any Restricted Subsidiary to, directly or indirectly, take any of the following actions (each, a "Restricted Payment"):

(a) declare or pay any dividend or make any other payment or distribution with respect to any of Andres BV's, a Guarantor's or any Restricted Subsidiary's Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving Andres BV, a Guarantor or any Restricted Subsidiary) or to the direct or indirect holders of Andres BV's, a Guarantor's or any Restricted Subsidiary's Equity Interests in their capacity as such (other than dividends, payments or distributions (x) payable in Equity Interests (other than Disqualified Stock) of Andres BV, a Guarantor or a Restricted Subsidiary or (y) to Andres BV, a Guarantor or a Restricted Subsidiary);

(b) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving Andres BV, a Guarantor or any Restricted Subsidiary) any Equity Interests of Andres BV, a Guarantor or any Restricted Subsidiary or any Affiliate of Andres BV or a Guarantor held by any Person (other than by Andres BV, a Guarantor or any Restricted Subsidiary or as would constitute a Permitted Investment);

(c) call for redemption or make any payment on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to the Stated Maturity thereof, any Subordinated Indebtedness except (x) in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such payment, purchase, repurchase or other acquisition or

(y) intercompany Indebtedness permitted to be incurred pursuant to clause (6) of the second paragraph of the covenant described below under the caption “—Limitation on Indebtedness;” or

(d) make any Investment (other than a Permitted Investment) in any Person,

unless, at the time of and after giving pro forma effect to such Restricted Payment:

(i) no Default or Event of Default will have occurred and be continuing or would occur as a consequence thereof;

(ii) Andres BV and the Guarantors could Incur at least \$1.00 of additional Indebtedness pursuant to the first paragraph of the covenant described below under the caption “—Limitation on Indebtedness;” and

(iii) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by Andres BV, the Guarantors and the Restricted Subsidiaries after the Issue Date (excluding Restricted Payments permitted by clauses (b), (c), (d)(i), (e), (f) and (h) of the next succeeding paragraph (2)), is less than the sum, without duplication, of:

(A) 100% of the Combined Net Comprehensive Income on a cumulative basis during the period (taken as one accounting period) beginning on January 1, 2021, and ending on the last day of the most recent fiscal quarter for which combined financial statements have been delivered to the Trustee under the Indenture prior to the date of such proposed Restricted Payment (or, if such Combined Net Comprehensive Income for such period is a deficit, less 100% of such deficit), plus

(B) the aggregate Net Cash Proceeds received by Andres BV and the Guarantors since the Issue Date, as a contribution to each of their common equity capital or from the issue or sale of Equity Interests (other than Disqualified Stock) of Andres BV, the Guarantors and the amount of reduction of Indebtedness of Andres BV, the Guarantors or any of their Restricted Subsidiaries that has been converted into or exchanged for such Equity Interests (other than Equity Interests sold to, or Indebtedness held by, a Subsidiary of Andres BV, any Guarantor or an employee stock ownership plan or similar trust financed by loans from or Guaranteed by Andres BV, any Guarantor or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination) (less the amount of any cash or the Fair Market Value of other assets distributed by Andres BV, any Guarantor or any Restricted Subsidiary upon such conversion or exchange), plus

(C) with respect to Investments (other than Permitted Investments) made by Andres BV, any Guarantor and any Restricted Subsidiary after the Issue Date, an amount equal to the net reduction in such Investments in any Person (except, in each case, to the extent any such amount is included in the calculation of Combined Net Comprehensive Income), resulting from (w) the repayment to Andres BV, any Guarantor or any Restricted Subsidiary of loans or advances or from the receipt of Net Cash Proceeds from the sale of any such Investment, (x) from the release of any Guarantee (except to the extent any amounts are paid under such Guarantee), (y) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, or (z) any Person in which Andres BV, any Guarantor or any Restricted Subsidiary had previously made an Investment becomes a Restricted Subsidiary; not to exceed, in each case, the amount of such Investments previously made by Andres BV, any Guarantor or any Restricted Subsidiary in such Person.

(2) The provisions of paragraph (1) of this covenant will not prohibit:

(a) the payment of any dividend within 60 days after the date of declaration thereof, if at said date of declaration such payment would have complied with the provisions of the Indenture, and the redemption of any Subordinated Indebtedness within 60 days after the date on which notice of such redemption was given, if at said date of the giving of such notice, such redemption would have complied with the provisions of the Indenture;

(b) the payment of any dividend by a Restricted Subsidiary to all the holders of its Common Stock on a pro rata basis;

(c) any Restricted Payment in exchange for, or out of the Net Cash Proceeds of a contribution to the common equity of Andres BV or a Guarantor or a substantially concurrent sale (other than to a Subsidiary of Andres BV, or a Guarantor or an employee stock ownership plan or similar trust financed by loans from or Guaranteed by Andres BV, a Guarantor or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination ) of, Equity Interests (other than Disqualified Stock) of Andres BV and any Guarantor; provided that the amount of any such Net Cash Proceeds that are utilized for such Restricted Payment will be excluded from clause (iii)(B) of the preceding paragraph (1);

(d) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness (i) in exchange for or with the net cash proceeds from a substantially concurrent Incurrence (other than to a Subsidiary of Andres BV or a Guarantor) of Permitted Refinancing Indebtedness or (ii) with any remaining cash proceeds following the consummation of an Offer to Purchase in accordance with the covenant described under “Repurchase at the Option of the Holders—Asset Dispositions”;

(e) the payment of the Minimum Legally Required Dividends;

(f) the repurchase of Capital Stock deemed to occur upon the exercise of options or warrants to the extent that such Capital Stock represents all or a portion of the exercise price thereof and applicable withholding taxes, if any;

(g) the payment of cash in lieu of fractional Equity Interests pursuant to the exchange or conversion of any exchangeable or convertible securities; provided, that such payment shall not be for the purpose of evading the limitations of this covenant (as determined by the Board of Directors of Andres BV, or any Guarantor, as the case may be, in good faith);

(h) so long as no Default has occurred and is continuing or would be caused thereby, the declaration and payment of dividends to holders of any class or series of Disqualified Stock of Andres BV, or a Guarantor, or Preferred Stock of a Restricted Subsidiary, in each case issued in accordance with the covenant described under “Limitation on Indebtedness”, and provided that such dividends constitute “Fixed Charges”;

(i) dividends, payments and other distributions pursuant to a tax sharing agreement or other similar arrangement to any equity owner of Andres BV, any Guarantor or to any Person with whom Andres BV, any Guarantor and their respective Restricted Subsidiaries, if any, file a consolidated, combined or similar tax return or with which Andres BV, any Guarantor and their respective Restricted Subsidiaries, if any, are part of a consolidated, combined or similar group for tax purposes, provided that such dividends, payments and distributions do not exceed the amount of taxes Andres BV, any Guarantor and their respective Restricted Subsidiaries collectively would have to pay on a stand-alone basis as a separate corporate taxable entity; and

(j) other Restricted Payments in an aggregate amount not to exceed \$140.0 million; provided, however, that at the time of any such Restricted Payment pursuant to this clause (j) and after giving pro forma effect thereto (A) Andres BV and the Guarantors could Incur at least \$1.00 of additional Indebtedness pursuant to the first paragraph of the covenant described below under the caption “—Limitation on Indebtedness,” and (B) no Default or Event of Default shall have occurred and be continuing or would be caused thereby.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued to or by Andres BV, a Guarantor or a Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

### ***Limitation on Indebtedness***

Andres BV and the Guarantors will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness; provided, however, that Andres BV, any Guarantor or any Restricted Subsidiary may Incur Indebtedness if on the date such Indebtedness is Incurred, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom:

(1) the Combined Fixed Charge Coverage Ratio would be at least 2.50 : 1.0; and

(2) the Combined Leverage Ratio would be (i) from January 1, 2021 through December 31, 2023, greater than zero and less than 4.25 : 1.0; (ii) from January 1, 2024 to December 31, 2025, greater than zero and less than 4.00 : 1.0; and (iii) from January 1, 2026, greater than zero and less than 3.75 : 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of any of the following items of Indebtedness (collectively, "Permitted Debt"):

(1) the Incurrence by Andres BV, any Guarantor or any Restricted Subsidiary of Indebtedness under Credit Facilities in an aggregate amount at any one time outstanding pursuant to this clause (1) not to exceed \$115.0 million;

(2) the Incurrence of Existing Indebtedness;

(3) the Incurrence by Andres BV, Andres DR and DPP of Indebtedness represented by the Notes (other than Additional Notes) and the Guaranties of the Guarantors (other than a Guaranty of Additional Notes);

(4) the Incurrence by Andres BV, any Guarantor or any Restricted Subsidiary of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, Incurred for the purpose of financing all or any part of the purchase price or cost of acquisition, construction or improvement of property, plant or equipment used in the business of Andres BV, such Guarantor or such Restricted Subsidiary (including any reasonably related fees or expenses Incurred in connection with such acquisition, construction or improvement) or the purchase price or cost (including integration and startup costs) of any Person, business or project, in an aggregate amount, including all Permitted Refinancing Indebtedness Incurred to refund, refinance or replace any Indebtedness Incurred pursuant to this clause (4), not to exceed \$25.0 million at any one time outstanding,

provided that immediately after giving effect to the Incurrence of Indebtedness under this clause (4) and the acquisition, construction or improvement of any property, plant or equipment or any Person, business or project on a pro forma basis,

(i) either (A) the Combined Fixed Charge Coverage Ratio is equal to or greater than the Combined Fixed Charge Coverage Ratio set forth in clause (1) of the first paragraph of this covenant or (B) the Combined Fixed Charge Coverage Ratio is equal to or greater than such ratio immediately prior to such transaction on a non-pro forma basis, and

(ii) either (A) the Combined Leverage Ratio is equal to or less than the applicable Combined Leverage Ratio set forth in clause (2) of the first paragraph of this covenant or (B) the Combined Leverage Ratio is equal to or less than such ratio immediately prior to such transaction on a non-pro forma basis;

(5) the Incurrence by Andres BV, any Guarantor or any Restricted Subsidiary of Permitted Refinancing Indebtedness in exchange for, or the Net Cash Proceeds of which are used to refund, refinance or replace, Indebtedness that was permitted by the Indenture to be Incurred under the first paragraph of this covenant or clauses (2), (3), (4) or (5) of this paragraph;

(6) the Incurrence by Andres BV, any Guarantor or any Restricted Subsidiary of Indebtedness owing to and held by Andres BV, any Guarantor or any Restricted Subsidiary; provided, however, that:

(a) such Indebtedness must be unsecured and expressly subordinated in right of payment to the prior payment in full in cash of all Obligations with respect to the Notes, in the case of Andres BV and the Guaranties, in the case of any Guarantor or any future Guarantor; and

(b) any event that results in any such Indebtedness being held by a Person other than Andres BV, a Guarantor or a Restricted Subsidiary (except for any pledge of such Indebtedness constituting a Permitted Lien until the pledgee commences actions to foreclose on such Indebtedness) will be deemed, in each case, to constitute an Incurrence of such Indebtedness by Andres BV, such Guarantor or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the Guarantee by Andres BV, any Guarantor or any Restricted Subsidiary of Indebtedness of Andres BV, a Guarantor or a Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant;

(8) the Incurrence by Andres BV, any Guarantor or any Restricted Subsidiary of Hedging Obligations that are Incurred for the purpose of fixing, hedging or swapping interest rate, commodity price or foreign currency exchange rate risk (or to reverse or amend any such agreements previously made for such purposes), and not for speculative purposes;

(9) the Incurrence by Andres BV, any Guarantor or any Restricted Subsidiary of Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or Guaranties or letters of credit or standby letters of credit, surety bonds or performance bonds securing any obligations of Andres BV, any Guarantor or any Restricted Subsidiary pursuant to such agreements, in any case Incurred in connection with the disposition of any business, assets or Capital Stock of a Restricted Subsidiary (other than Guaranties of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Capital Stock of a Restricted Subsidiary for the purpose of financing such acquisition), so long as the amount does not exceed the gross proceeds actually received by Andres BV, any Guarantor or any Restricted Subsidiary in connection with such disposition;

(10) the Incurrence by Andres BV, any Guarantor or any Restricted Subsidiary of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, provided, however, that such Indebtedness is extinguished within ten Business Days of its Incurrence;

(11) the Incurrence by Andres BV, any Guarantor or any Restricted Subsidiary of Indebtedness constituting reimbursement obligations with respect to letters of credit and standby letters of credit issued in the ordinary course of business, including letters of credit or standby letters of credit in respect of workers' compensation claims, or other Indebtedness with respect to reimbursement obligations regarding workers' compensation claims; provided that, upon the drawing of such letters of credit or standby letters of credit or the Incurrence of such Indebtedness, such obligations are reimbursed within 30 days following such drawing or Incurrence;

(12) Indebtedness in respect of banker's acceptances, deposits, letters of credit, promissory notes, self-insurance obligations and performance, surety, appeal or similar bonds provided by Andres BV, any Guarantor or any Restricted Subsidiary in the ordinary course of business;

(13) the Incurrence by Andres BV, any Guarantor or any Restricted Subsidiary of Indebtedness to the extent the Net Cash Proceeds thereof are promptly deposited to defease or to satisfy and discharge the Notes as described under "—Legal Defeasance and Covenant Defeasance" or "—Satisfaction and Discharge";

(14) Indebtedness, Disqualified Stock or Preferred Stock of (a) Andres BV, any Guarantor or any of their respective Restricted Subsidiaries incurred to finance an acquisition or (b) Persons that are acquired by, or merged with or into, Andres BV, any Guarantor or any of their respective Restricted Subsidiaries in accordance with the terms of the Indenture; provided, however, that after giving effect to such acquisition or merger and the incurrence of Indebtedness pursuant to this clause (14), either (i) Andres BV and the Guarantors would have been permitted to incur at least \$1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving pro forma effect to such acquisition or merger and the Incurrence of such Indebtedness or (ii) the Combined Fixed Charge Coverage Ratio test set forth in clause (1) of the first paragraph of this covenant after giving pro forma effect to such acquisition or merger and the Incurrence of such Indebtedness would be higher than such ratio immediately prior to such acquisition or merger (on a non-pro forma basis) and the Combined Leverage Ratio test set forth in clause (2) of the first paragraph of this covenant after giving pro forma effect to such acquisition or merger and the Incurrence of such Indebtedness would be lower than such ratio immediately prior to such acquisition or merger (on a non-pro forma basis);

(15) the Incurrence of Indebtedness in a Qualified Receivables Transaction that is without recourse to Andres BV, any Guarantor or to any other Subsidiary of Andres BV or their assets (other than a Receivables Entity and its assets and, as to Andres BV, any Guarantor, or any Subsidiary, other than pursuant to Standard Receivables Undertakings) and is not Guaranteed by any such Person;

(16) the Incurrence by Andres BV or a Guarantor of Indebtedness to finance all or any part of the purchase price or cost of acquisition, construction or improvement of any of the Andres Projects; provided, however, that (i) any such Indebtedness could not be Incurred pursuant to clause (4) above and (ii) the aggregate amount of any such Indebtedness Incurred pursuant to this clause (16) shall not exceed \$160.0 million at any one time outstanding; and

(17) the Incurrence by Andres BV or any Guarantor of additional Indebtedness in an aggregate amount at any one time outstanding, including all Permitted Refinancing Indebtedness Incurred to refund, refinance or replace any Indebtedness Incurred pursuant to this clause (17), not to exceed \$25.0 million.

For purposes of determining compliance with this covenant, in the event that any proposed Indebtedness meets the criteria of more than one of the categories described in clauses (1) through (17) above, or is entitled to be Incurred pursuant to the first paragraph of this covenant, Andres BV and the Guarantors will be permitted to classify such item of Indebtedness or a part thereof in any manner that complies with this covenant.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. Dollar Equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred (or first committed, in the case of revolving credit debt); provided that if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced.

The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

#### ***Limitation on Layering***

Andres BV will not Incur any Indebtedness that is subordinate in right of payment to any other Indebtedness of Andres BV unless it is subordinate in right of payment to the Notes at least to the same extent. The Guarantors will not Incur any Indebtedness that is subordinate in right of payment to any other Indebtedness of the Guarantors unless it is subordinate in right of payment to the relevant Guaranty at least to the same extent. For purposes of the Indenture, no Indebtedness will be deemed to be subordinated in right of payment to any other Indebtedness of Andres BV or any Guarantor, as applicable, solely by reason of any Liens or Guarantees arising or created in respect thereof or by virtue of the fact that the holders of any secured Indebtedness have entered into intercreditor agreements giving one or more of such holders priority over the other holders in the collateral held by them.

#### ***Limitation on Liens***

Andres BV and the Guarantors will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind securing Indebtedness on any asset now owned or hereafter acquired, other than Permitted Liens, unless contemporaneously with the Incurrence of such Liens:

(1) in the case of Liens securing Subordinated Indebtedness, the Notes and related Guaranties are secured by a Lien on such property, assets or proceeds that is senior in priority to such Liens; or

(2) in all other cases, the Notes and related Guaranties are equally and ratably secured or are secured by a Lien on such property, assets or proceeds that is senior in priority to such Liens.

Any Lien created for the benefit of Holders pursuant to this covenant shall be automatically and unconditionally released and discharged upon the release and discharge of each of the related Liens described in clauses (1) and (2) above.



### ***Limitation on Sale and Leaseback Transactions***

Andres BV and the Guarantors will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction with respect to any property or assets with a Fair Market Value, individually or in the aggregate, in excess of \$5.0 million unless:

(1) Andres BV, such Guarantor or such Restricted Subsidiary, as applicable, could have Incurred Indebtedness in an amount equal to the Attributable Debt relating to such Sale and Leaseback Transaction pursuant to the covenant described above under the caption “—Limitation on Indebtedness;”

(2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of that Sale and Leaseback Transaction;

(3) Andres BV, such Guarantor or such Restricted Subsidiary, as applicable, either (i) could have incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “— Limitation on Liens” or (ii) makes effective provision whereby the Notes or the relevant Guaranty, as applicable, (together with, if Andres BV so determines, any other Indebtedness ranking equally with the Notes) are secured equally and ratably with (or prior to) the obligations of Andres BV or the Guarantors, as the case may be, under the lease of such property or assets; and

(4) within 180 days, Andres BV or any of the Guarantors, as the case may be, either:

(a) applies an amount equal to the Attributable Debt in respect of such Sale and Leaseback Transaction to prepay Indebtedness of Andres BV, or a Guarantor ranking at least on parity with the Notes and related Guaranty; or

(b) applies an amount at least equal to the Attributable Debt in respect of such Sale and Leaseback Transaction to the acquisition, purchase, construction, development, extension or improvement of a property or asset to be used by Andres BV, the relevant Guarantor or the relevant Restricted Subsidiary in the ordinary course of business.

### ***Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

Andres BV and the Guarantors will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock (or with respect to any other interest or participation in, or measured by, its profits) to Andres BV, any Guarantor or any Restricted Subsidiary (it being understood that the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock shall not be deemed a restriction on the ability to make distributions on Capital Stock);

(2) pay any liabilities owed to Andres BV, any Guarantor or any Restricted Subsidiary;

(3) make loans or advances to Andres BV, any Guarantor or any Restricted Subsidiary (it being understood that the subordination of loans or advances made to Andres BV, any Guarantor or any Restricted Subsidiary to other Indebtedness Incurred by Andres BV, any Guarantor or any Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances); or

(4) transfer any of its properties or assets to Andres BV, any Guarantor or any Restricted Subsidiary.

However, the preceding restrictions will not apply to encumbrances or restrictions:

(1) Existing Indebtedness or any other agreements in effect on the Issue Date and any amendments, modifications, restatements, renewals, extensions, supplements, refundings, replacements or refinancings thereof, provided that the encumbrances and restrictions in any such amendments, modifications, restatements, renewals,

extensions, supplements, refundings, replacements or refinancings, taken as a whole, are not materially more restrictive than those contained in Existing Indebtedness or such other agreements, as the case may be, as in effect on the Issue Date;

- (2) set forth in the Indenture, the Notes and any Guaranties;
- (3) existing under or by reason of applicable law, rule, regulation or order;
- (4) with respect to any Person or the property or assets of a Person acquired by Andres BV, any Guarantor or any Restricted Subsidiary existing at the time of such acquisition and not incurred in connection with or in contemplation of such acquisition, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, and any amendments, modifications, restatements, renewals, extensions, supplements, refundings, replacements or refinancings thereof, provided that the encumbrances and restrictions in any such amendments, modifications, restatements, renewals, extensions, supplements, refundings, replacements or refinancings, taken as a whole, are not materially more restrictive than those in effect on the date of the acquisition;
- (5) that restrict in a customary manner the subletting, assignment or transfer of any property or asset that is a lease, license, conveyance or contract or similar property or asset;
- (6) existing by virtue of any transfer of, agreement to transfer, option or right with respect to, or Lien on, any property or assets of Andres BV, any Guarantor or any Restricted Subsidiary not otherwise prohibited by the Indenture;
- (7) arising or agreed to in the ordinary course of business, not relating to any Indebtedness, and that do not, in the good faith determination of the Board of Directors of Andres BV, any Guarantor or any Restricted Subsidiary, as the case may be, individually or in the aggregate, detract from the value of property or assets of Andres BV, any Guarantor or any Restricted Subsidiary in any manner material to Andres BV, any Guarantor or any Restricted Subsidiary;
- (8) existing under, by reason of or with respect to any agreement for the sale or other disposition of all or substantially all of the Capital Stock of, or property and assets of, a Restricted Subsidiary that restrict distributions or transfer by that Restricted Subsidiary pending such sale or other disposition;
- (9) under Indebtedness or other contractual requirements of a Receivables Entity in connection with a Qualified Receivables Transaction, provided that such restrictions apply only to such Receivables Entity or the Receivables Assets that are subject to such Qualified Receivables Transaction;
- (10) on cash or other deposits or net worth, which encumbrances or restrictions are imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business; and
- (11) arising from customary provisions in joint venture agreements and other similar agreements entered into in the ordinary course of business and which the Board of Directors of Andres BV or any Guarantor, as the case may be, determines in good faith will not materially adversely affect the ability of Andres BV or any such Guarantor, as the case may be, to make payments of principal or interest on the Notes and the relevant Guaranty.

***Consolidation, Merger, Conveyance, Sale or Lease***

Nothing contained in the Indenture will prevent any of Andres BV, any Guarantor or any Restricted Subsidiary from consolidating with or merging into another corporation or conveying, transferring or leasing, as the case may be, Andres BV's, such Guarantor's or such Restricted Subsidiary's properties and assets substantially as an entirety to any Person; provided that

- (1) the corporation formed by such consolidation or into which Andres BV, such Guarantor or such Restricted Subsidiary, as the case may be, is merged or the Person that acquires by conveyance or transfer, or that leases, Andres BV's, such Guarantor's or such Restricted Subsidiary's properties and assets substantially as an entirety

is a corporation organized and existing under the laws of the Dominican Republic, the Netherlands, Spain, Cayman Islands, the British Virgin Islands, Panama, any other country that belongs to the Organization for Economic Cooperation and Development or the United States, and expressly assumes the obligations of Andres BV, such Guarantor or such Restricted Subsidiary in respect of the Indenture and the respective Guaranty, if applicable, and guarantees the due and punctual payment of the principal of (and premium and Additional Amounts, if any) and interest, if any, on all the Notes and the performance of every covenant of Indenture on the part of Andres BV and the Guarantors to be performed or observed;

(2) immediately after giving effect to such transaction no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transactions, the corporation formed by such consolidation or into which Andres BV, such Guarantor or such Restricted Subsidiary is merged or the Person that acquires by conveyance or transfer, or that leases, Andres BV's, such Guarantor's or such Restricted Subsidiary's properties and assets substantially as an entirety, the remaining entities of Andres BV, the Guarantors and the Restricted Subsidiaries would be able to Incur at least an additional \$1.00 of Indebtedness pursuant to clause (1) of the covenant described under "—Limitation on Indebtedness", or the Combined Fixed Charge Coverage Ratio test set forth in clause (1) of the first paragraph to such covenant is equal to or higher than such ratio immediately prior to such transaction on a non-pro forma basis and the Combined Leverage Ratio test set forth in clause (2) of the first paragraph of such covenant is equal to or lower than such ratio immediately prior to such transaction on a non-pro forma basis; provided, further, however, that this clause (3) does not apply to a merger or consolidation with or sale to a Restricted Subsidiary or a merger or consolidation of Andres BV with and into any Guarantor;

(4) Andres BV, such Guarantor or such Restricted Subsidiary, as the case may be, has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease complies with the Indenture and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture complies with the Indenture and that all conditions precedent therein provided for relating to such transaction have been complied with; and

(5) Andres BV, such Guarantor or such Restricted Subsidiary, as the case may be, has delivered to the Trustee an Opinion of Counsel to the effect that the beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such transaction and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such transaction had not occurred.

#### ***Limitation on Transactions with Affiliates***

Andres BV and the Guarantors will not, and will not permit any Restricted Subsidiary to, make any payment to, or sell, lease, transfer or otherwise dispose of any of their properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or Guarantee, with, or for the benefit of, any Affiliate (each, an "Affiliate Transaction"), unless:

(1) The Affiliate Transaction is on terms that are no less favorable to Andres BV, the applicable Guarantor or the applicable Restricted Subsidiary than those that would have been obtained in a comparable arm's-length transaction by Andres BV, such Guarantor or such Restricted Subsidiary with a Person that is not an Affiliate;

(2) Andres BV, such Guarantor or such Restricted Subsidiary, as applicable, delivers to the Trustee with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of \$10.0 million, a Board Resolution, set forth in an Officers' Certificate, stating that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the Disinterested Members; and

(3) with respect to any Affiliate Transaction or series or related Affiliate Transactions involving aggregate consideration in excess of \$20.0 million, an opinion issued by an independent accounting, appraisal or investment banking firm of national standing stating that such Affiliate Transaction or series of Affiliate Transactions is fair to Andres BV, such Guarantor or such Restricted Subsidiary from a financial point of view.

The foregoing provisions will not apply to the following:

- (1) transactions between or among Andres BV, any Guarantor, and any Restricted Subsidiary; and/or or between or among two or more Restricted Subsidiaries;
- (2) transactions between or among Andres BV, any Guarantor, any Restricted Subsidiary, and ENADOM in the ordinary course of business and on an arm's-length basis;
- (3) Restricted Payments or Permitted Investments not prohibited by the provisions of the Indenture described above under “—Limitation on Restricted Payments”;
- (4) any amendment of the LNG sales contract between Atlantic Basin Services Ltd. and AES Andres (BVI) Ltd. to correspond to amendments to the LNG sales contract between Atlantic Basin Services Ltd. and BP Gas Marketing Ltd., and any amendment to the Guarantee by AES Andres (BVI) Ltd. of the obligations of Atlantic Basin Services Ltd. under the LNG sales contract between Atlantic Basin Services Ltd. and BP Gas Marketing Ltd.;
- (5) the payment of compensation (including amounts paid pursuant to employee benefit plans), indemnification, reimbursement or advancement of out-of-pocket expenses and provisions of liability insurance to officers, directors and employees of any of Andres BV, any Guarantor, any Subsidiary of Andres BV or any Guarantor or any Affiliate of AES, so long as, to the extent any such payments exceed individually or in the aggregate \$1.0 million for any fiscal year of Andres BV or any Guarantor, as applicable, or Subsidiary thereof, the Board of Directors of Andres BV, such Guarantor or such Subsidiary, as the case may be, in good faith shall have approved the terms thereof and deemed the services theretofore or thereafter to be performed for such compensation to be fair consideration therefor as a consequence of services rendered in the ordinary course of business;
- (6) payments or other actions taken under any agreement in effect as of the Issue Date or any amendment, supplement, restatement, replacement, renewal, extension, refinancing thereof or thereto (so long as the renewed or replaced agreement, when taken as a whole, is not more disadvantageous to Andres BV, such Guarantor or such Restricted Subsidiary than the original agreement in effect on the Issue Date) or any transaction contemplated thereby;
- (7) sales of Capital Stock (other than Disqualified Stock) of Andres BV or any Guarantor;
- (8) any transaction of Andres BV, any Guarantor or any Restricted Subsidiary with a Person that is not an Affiliate and that is merged with or into Andres BV, any Guarantor, any Restricted Subsidiary or any Affiliate of Andres BV, any Guarantor or any Restricted Subsidiary, and, in any such case, such transaction is not entered into as a result of or in connection with or in anticipation of such merger or such Person becoming a Subsidiary of Andres BV, any Guarantor or any Restricted Subsidiary or any Affiliate of Andres BV, any Guarantor or any Restricted Subsidiary;
- (9) transactions with customers, clients, suppliers, distributors, generators, transporters or purchasers or sellers of goods or services, in each case in the ordinary course of business and on an arm's-length basis, including entering into new power purchase agreements, or the amendment, modification or supplement of existing power purchase agreements and any purchases or sales of fuel or fuel-related services, including liquified natural gas (LNG);
- (10) any transaction of Andres BV, any Guarantor or any Restricted Subsidiary with an Affiliate relating to any information technology, equipment, computer software, programs or databases or intellectual property shared or to be shared among, or available or to be made available to, some or all Subsidiaries of AES; provided that such transaction shall be on terms that are no less favorable to Andres BV, the applicable Guarantor or the applicable Restricted Subsidiary than the corresponding terms applicable to the other Subsidiaries of AES that share in the use of such information technology, equipment, computer software, programs or databases or intellectual property;
- (11) amendments or modifications, replacements, restatements or other similar changes to the AES LATAM Service Agreement, the Global Services Agreement, the LNG Contracts, the Fluence Services Agreement, the LNG Purchase and Sale Agreement and Joint Marketing Agreement, the Andres' Short-Term PPA with DPP, the Long-Term Natural Gas Sale and Transportation Agreements, the DPP and AES Global Insurance Corporation Insurance Contract, the ENADOM Construction Management Agreement, the ENADOM Administrative Services

Agreement, the ENADOM Operation and Maintenance Agreement, the ENADOM Shared Use and Access to Facilities Agreement, the ENADOM Lease Agreement and the ENADOM Interconnection and Shared Infrastructure Agreement and the entering into, amending, modifying, replacing, restating or making other similar changes to any additional services agreements with Affiliates of AES in the ordinary course of business and on an arm's-length basis.

### ***Listing***

In the event that the Notes are listed as anticipated on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market, Andres BV will use its reasonable best efforts to maintain such listing; *provided* that if, as a result of the European Union regulated market amended Directive 2001/34/EC (the "Transparency Directive") or any legislation implementing the Transparency Directive or other directives or legislation, Andres BV could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which Andres BV would otherwise use to prepare its published financial information, Andres BV may delist the Notes from the Luxembourg Stock Exchange in accordance with the rules of the exchange and seek an alternative admission to listing, trading and/or quotation for the Notes on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as Andres BV's Board of Directors may decide.

### ***Future Guarantors***

In the event that any of Andres BV, or any Guarantor, in the future, forms or acquires one or more Subsidiaries that are Eligible Subsidiaries or any such newly formed or acquired Subsidiary becomes an Eligible Subsidiary, Andres BV and any such Guarantor, as applicable, shall cause each such Eligible Subsidiary to become a Guarantor by executing a supplemental indenture as soon as practicable but not later than 30 days after the date the Eligible Subsidiary is acquired or created or becomes an Eligible Subsidiary, unless at the time of any such Eligible Subsidiary's formation or acquisition such Eligible Subsidiary is designated as an Unrestricted Subsidiary in compliance with the Indenture. The Guaranties will be joint and several obligations of the Eligible Subsidiaries, if any. Each Guaranty will be an unsubordinated obligation of that Eligible Subsidiary, senior in right of payment to all Subordinated Indebtedness of that Eligible Subsidiary. The obligations of each Guarantor under its Guaranty will be limited to an amount not to exceed the maximum amount that can be guaranteed by such Guarantor by law or without resulting in its obligations under its Guaranty being voidable or unenforceable under applicable laws relating to fraudulent transfer, or under similar laws affecting the rights of creditors generally.

A Guaranty of an Eligible Subsidiary that becomes a Guarantor after the Issue Date will be automatically and unconditionally released (and thereupon shall terminate and be discharged and be of no further force and effect):

- (1) in connection with any sale or other disposition (including by merger or otherwise) of Capital Stock of the relevant Guarantor after which such Guarantor is no longer a Subsidiary of Andres BV, or any Guarantor, as applicable, if (a) the sale or other disposition of all such Capital Stock of that Guarantor is in compliance with the Indenture, including the covenant "— Repurchase at the Option of Holders—Asset Dispositions" and (b) all the obligations of such Guarantor under any agreements relating to any other Indebtedness of Andres BV, any Guarantor or any Restricted Subsidiary terminate or are unconditionally released in full upon consummation of such sale or other disposition;
- (2) if the Subsidiary is properly designated as an Unrestricted Subsidiary under the Indenture;
- (3) upon a Legal Defeasance or satisfaction and discharge of the Indenture that complies with the provisions under "—Legal Defeasance and Covenant Defeasance" or "—Satisfaction and Discharge;" or
- (4) upon payment in full of the aggregate principal amount of all Notes then outstanding and all other obligations under the Indenture and the Notes then due and owing.

Upon any occurrence giving rise to a release of a Guaranty as specified above, the Trustee will, upon the written direction of Andres BV, execute any documents reasonably required in order to evidence or effect such release,

discharge and termination in respect of such Guaranty. None of Andres BV, or any Guarantor will be required to make a notation on the Notes to reflect any Guaranty or any such release, termination or discharge.

***Designation of Restricted and Unrestricted Subsidiaries***

The Board of Directors of Andres BV or any Guarantor, as applicable, may, respectively, designate any Restricted Subsidiary to be an Unrestricted Subsidiary; provided that:

(1) any Guaranty by Andres BV, any Guarantor or any Restricted Subsidiary of any Indebtedness of the Subsidiary being so designated will be deemed to be an Incurrence of Indebtedness by Andres BV, such Guarantor or such Restricted Subsidiary, as the case may be, at the time of such designation, and such Incurrence of Indebtedness would be permitted under the covenant described above under the caption “— Limitation on Indebtedness;”

(2) the aggregate Fair Market Value of all outstanding Investments owned by Andres BV, the Guarantors and the Restricted Subsidiaries in the Subsidiary being so designated (including any Guaranty by Andres BV, any Guarantor or any Restricted Subsidiary of any Indebtedness of such Subsidiary) will be deemed to be an Investment made as of the time of such designation and that such Investment would be permitted under the covenant described above under the caption “—Limitation on Restricted Payments;”

(3) such Subsidiary does not hold any Capital Stock or Indebtedness of, or own or hold any Lien on any property or assets of, or have any Investment in, Andres BV, any Guarantor or any Restricted Subsidiary;

(4) the Subsidiary being so designated:

(a) is not party to any agreement, contract, arrangement or understanding with Andres BV, any Guarantor or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to Andres BV, such Guarantor or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of Andres BV and/or any Guarantor;

(b) is a Person with respect to which none of Andres BV, any Guarantor or any Restricted Subsidiary has any direct or indirect obligation (i) to subscribe for additional Equity Interests or (ii) to maintain or preserve such Person’s financial condition or to cause such Person to achieve any specified levels of operating results; and

(c) has not Guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of Andres BV, any Guarantor or any Restricted Subsidiary, except to the extent such Guaranty or credit support would be released upon such designation; and

(5) no Default or Event of Default would be in existence following such designation.

Any designation of a Restricted Subsidiary as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee the Board Resolution giving effect to such designation and an Officers’ Certificate certifying that such designation complied with the preceding conditions and was permitted by the Indenture. If, at any time, any Unrestricted Subsidiary (x) would fail to meet any of the preceding requirements described in clause (4) above, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture, and any Indebtedness, Investments, or Liens on the property, of such Subsidiary will be deemed to be Incurred or made by a Restricted Subsidiary as of such date, and if such Indebtedness, Investments or Liens are not permitted to be Incurred or made as of such date under the Indenture, Andres BV and the Guarantors will be in default under the Indenture.

The Board of Directors of Andres BV or a Guarantor, as applicable, may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that:

(1) such designation will be deemed to be an Incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation will only be permitted if such Indebtedness is permitted under the covenant described under the caption “— Limitation on Indebtedness;”

(2) all outstanding Investments owned by such Unrestricted Subsidiary will be deemed to be made as of the time of such designation and such designation will only be permitted if such Investments would be permitted under the covenant described above under the caption “—Limitation on Restricted Payments;”

(3) all Liens upon property or assets of such Unrestricted Subsidiary existing at the time of such designation would be permitted under the caption “—Limitation on Liens;” and

(4) no Default or Event of Default would be in existence following such designation.

### ***Business Activities***

Andres BV and the Guarantors will not, and will not permit any Restricted Subsidiary to, engage in any business other than Permitted Businesses, except to such extent as would not be material to Andres BV, the Guarantors and the Restricted Subsidiaries taken as a whole.

### ***Reports***

So long as any of the Notes remains outstanding, Andres BV and DPP will provide the Trustee and the Holders of the Notes with:

(1) (A) annual consolidated financial statements of Andres BV audited by an internationally recognized firm of independent public accountants within 150 days after the end of Andres BV’s fiscal year; and

(B) unaudited consolidated quarterly financial statements of Andres BV (including a balance sheet, statement of operations and cash flow statement for the fiscal quarter or quarters then ended and the corresponding fiscal quarter or quarters from the prior year) within 90 days of the end of the first three fiscal quarters of each fiscal year of such entity; and

(2) (A) annual financial statements of DPP audited by an internationally recognized firm of independent public accountants within 150 days after the end of DPP’s fiscal year; and

(B) unaudited quarterly financial statements of DPP (including a balance sheet, statement of operations and cash flow statement for the fiscal quarter or quarters then ended and the corresponding fiscal quarter or quarters from the prior year) within 90 days of the end of the first three fiscal quarters of each fiscal year of such entity.

These annual and quarterly financial statements will be prepared in accordance with IFRS and, in the case of DPP, will be prepared on a consolidated basis if DPP has any Subsidiaries at the time.

(3) (A) annual unaudited combined financial statements of Andres and DPP in a form substantially similar to the annual unaudited combined financial statements included in this offering memorandum within 150 days after the end of the Andres DR’s and DPP’s fiscal year; and

(B) quarterly unaudited combined financial statements of Andres and DPP in a form substantially similar to the quarterly unaudited combined financial statements included in this offering memorandum within 90 days after the end of each fiscal quarter of Andres and DPP.

These annual and quarterly combined financial statements will be prepared in accordance with IFRS. The annual unaudited combined financial statements shall be accompanied by a “management discussion and analysis of results of operations and financial condition” providing an overview in reasonable detail of the combined results of operations and financial condition of Andres BV and DPP. The quarterly unaudited combined financial statements shall be accompanied by a brief narrative overview of the results of operations and financial condition of Andres BV and DPP. English translations will be provided of any of the foregoing documents prepared in another language.

Andres BV and DPP may, in lieu of delivering such information to the Trustee, post the reports specified in the preceding paragraph on a website no later than the date that Andres BV and DPP are required to provide those

reports to the Trustee and, upon request, to the Holders. Such website may be password protected so long as Andres BV and DPP (i) notify the Trustee and the Holders of postings to the website (including through the information dissemination procedures of the depository for the Notes) and (ii) provide the Trustee and the holders of the Notes with access to such website.

In addition, for so long as any Notes remain outstanding, Andres BV and the Guarantors will furnish to the Holders and to prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the Notes are not freely tradable under the Securities Act. For so long as any of the Notes are outstanding, the above information will be made available at the specified offices of each paying agent. For so long as the Notes are outstanding and listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange so require, the above information will also be made available in Luxembourg through the offices of the listing agent.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including Andres BV's and/or each Guarantor's compliance with any of its covenants under the Indenture (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

### **Additional Amounts**

All payments of amounts payable (whether in respect of principal, premium amount, redemption amount, interest or otherwise) in respect of the Notes (including pursuant to each Guaranty) by Andres BV and/or the Guarantors will be made free and clear of and without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any jurisdiction in which Andres BV and/or the Guarantors are organized, tax resident, managed or do business or from which or through which payments are made by Andres BV and/or the Guarantors or their agents, or any political subdivision, agency or authority thereof (a "Taxing Jurisdiction"), as the case may be on the Notes ("Taxes"), unless the withholding or deduction of Taxes is required by law or by the interpretation or administration thereof. In the event that withholding or deduction of Taxes is required by law or by the interpretation or administration thereof or if an exemption from any such tax is suspended or terminated, Andres BV and/or the Guarantors, as applicable, will pay such Taxes to the appropriate Taxing Jurisdiction and pay additional amounts ("Additional Amounts") as may be necessary in order that the net amounts paid by Andres BV and/or the Guarantors (or their agents) after any withholding or deduction equals the respective amounts which would have been paid in respect of the Notes, in the absence of withholding or deduction, which Additional Amounts shall be due and payable when the amounts to which such Additional Amounts relate are due and payable; except that no such Additional Amounts shall be payable with respect to:

(1) any Taxes which are imposed on, or deducted or withheld from, payments made to the Holder or beneficial owner of a Note by reason of the existence of any present or former connection between the Holder or beneficial owner of the Note (or between a fiduciary, settlor, beneficiary, member or equity holder of, or possessor of a power over, such Holder or beneficial owner, if such Holder or beneficial owner is an estate, trust, corporation or partnership) and the Taxing Jurisdiction (including, without limitation, such Holder or beneficial owner (or such fiduciary, settlor, beneficiary, member, equity holder or possessor) (x) being or having been a citizen or resident thereof, (y) maintaining or having maintained an office, permanent establishment, fixed base or branch therein, or (z) being or having been present or engaged in a trade or business therein) other than the mere holding or enforcement of such Note or the receipt of amounts due in respect thereof; provided that this exclusion shall not apply with respect to a Tax that would not have been imposed but for Andres BV, and/or the Guarantors, after the Issue Date, opening an office in, moving an office to, reincorporating in, or changing the Taxing Jurisdiction from or through which payments on account of the Indenture or the Notes are made to, the Taxing Jurisdiction imposing the relevant Tax;

(2) any estate, inheritance, gift, sales, stamp, transfer, financial transactions, personal property or similar Taxes;

(3) any Taxes that are imposed on, or withheld or deducted from, payments made to the Holder or beneficial owner of a Note to the extent such Taxes would not have been so imposed, deducted or withheld but for the failure by the Holder or beneficial owner of such Note to comply with any certification, identification, information,



documentation or other reporting requirement concerning the nationality, residence, identity or connection with the Taxing Jurisdiction of the Holder or beneficial owner of such Note if (x) such compliance is required or imposed by a statute, treaty, regulation, rule, generally applicable ruling or generally accepted administrative practice in order to make any claim for exemption from, or reduction in the rate of, the imposition, withholding or deduction of any Taxes, and (y) at least 30 days prior to the first payment date with respect to which Andres BV shall apply this clause (3), Andres BV shall have notified all such Holders or beneficial owners of Notes, in writing following the procedures for notices provided herein, that such Holders or beneficial owners of the Notes will be required to provide such information or documentation;

(4) any Taxes imposed on, or withheld or deducted from, payments made to a Holder or beneficial owner of a Note at a rate in excess of the rate uniformly applicable in respect of payments made by Andres BV or any Guarantor to Holders or beneficial owners eligible for the benefits of a treaty for the avoidance of double taxation between the applicable Taxing Jurisdiction and the jurisdiction in which the Holder or beneficial owner of the Note is resident without regard to the particular circumstances of such Holders or beneficial owners (provided that, upon any subsequent increase in the rate of Tax that would be applicable to payments to all such Holders or beneficial owners without regard to their particular circumstances, such increased rate shall be substituted for the rate otherwise applicable for purposes of this clause (4)), but only to the extent that (x) such Holder or beneficial owner has failed to provide on a timely basis, at the reasonable request of Andres BV or any Guarantor (subject to the conditions set forth below), information, documentation or other evidence concerning whether such Holder or beneficial owner is eligible for benefits under a treaty for the avoidance of double taxation to which any Taxing Jurisdiction is a party if necessary to determine the appropriate rate of deduction or withholding of Taxes under such treaty or under any statute, regulation, rule, generally applicable ruling or generally accepted administrative practice, and (y) at least 30 days prior to the first payment date with respect to which Andres BV or any Guarantor shall make such reasonable request, Andres BV or any Guarantor shall have notified all such Holders of the Notes, in writing following the procedures for notices provided herein, that such Holders or beneficial owners of the Notes will be required to provide such information, documentation or other evidence;

(5) to or on behalf of a Holder of a Note in respect of Taxes that would not have been imposed but for the presentation by such Holder for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for and notice thereof given to Holders, whichever occurs later, except to the extent that the Holder of such Note would have been entitled to Additional Amounts in respect of such Taxes on presenting such Note for payment on any date during such 30 day period;

(6) any Tax imposed other than by deduction or withholding from payments of principal, premium, if any, or interest in a Note;

(7) any Taxes imposed on or in respect of any Notes pursuant to sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any successor law or regulation implementing or complying with, or introduced in order to conform to, such sections or any intergovernmental agreement or any agreement entered into pursuant to section 1471(b)(1) of the Code;

(8) any Taxes under the laws of Spain (or any administrative subdivision or authority therein or thereof having power to tax) because Andres BV does not receive, in a timely manner, the required information relating to the Notes from the principal paying agent in accordance with Royal Decree 1065/2007 of July 27, as amended, and any implementing legislation or regulation;

(9) any withholding Tax or Tax imposed to an individual or entities resident for tax purposes in the Kingdom of Spain; or

(10) any combination of (1) through (9) above (the Taxes described in clauses (1) through (9), for which no Additional Amounts are payable, are hereinafter referred to as "Excluded Taxes").

Notwithstanding the foregoing, the limitations on Andres BV's and/or the Guarantors' obligation to pay Additional Amounts set forth in clauses (3) and (4) above shall not apply if (a) the provision of information, documentation or other evidence described in such clauses (3) and (4) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a Holder or beneficial owner of a Note (taking into account any relevant differences between U.S. and other law, rules, regulations or administrative practice) than comparable

information or other reporting requirements imposed under U.S. tax law, regulations and administrative practice (such as IRS Forms W 8BEN and W 9), (b) the Holder or beneficial owner is not legally entitled to provide information, documentation or other evidence described in clauses (3) and (4) or (c) Andres BV, or any Guarantor, as applicable, can obtain such information, documentation or other evidence on its own through reasonable diligence. In addition, such clauses (3) and (4) shall not be construed to require that any pension or retirement fund or financial institution or any other Holder register with any governmental authority for the purpose of establishing eligibility for an exemption from or reduction of such withholding tax or to require that a Holder or beneficial owner certify or provide information concerning whether it is or is not a tax-exempt pension or retirement fund.

At least 30 days prior to each date on which any payment under or with respect to the Notes is due and payable, if Andres BV or a Guarantor, as applicable, will be obligated to pay Additional Amounts with respect to such payment (other than Additional Amounts payable on the date of the Indenture), Andres BV or such Guarantor, as applicable, will deliver to the Trustee an Officers' Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable, and will set forth such other information necessary to enable the Trustee to pay such Additional Amounts to Holders on the payment date. Whenever either in the Indenture or in this offering memorandum there is mentioned, in any context, the payment of principal, premium, if any, redemption price, interest or any other amount payable under or with respect to any Note, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Andres BV or the Guarantors, as applicable, will provide the Trustee with documentation evidencing the payment of taxes in respect of which Andres BV or any Guarantor, as applicable, has paid any Additional Amounts. Copies of such documentation will be made available to the Holders or the paying agent, as applicable, upon request therefor.

In addition, Andres BV or the Guarantors, as applicable, will pay any stamp, issue, registration, documentary or other similar taxes and other duties (including interest and penalties) payable in the Dominican Republic, the Netherlands, Spain, or the Cayman Islands (or any political subdivision of any such jurisdiction) in respect of (a) the creation, issue and offering of the Notes, and (b) the subsequent redemption or retirement of the Notes (other than, in the case of any subsequent redemption or retirement, Excluded Taxes).

### **Suspension of Covenants**

Following the first day (such date, a "Suspension Date") on which (i) the Notes have an Investment Grade Rating from at least two of the Rating Agencies and (ii) no Default has occurred and is continuing under the Indenture, Andres BV, the Guarantors and the Restricted Subsidiaries will not be subject to the provisions of the Indenture summarized under the following headings:

- "—Repurchase at the Option of Holders—Asset Dispositions,"
- "—Certain Covenants—Limitation on Restricted Payments,"
- "—Certain Covenants —Limitation on Indebtedness,"
- "—Certain Covenants—Limitation on Layering,"
- "—Certain Covenants —Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries,"
- "—Certain Covenants —Future Guarantors,"
- "—Certain Covenants —Limitation on Transactions with Affiliates," and
- clause (3) of the first paragraph of "—Certain Covenants—Consolidation, Merger, Conveyance, Sale or Lease."

(collectively, the “Suspended Covenants”). If, during any period in which the Suspended Covenants are suspended, the Notes’ credit rating is downgraded such that the Notes no longer have an Investment Grade Rating from at least two of the Rating Agencies or if a Default or Event of Default occurs and is continuing, then the Suspended Covenants will thereafter be reinstated as if such covenants had never been suspended (the “Reinstatement Date”) and be applicable pursuant to the terms of the Indenture (including in connection with performing any calculation or assessment to determine compliance with the terms of the Indenture), unless and until the Notes subsequently attain an Investment Grade Rating from at least two Rating Agencies and no Default or Event of Default is in existence (in which event the Suspended Covenants shall no longer be in effect for such time that the Notes maintain an Investment Grade Rating from at least two Rating Agencies and no Default or Event of Default is in existence); provided, however, that no Default, Event of Default or breach of any kind shall be deemed to exist under the Indenture, the Notes or the Guaranties with respect to the Suspended Covenants based on, and none of Andres BV, Andres DR, DPP or any of their respective Subsidiaries shall bear any liability for, any actions taken or events occurring during the Suspension Period (as defined below) or any actions taken at any time after a Reinstatement Date pursuant to any agreement that was entered into in good faith during a Suspension Period and not in anticipation of a Reinstatement Date, regardless of whether such actions or events would have been permitted if the applicable Suspended Covenants remained in effect during such period. The period of time between the Suspension Date and the Reinstatement Date is referred to as the “Suspension Period.”

On the Reinstatement Date, all Indebtedness Incurred during the Suspension Period will be classified to have been Incurred pursuant to the first paragraph of “—Certain Covenants—Limitation on Indebtedness” or one of the clauses of Permitted Debt (in each case to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reinstatement Date and after giving effect to Indebtedness Incurred prior to the Suspension Period and outstanding on the Reinstatement Date). To the extent such Indebtedness would not be so permitted to be Incurred pursuant to the first paragraph of “—Certain Covenants—Limitation on Indebtedness” or one of the clauses of Permitted Debt, such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified under clause (2) of Permitted Debt. Calculations made after the Reinstatement Date of the amount available to be made as Restricted Payments under the covenant described under “—Certain Covenants— Limitation on Restricted Payments” (the “Restricted Payments covenant”) will be made as though the Restricted Payments covenant had been in effect since the Issue Date and throughout the Suspension Period.

During any period when the Suspended Covenants are suspended, the Board of Directors of any of Andres BV and the Guarantors may not designate any Subsidiaries as Unrestricted Subsidiaries pursuant to the Indenture.

Promptly following the occurrence of any Suspension Date or Reinstatement Date, Andres BV and the Guarantors will provide an Officers’ Certificate to the Trustee regarding such occurrence. The Trustee shall have no obligation to independently determine or verify if a Suspension Date or Reinstatement Date has occurred or notify the Holders of any Suspension Date or Reinstatement Date. The Trustee may provide a copy of such Officers’ Certificate to any Holder of the Notes upon request. There can be no assurance that the Notes will ever achieve an Investment Grade Rating.

## **Events of Default and Remedies**

Events of Default with respect to the Notes and the Indenture include (each, an “Event of Default”):

- (1) default in the payment of any interest (or Additional Amounts, if any) on any Note when it becomes due and payable and such default shall continue unremedied for a period of 30 days;
- (2) default in the payment when due (whether at maturity, upon acceleration, redemption or otherwise) of the principal of (or premium, if any, on) any Note;
- (3) default in the performance, or breach, of any covenant, agreement or obligation of Andres BV, any Guarantor or any Restricted Subsidiary contained in the Indenture, the Notes or the relevant Guaranty by any party thereto other than the Trustee, and continuance of such default or breach for a period of 45 days after there has been given, by registered or certified mail, to Andres BV and the Guarantors by the Trustee or to Andres BV, the Guarantors and the Trustee by Holders of at least 25% in aggregate principal amount of the outstanding Notes a written notice

specifying such default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default” hereunder;

(4) with respect to any of Andres BV, any Guarantor or any Restricted Subsidiary, any final judgment or order for the payment of money in excess of \$20.0 million (in the case of Andres BV, any Guarantor or any Restricted Subsidiary) or its equivalent in other currencies (to the extent not covered by insurance as acknowledged in writing by the insurer) is rendered against Andres BV, any Guarantor or any Restricted Subsidiary and such judgment or order remains unpaid, undischarged or unstayed for a period of 60 days after such judgment becomes final, non-appealable and, if applicable, any period to make payments thereunder has elapsed;

(5) any Guaranty by a Guarantor shall fail to be in full force and effect or is declared null and void or the obligor thereunder denies in writing that it has any further liability under the Indenture or the Guaranty, as the case may be, or gives written notice to such effect (other than by reason of the termination of the Indenture or the release of the Guaranty in accordance with their respective terms);

(6) either:

(a) Andres BV, any Guarantor or any Restricted Subsidiary shall default (as principal or guarantor or other surety) in the payment of principal of any Indebtedness in the principal amount of at least \$20.0 million in the aggregate (or its equivalent in any other currency) and such default shall have continued for more than any applicable period of grace, or

(b) Indebtedness of Andres BV, any Guarantor or any Restricted Subsidiary is accelerated by the holders thereof because of a default, and the total amount of such accelerated Indebtedness exceeds \$20.0 million;

(7) certain events of bankruptcy, insolvency or other similar laws relating to Andres BV, any Guarantor or any Restricted Subsidiary.

Andres BV and the Guarantors will be required to provide to the Trustee written notice, within ten Business Days of obtaining knowledge thereof, of any Default in performance of certain covenants in the Indenture. The Indenture provides that the Trustee may withhold notice to the Holders of any Default (except on payment of principal of, or interest, if any, on the Notes) if the Trustee in good faith determines that it is in the interest of the Holders of the Notes to do so. The Indenture provides that if:

(1) any Event of Default (other than an Event of Default involving a bankruptcy, insolvency or similar event in respect of Andres BV and the Guarantors) with respect to the Notes specified therein shall have happened and be continuing, either the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Notes may declare the principal amount of all the Notes to be due and payable immediately; and

(2) an Event of Default involving a bankruptcy, insolvency or other similar event in respect of Andres BV or any Guarantor shall have happened,

the principal amount of all the Notes will be immediately due and payable without notice or any other act on the part of the Trustee or any Holder. However, if all defaults are cured (except the nonpayment of principal of and accrued interest on Notes at maturity or which shall become due by acceleration) and certain other conditions are met, such declaration may be rescinded by the Holders of not less than a majority in aggregate principal amount of the outstanding Notes. In addition, past defaults with respect to the Notes may be waived by the Holders of not less than a majority in aggregate principal amount of the outstanding Notes except a Default in the payment of principal of (or premium, if any) or interest, if any, on any Note.

A Holder shall not have any right to institute any suit, action or proceeding for the enforcement of the Indenture, or for the exercise of any other remedy hereunder unless:

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Notes,

(2) Holders of more than 25% in aggregate principal amount of outstanding Notes shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee thereunder,

(3) such Holder or Holders have offered to the Trustee indemnity and/or security satisfactory to it against the costs, expenses and liabilities to be Incurred in compliance with such request,

(4) the Trustee during the 60 days after its receipt of such notice, request and offer of indemnity and/or security has failed to institute any such proceeding, and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the outstanding Notes.

### **Prescription**

Claims against Andres BV and the Guarantors for payment in respect of the Notes (and related Guaranties) shall be prescribed and become void unless made within the period required under applicable law from the appropriate payment date.

### **Meetings of Holders**

A meeting of Holders of the Notes may be called by the Trustee, Andres BV or the Holders of at least 10% in aggregate principal amount of the outstanding Notes at any time and from time to time, to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other actions provided by the Indenture to be made, given or taken by Holders of Notes.

The meeting shall be held at such time and at such place in The City of New York or in such other place as the Trustee shall determine. Notice of every meeting of Holders of Notes, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given not less than 21 nor more than 180 days prior to the date fixed for the meeting.

The persons entitled to vote a majority in principal amount of the outstanding Notes shall constitute a quorum for a meeting. Any resolution presented to a meeting at which a quorum is present may be adopted only by the affirmative vote of the Holders of a majority in principal amount of the outstanding Notes. Any resolution passed or decision taken at any meeting of Holders of Notes duly held in accordance with the Indenture shall be binding on all the Holders of Notes, whether or not such Holders were present or represented at the meeting.

### **No Personal Liability of Directors, Officers, Employees and Stockholders**

No director, officer, employee, incorporator, stockholder, member, manager or partner of Andres BV or the Guarantors, as such, will have any liability for any obligations of Andres BV or the Guarantors under the Notes, the Indenture, any Guaranty or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

### **Legal Defeasance and Covenant Defeasance**

Andres BV may, at its option and at any time, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of the Guarantors, if any, discharged with respect to their respective Guaranties (“Legal Defeasance”) except for:

(1) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, or interest or premium and Additional Amounts, if any, on such Notes when such payments are due from the trust referred to below;

(2) Andres BV's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and Andres BV's and the Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

In addition, Andres BV and the Guarantors may, at their option and at any time, elect to have the obligations of Andres BV and the Guarantors released with respect to certain covenants in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under "Events of Default and Remedies" will no longer constitute Events of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) Andres BV must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes, cash in U.S. dollars, non-callable Government Obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, or interest and premium and Additional Amounts, if any, on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and Andres BV must specify whether the Notes are being defeased to maturity or to a particular redemption date;

(2) in the case of Legal Defeasance, Andres BV will have delivered to the Trustee (a) an Opinion of Counsel acceptable to the Trustee confirming that (i) Andres BV has received from the Internal Revenue Service a ruling or (ii) since the Issue Date, there has been a change in the applicable federal income tax law (including by way of revenue ruling, if applicable), in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred and (b) an Opinion of Counsel acceptable to the Trustee to the effect that neither the Holders nor the beneficial owners of the outstanding Notes will not recognize income, gain or loss for Dominican income tax purposes as a result of such Legal Defeasance and will be subject to Dominican income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, Andres BV will have delivered to the Trustee (a) an Opinion of Counsel reasonably acceptable to the Trustee confirming that the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred and (b) an Opinion of Counsel reasonably acceptable to the Trustee confirming that neither the Holders nor the beneficial owners of the outstanding Notes will not recognize income, gain or loss for Dominican income tax purposes as a result of such Covenant Defeasance and will be subject to Dominican income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default will have occurred and be continuing either: (a) on the date of such deposit; or (b) insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit;

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument to which Andres BV, the Guarantors or any of their Subsidiaries is a party or by which Andres BV, the Guarantors or any of their Subsidiaries is bound;

(6) Andres BV must have delivered to the Trustee an Opinion of Counsel to the effect that, assuming no intervening bankruptcy of Andres BV or the Guarantors between the date of deposit and the 91st day following the

deposit and assuming that no Holder is an “insider” of Andres BV under applicable bankruptcy law, after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors’ rights generally, including Section 547 of the United States Bankruptcy Code and Section 15 of the New York Debtor and Creditor Law;

(7) Andres BV must deliver to the Trustee an Officers’ Certificate stating that the deposit was not made by Andres BV with the intent of preferring the Holders over the other creditors of Andres BV with the intent of defeating, hindering, delaying or defrauding creditors of Andres BV or others;

(8) if the Notes are to be redeemed prior to their Stated Maturity, Andres BV must deliver to the Trustee irrevocable written instructions to redeem all of the Notes on the specified redemption date under arrangements satisfactory to the Trustee for the giving of notice of such redemption by the Trustee in Andres BV’s name and at Andres BV’s expense; and

(9) Andres BV must deliver to the Trustee an Officers’ Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

### **Satisfaction and Discharge**

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

(a) all Notes that have been authenticated (except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust and thereafter repaid to Andres BV) have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation (x) have become due and payable (by reason of the mailing of a notice of redemption or otherwise), (y) will become due and payable at Stated Maturity within one year, or (z) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in Andres BV’s name and at Andres BV’s expense, and in each such case Andres BV has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, non-callable Government Obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the Stated Maturity or redemption date, as the case may be;

(2) no Default or Event of Default will have occurred and be continuing on the date of such deposit or will occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which Andres BV or any Guarantor is a party or by which Andres BV or any Guarantor is bound;

(3) Andres BV or any Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

(4) Andres BV has delivered irrevocable written instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at Stated Maturity or the redemption date, as the case may be.

In addition, Andres BV must deliver an Officers’ Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

### **Amendment, Supplement and Waiver**

Except as provided in the next two succeeding paragraphs, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority (or greater than 50%) in principal amount of the

Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Without the consent of each Holder affected, an amendment or waiver may not (with respect to any Notes held by a non-consenting Holder):

- (1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;
- (2) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (3) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (4) change the redemption provisions of the Notes or the Indenture;
- (5) waive a Default or Event of Default in the payment of principal of, or interest, or premium or Additional Amounts, if any, on, the Notes (except, upon a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the Notes, a waiver of the payment default that resulted from such acceleration) or in respect of any other covenant or provision that cannot be amended or modified without the consent of all Holders;
- (6) make any Note payable in money other than U.S. dollars;
- (7) reduce the percentage in principal amount of the outstanding Notes, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of the Indenture or certain defaults hereunder and their consequences) provided for in the Indenture;
- (8) release any Guarantor from any of its obligations under its Guaranty or the Indenture, except in accordance with the terms of the Indenture;
- (9) impair the right to institute suit for the enforcement of any payment on or with respect to the Notes or the Guaranties;
- (10) reduce the requirements for quorum or voting by Holders of the Notes as provided in the Indenture;
- (11) modify any of the provisions in the Indenture regarding the waiver of past defaults, and the waiver of certain covenants by the Holders of the Notes except to increase any percentage vote required or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Holder of each Note affected thereby;
- (12) make any change in the provisions of the Indenture described under “—Additional Amounts” that adversely affects the rights of any Holder of Notes or amends the terms of the Notes in a way that would result in a loss of exemption from Taxes; or
- (13) modify any of the above provisions.

Notwithstanding the preceding, without the consent of any Holder of Notes, Andres BV, the Guarantors and the Trustee may amend or supplement the Indenture or the Notes:

- (1) to cure any ambiguity, defect or inconsistency;
- (2) to provide for uncertificated Notes in addition to or in place of certificated Notes;



(3) to provide for the assumption of Andres BV's or any Guarantor's obligations to Holders of Notes in accordance with the Indenture in the case of a merger or consolidation or sale of all or substantially all of Andres BV's or such Guarantor's assets;

(4) to make any change that would provide any additional rights or benefits to the Holders of Notes or that does not materially, in the good faith determination of the Board of Directors of Andres BV and the Guarantors adversely affect the legal rights under the Indenture of any such Holder;

(5) to confirm and evidence the release, termination or discharge of any Guaranty with respect to the Notes when such release, termination or discharge is permitted by the Indenture;

(6) to comply with the provisions described under “—Certain Covenants—Future Guarantors;”

(7) to evidence and provide for the acceptance of appointment by a successor Trustee;

(8) to provide for the issuance of Additional Notes in accordance with the Indenture;

(9) to conform the Indenture or the Notes to any provision of this “Description of the Notes;”

(10) supplement any of the provisions of the Indenture to such extent as shall be necessary to permit or facilitate the defeasance and discharge of the Notes, provided that any such action shall not adversely affect the interests of any Holder in any material respect; or

(11) to secure the Notes.

### **Concerning the Trustee**

If the Trustee becomes a creditor of Andres BV or the Guarantors, the Indenture limits its right to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee and its affiliates will be permitted to engage in other transactions with Andres BV, any Guarantors, and their Subsidiaries and affiliates; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days of the occurrence of an Event of Default or resign.

The Indenture provides that in case an Event of Default will occur and be continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in the conduct of his or her own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of Notes, unless such Holder will have offered to the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense.

### **Governing Law**

The Indenture and the Notes is governed by, and construed in accordance with, the laws of the State of New York.

### **Waiver of Sovereign Immunity**

Each of Andres BV and each Guarantor (i) is subject to civil and commercial law with respect to its obligations under the Indenture or the Notes, to which it is a party and its execution, delivery and performance hereof and thereof and hereunder and thereunder constitute private commercial acts rather than public or governmental acts, (ii) is not entitled to any sovereign immunity for the jurisdiction of any courts of from any action, suit or proceeding or from set-off or service of process in connection therewith, and none of its properties is immune from attachments or execution, and (iii) has made herein and in the Indenture and the Notes to which it is a party valid waiver of any right it may have to sovereign immunity.

## **Submission to Jurisdiction; Agent for Service of Process**

Each of Andres BV and each Guarantor has submitted to the non-exclusive personal jurisdiction of any federal or state court in the County of New York, State of New York for purposes of all legal actions and proceedings instituted in connection with the Indenture and the Notes. Each of Andres BV and each Guarantor has appointed Corporation Service Company, with offices currently located at 19 West 44th Street, Suite 200, New York, New York 10036 as their authorized agent upon which service of process may be served in any such action.

If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder to the Holder of a Note from U.S. dollars into another currency, Andres BV and the Guarantors have agreed, and each Holder by holding such Note will be deemed to have agreed, to the fullest extent that Andres BV, the Guarantors and they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures such Holder could purchase U.S. dollars with such other currency in New York City, New York, on the day two Business Days preceding the day on which final judgment is given.

Andres BV's and each Guarantor's obligation in respect of any sum payable by it to the Holder of a Note shall, notwithstanding any judgment in a currency (the "judgment currency") other than U.S. dollars, be discharged only to the extent that on a Business Day following receipt by the Holder of such Note of any sum adjudged to be so due in the judgment currency, the Holder of such Note may, in accordance with normal banking procedures, purchase U.S. dollars with the judgment currency; if the amount of the U.S. dollars so purchased is less than the sum originally due to the Holder of such Note in the judgment currency (determined in the manner set forth in the preceding paragraph), each of Andres BV and each Guarantor agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Holder of such Note against such loss, and if the amount of the U.S. dollars so purchased exceeds the sum originally due to the Holder of such Note, such Holder agrees to remit to Andres BV, or any Guarantor, as applicable, such excess, provided that such Holder shall have no obligation to remit any such excess as long as Andres BV or any Guarantor, as applicable, shall have failed to pay such Holder any obligations due and payable under such Note, in which case such excess may be applied to Andres BV's and/or any Guarantor's obligations under such Note in accordance with the terms thereof.

## **Book-Entry, Delivery and Form**

The Notes are being offered and sold to qualified institutional buyers in reliance on Rule 144A ("Rule 144A Notes"). Notes also may be offered and sold in offshore transactions in reliance on Regulation S ("Regulation S Notes"). Except as set forth below, Notes were issued in registered, global form in minimum denominations of \$200,000 and integral multiples in excess thereof. Notes were issued at the closing of this offering only against payment in immediately available funds.

Rule 144A Notes initially are represented by one or more Notes in registered, global form without interest coupons (collectively, the "Rule 144A Global Notes"). Regulation S Notes initially are represented by one or more Notes in registered, global form without interest coupons (collectively, the "Regulation S Global Notes" and, together with the Rule 144A Global Notes, the "Global Notes"). The Global Notes were deposited upon issuance with the Trustee as custodian for The Depository Trust Company ("DTC"), in New York, New York, and registered in the name of DTC or its nominee, in each case for credit to an account of a direct or indirect participant in DTC as described below. Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the "Restricted Period"), beneficial interests in the Regulation S Global Notes may be held only through Euroclear Bank, S.A./N.V as operator of the Euroclear System ("Euroclear") and Clearstream Banking, S.A. ("Clearstream") (as indirect participants in DTC), unless transferred to a person that takes delivery through a Rule 144A Global Note in accordance with the certification requirements described below. Beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes at any time except in the limited circumstances described below. See "—Exchanges Between Regulation S Notes and Rule 144A Notes."

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may be exchanged for Notes in certificated form. See "—Exchange of Global Notes for Certificated Notes."

Rule 144A Notes (including beneficial interests in the Rule 144A Global Notes) are subject to certain restrictions on transfer and bear a restrictive legend as described under “Transfer Restrictions.” Regulation S Notes also bear the legend as described under “Transfer Restrictions.” In addition, transfers of beneficial interests in the Global Notes are subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

### **Depository Procedures**

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. None of Andres BV, any Guarantor or the Trustee takes any responsibility for these operations and procedures. Andres BV and the Guarantors urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised Andres BV and the Guarantors that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the “Participants”) and to facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the Initial Purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC’s system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the “Indirect Participants”). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised Andres BV and the Guarantors that, pursuant to procedures established by it:

- (1) upon deposit of the Global Notes, DTC will credit the accounts of Participants designated by the Initial Purchasers with portions of the principal amount of the Global Notes;
- (2) ownership of these interests in the Global Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interest in the Global Notes); and
- (3) Investors in the Rule 144A Global Notes who are Participants in DTC’s system may hold their interests therein directly through DTC. Investors in the Rule 144A Global Notes who are not Participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are Participants in such system. Investors in the Regulation S Global Notes may hold their interests therein through Euroclear, Clearstream or DTC, if they are participants in such systems, or indirectly through organizations that are participants in such systems. However, upon issuance we intend to settle by delivering interests in the Regulation S Global Note solely through Euroclear or Clearstream. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank, S.A./N.V., as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in a Global Note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems.

**Except as described below, owners of interests in the Global Notes will not have Notes registered in their names, will not receive physical delivery of Notes in certificated form and will not be considered the registered owners or “Holders” thereof under the Indenture for any purpose.**

Payments in respect of the principal of, and interest and premium and Additional Amounts, if any, on a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered Holder under the Indenture. Under the terms of the Indenture, Andres BV and the Trustee will treat the Persons in whose names the Notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving

payments and for all other purposes. Consequently, neither Andres BV, the Trustee nor any agent of Andres BV, or the Trustee has or will have any responsibility or liability for:

(1) any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interest in the Global Notes or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Notes; or

(2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised Andres BV and the Guarantors that DTC's current practice, upon receipt of any payment in respect of securities such as the Notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Trustee, Andres BV or the Guarantors. None of Andres BV, any Guarantor or the Trustee will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the Notes, and Andres BV, any Guarantor and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes. All notices and communications to be given to the Holders and all payments to be made to Holders in respect of the Notes shall be given or made only to or upon the order of the registered Holders (which shall be DTC or its nominee in the case of a Global Note). The rights of beneficial owners in any Global Note shall be exercised only through DTC subject to the applicable rules and procedures of DTC. The Trustee may conclusively rely and shall be fully protected in conclusively relying upon information furnished by DTC with respect to its members, participants and any beneficial owners.

None of the Trustee or any registrar shall have any obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer or exchange imposed under the Indenture or under applicable law with respect to any transfer or exchange of any interest in any Note (including any transfers between or among DTC participants, members or beneficial owners in any Global Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the express terms of the Indenture, to examine the same to determine if it substantially complies on its face as to form with the express requirements hereof, and to notify the party delivering the same if the certificate does not so comply. Neither the Trustee nor any agent shall have any responsibility or liability for any actions taken or failed to be taken by DTC.

Subject to the transfer restrictions set forth under "Transfer Restrictions," transfers between Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described herein, cross-market transfers between the Participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised Andres BV that it will take any action permitted to be taken by a Holder of Notes only at the direction of one or more Participants to whose account DTC has credited the interests in the Global Notes and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC reserves the right to exchange the Global Notes for legended Notes in certificated form, and to distribute such Notes to its Participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A Global Notes and the Regulation S Global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. None of Andres BV, any Guarantor, the Trustee or any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

### **Exchange of Global Notes for Certificated Notes**

A Global Note is exchangeable for definitive Notes in registered certificated form (“Certificated Notes”) if:

(1) DTC (a) notifies Andres BV that it is unwilling or unable to continue as depository for the Global Notes or (b) has ceased to be a clearing agency registered under the Exchange Act, and in each case Andres BV fails to appoint a successor depository;

(2) Andres BV, at its option, notifies the Trustee in writing that it elects to cause the issuance of Certificated Notes (DTC has advised Andres BV that, in such event, under its current practices, DTC would notify its participants of Andres BV’s request, but will only withdraw beneficial interests from a Global Note at the request of each DTC participant); or

(3) after the occurrence and continuation of an Event of Default with respect to the Notes, beneficial owners holding interest representing an aggregate principal amount of Notes of more than 50% of the Notes represented by the Global Notes advise the Indenture Trustee through DTC in writing that the continuation of a book-entry system through DTC with respect to the Notes is no longer in such owners’ best interest.

In addition, beneficial interests in a Global Note may be exchanged for Certificated Notes upon prior written notice given to the Trustee by or on behalf of DTC in accordance with the Indenture. In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in “Transfer Restrictions,” unless that legend is not required by applicable law.

### **Exchange of Certificated Notes for Global Notes**

Certificated Notes may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See “Transfer Restrictions.”

### **Exchanges Between Regulation S Notes and Rule 144A Notes**

Prior to the expiration of the Restricted Period, beneficial interests in the Regulation S Global Note may be exchanged for beneficial interests in the Rule 144A Global Note only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that:

(1) the transfer of Notes is being made in accordance with Rule 144A; and

(2) the Notes are being transferred to a Person:

(a) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and

(b) in accordance with all applicable securities laws of the states of the United States.

Beneficial interests in a Rule 144A Global Note may be transferred to a Person who takes delivery in the form of an interest in the Regulation S Global Note, whether before or after the expiration of the Restricted Period, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available). If such transfer occurs prior to the expiration of the Restricted Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Rule 144A Global Notes will be effected in DTC by means of an instruction originated by the Trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a Person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interest in such other Global Note for so long as it remains such an interest. The policies and practices of DTC may prohibit transfers of beneficial interests in the Regulation S Global Note prior to the expiration of the Restricted Period.

### **Same Day Settlement and Payment**

Andres BV will make payments in respect of the Notes represented by the Global Notes (including principal, premium, if any, interest and Additional Amounts, if any) through the principal paying agent by wire transfer of immediately available funds to the accounts specified by the Global Note Holder. Andres BV will make all payments of principal, interest and premium and Additional Amounts, if any, with respect to Certificated Notes through the principal paying agent by wire transfer of immediately available funds to the accounts specified by the Holders of at least \$5.0 million principal amount of Notes or, if no such account is specified, by mailing a check to each such Holder's or any other Holder's registered address. The Notes represented by the Global Notes are expected to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. Andres BV expects that secondary trading in any Certificated Notes will also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a Participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised Andres BV that cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

### **Certain Definitions**

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full description of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

“2026 Andres-DPP Notes” means the \$270.1 million aggregate principal amount of 7.950% Senior Notes due 2026 co-issued, on May 11, 2016, jointly and severally by Andres BV and DPP, and unconditionally and irrevocably guaranteed by Andres DR.

“Additional Amounts” has the meaning set forth under “—Additional Amounts” above.

“Additional Notes” has the meaning set forth in “—Principal, Maturity and Interest.”

“Additional Assets” shall mean (1) any property or assets (other than Indebtedness and Capital Stock) used or useful in a Permitted Business, (2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by Andres BV, a Guarantor or another Restricted Subsidiary or (3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary.

“ADRE” shall mean AES Dominicana Renewable Energy S.R.L., a limited liability company (*sociedad de responsabilidad limitada*) organized under the laws of the Dominican Republic, a Subsidiary of Andres BV.

“AES” shall mean The AES Corporation, a Delaware corporation.

“AES LATAM Service Agreement” shall mean the agreements entered into by each of Andres and DPP with AES Solutions on December 17, 2009 in which AES Solutions agreed to provide each of Andres and DPP with global financial services, administration services, risk management and technical services to implement SAP Systems, among others.

“Affiliate” of any specified Person means (1) any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person or (2) any executive officer or administrator of such specified Person. For purposes of this definition, “control,” as used with respect to any Person, will mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms “controlling,” “controlled by” and “under common control with” will have correlative meanings.

“Andres BV” shall mean AES Andres B.V., a private limited liability company incorporated under the laws of the Netherlands, with corporate seat in Amsterdam, the Netherlands, registered with the Dutch trade register under number 34121080, and resident for tax purposes in Spain, with its place of effective management in Madrid, Spain as of January 2016, and subject to taxation in Spain as of January 1, 2016.

“Andres DR” means AES Andres DR, S.A., a corporation (*sociedad anónima*) organized under the laws of the Dominican Republic, a Guarantor of the Notes and any successor pursuant to the Indenture.

“Andres’ Short-Term PPA with DPP” means the power purchase agreement entered into on May 10, 2017 by and between Andres DR and DPP by which Andres DR purchases from DPP 100% of the energy and firm capacity in excess of DPP’s power purchase agreement.

“Andres Projects” shall mean any renewable energy projects and any thermal energy projects undertaken or that may be undertaken by Andres BV, any Guarantor or any of their respective Restricted Subsidiaries.

“Asset Disposition” shall mean any sale, spin-off, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) by Andres BV, any Guarantor or any Restricted Subsidiary, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a “disposition”) of:

(1) any shares of Capital Stock of a Restricted Subsidiary (other than directors’ qualifying shares or shares required by applicable law to be held by a Person other than Andres BV, a Guarantor or a Restricted Subsidiary);

(2) all or substantially all the assets of any division or line of business of Andres BV, any Guarantor or any Restricted Subsidiary; or

(3) any other assets of any of Andres BV, any Guarantor or any Restricted Subsidiary outside of the ordinary course of business of any of them;

provided that the following shall not constitute Asset Dispositions:

- (a) a disposition to Andres BV, a Guarantor or a Restricted Subsidiary;
- (b) a disposition of assets constituting a Permitted Investment, or a Restricted Payment not prohibited by the covenant described under “—Certain Covenants—Limitation on Restricted Payments”;
- (c) a disposition of assets with a Fair Market Value of less than \$1.0 million;
- (d) a disposition of Temporary Cash Investments or goods held for sale in the ordinary course of business or obsolete equipment or other obsolete assets not needed for the continued ordinary course of Andres BV’s, any Guarantor’s or any Restricted Subsidiary’s business;
- (e) the disposition of all or substantially all of the assets of Andres BV, any Guarantor or any Restricted Subsidiary in a manner permitted under the covenant described under “—Certain Covenants—Consolidation, Merger, Conveyance, Sale or Lease”;
- (f) the lease, assignment or sublease of any real or personal property in the ordinary course of business;
- (g) the disposition of assets in a Sale and Leaseback Transaction, if otherwise permitted pursuant to the covenant described under “Certain Covenants—Limitation on Sale and Leaseback Transactions”;
- (h) the Incurrence of any Lien permitted by the covenant described under “Certain Covenants—Limitation on Liens;”
- (i) a disposition of stock, obligations or other securities of the government of the Dominican Republic received in settlement of (or foreclosure with respect to) debts created in the ordinary course of business to Andres BV, any Guarantor or any Restricted Subsidiary that were settled by such stock, obligations or other securities;
- (j) a disposition of any shares, interests, participations or other equivalents of Andres BV in any joint venture, partnership, joint venture, association, or other similar entities or arrangements in existence on the Issue Date;
- (k) a disposition of any Renewable Assets (each, a “Renewable Asset Disposition”), provided, however, that the consummation of any such Renewable Asset Disposition does not cause (x) a material and adverse effect on the business or financial condition of Andres BV, the Guarantors and any Restricted Subsidiaries, taken as a whole, or (y) a Ratings Decline; or
- (l) the disposition of idle real property not currently employed in the business of Andres BV, any Guarantor or any Restricted Subsidiary not exceeding a total aggregate amount of \$10.0 million.

“Attributable Debt” in respect of a Sale and Leaseback Transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value will be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with IFRS.

“Bayasol” means a photovoltaic power plant with an installed capacity of 50 MWn located in Baní, Peravia Province, Dominican Republic, owned by ADRE.

“beneficial owner” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities



that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms “beneficially owns” and “beneficially owned” will have a corresponding meaning.

“Board of Directors” means, with respect to:

- (1) a limited liability company, the management board, the board of administrators or managing members of the company;
- (2) a corporation, the board of directors of the corporation;
- (3) a partnership, the board of directors of the general partner of the partnership; and
- (4) any other Person, the board or committee of such Person serving a similar function;
- (5) or, except in the context of the definition of “Change of Control,” a duly authorized committee thereof.

“Board Resolution” means a resolution certified by the Secretary, an Assistant Secretary or any other Officer of Andres BV and any Guarantor, as applicable, to have been duly adopted by the Board of Directors of Andres BV, and any Guarantor, as applicable, and to be in full force and effect on the date of such certification.

“Business Day” means any day other than a Legal Holiday.

“Calculation Date” means the date on which the event for which the calculation of the Combined Fixed Charge Coverage Ratio or the Combined Leverage Ratio is made.

“Capital Lease Obligation” means an obligation would have been required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with IFRS as of the Issue Date. The amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation at the time any determination thereof is to be made as determined in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid or terminated by the lessee without payment of a penalty.

“Capital Stock” of any Person means any and all shares, interests (including general or limited partnership interests, limited liability company or membership interests or limited liability partnership interests), participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock.

“Cash Equivalents” means:

- (1) United States dollars and such local currencies held by Andres BV, any Guarantor or any Restricted Subsidiary from time to time in the ordinary course of business;
- (2) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof), maturing, unless such securities are deposited to defease any Indebtedness, not more than one year from the date of acquisition;
- (3) certificates of deposit, time deposits, overnight bank deposits or bankers’ acceptances with maturities of not more than one year from the date of acquisition, in each case, with any commercial bank or trust company organized under the laws of the United States or any state, commonwealth or territory thereof or any U.S. branch of a non-U.S. bank having capital and surplus in excess of US\$500.0 million (or the foreign currency equivalent thereof) and an Investment Grade Rating from Moody’s or S&P at the time of acquisition thereof;
- (4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper having an Investment Grade Rating from Moody's or S&P and in each case maturing within one year after the date of acquisition;

(6) securities issued and fully guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, rated at least "A" by Moody's or S&P and having maturities of not more than one year from the date of acquisition;

(7) money market funds that invest substantially all of their assets in securities of the types described in clauses (1) through (6) of this definition; and

(8) (i) investments in marketable direct obligations issued or unconditionally guaranteed by the Dominican Republic and maturing within one year from the date of the acquisition thereof by Andres BV, or a Guarantor, (ii) certificates of deposit, time deposits, overnight bank deposits or bankers' acceptances with maturities of not more than one year from the date of acquisition, in each case, with any commercial bank or trust organized under the laws of Dominican Republic, or authorized to operate in the Dominican Republic, with a short term rating of "A1" by Standard & Poor's or "P1" by Moody's the time of acquisition thereof, and (iii) Investments in repurchase obligations with a term of not more than 60 days for underlying securities of the types described in clause (i) above entered into with a bank meeting the qualifications described in clause (ii) above.

"Change of Control" means AES ceasing to have, directly or indirectly, the power to direct or cause the direction of the management and policies of Andres BV or any Guarantor, whether through the ownership of voting securities, by contract or otherwise.

"Change of Control Triggering Event" means the occurrence of both a Change of Control and a Ratings Decline.

"Clearstream" shall mean Clearstream Banking, société anonyme, Luxembourg or any successor thereto.

"Combination" shall mean the pro forma combination of the consolidated accounts of Andres and DPP and the Restricted Subsidiaries in accordance with IFRS consistently applied; provided, however, that Combination will not include combination of the accounts of any Unrestricted Subsidiary, but the interest of Andres BV, the Guarantors or any Restricted Subsidiary in an Unrestricted Subsidiary will be accounted for as an investment. The term "Combined" shall have the correlative meaning.

"Combined EBITDA" shall mean, for any period, the Combined Consolidated EBITDA for such period.

"Combined Fixed Charge Coverage Ratio" shall mean at any Calculation Date, (1) the Combined EBITDA for the most recently ended period of four consecutive fiscal quarters for which financial statements of Andres and DPP are available (the "trailing four quarters"), divided by (2) the Combined Fixed Charges for such period; provided that:

(1) if Andres BV, any Guarantor or any Restricted Subsidiary has

(a) Incurred any Indebtedness since the beginning of the trailing four quarters that remains outstanding on the date of the transaction giving rise to the need to calculate the Combined Fixed Charge Coverage Ratio or if the transaction giving rise to the need to calculate the Combined Fixed Charge Coverage Ratio is an Incurrence of Indebtedness, Combined EBITDA and Combined Fixed Charges for such trailing four quarters shall be calculated on a pro forma basis as if such Indebtedness had been Incurred on the first day of such trailing four quarters (except that in making such computation, the amount of Indebtedness under any revolving credit facility outstanding on the day of such calculation will be deemed to be

(i) the average daily balance of such Indebtedness during such four fiscal quarters or such shorter period for which such facility was outstanding, or

(ii) if such facility was created after the end of such four fiscal quarters, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation), or

(b) repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such period or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case, other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Combined Fixed Charge Coverage Ratio, Combined EBITDA and Combined Fixed Charges for such period shall be calculated on a pro forma basis as if such discharge had occurred on the first day of such period and as if Andres BV, the Guarantors or such Restricted Subsidiary has not earned the interest income actually earned during such period in respect of cash or Cash Equivalents used to repay, repurchase, defease or otherwise discharge such Indebtedness;

(2) if since the beginning of such period Andres BV, any Guarantor or any Restricted Subsidiary shall have made any Asset Disposition, then giving pro forma effect to such Asset Disposition during such period on Combined EBITDA for such period;

(3) if since the beginning of such period, Andres BV, any Guarantor or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Person that is merged with or into Andres BV, any Guarantor or any Restricted Subsidiary (or any Person that becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, giving pro forma effect to such Investment or acquisition on the Combined EBITDA and Combined Fixed Charges for such period,

(a) any such acquisition to the extent such adjustments may be reflected in the preparation of pro forma financial information in accordance with the requirements of IFRS and Article 11 of Regulation S-X under the Exchange Act,

(b) the annualized amount of operating expense reductions reasonably expected to be realized in the six months following any such acquisition made during any of the four fiscal quarters constituting the four-quarter reference period prior to the date of determination, and

(c) the annualized amount of operating expense reductions reasonably expected to be realized in the six months following any such acquisition made by Andres BV, such Guarantor and/or such Restricted Subsidiary during either of the two fiscal quarters immediately preceding the four-quarter reference period prior to the date of determination; provided, however, that in either case such adjustments are set forth in an Officers' Certificate that states

(i) the amount of such adjustment or adjustments,

(ii) that such adjustment or adjustments are based on the reasonable good faith beliefs of the officers executing such Officers' Certificate at the time of such execution, and

(iii) that any related Incurrence of Indebtedness is permitted pursuant to the Indenture;

and

(4) if since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into Andres BV, the Guarantors or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to subclause (2) or (3) above if made by Andres BV, any Guarantor or any Restricted Subsidiary during such period, Combined EBITDA and Combined Fixed Charges for such period shall be calculated after giving pro forma effect thereto as if such Asset Disposition, Investment or acquisition of assets occurred on the first day of such period.

“Combined Fixed Charges” shall mean, for any period, the Combined Fixed Charges for such period.

“Combined Leverage Ratio” shall mean at any Calculation Date (1) Combined Total Net Indebtedness, as of such date divided by (2) Combined EBITDA for the period of four consecutive fiscal quarters ending on or most recently prior to the last day of a fiscal quarter for which financial statements of Andres and DPP are available, provided that:

(1) if Andres BV, any Guarantor or any Restricted Subsidiary has

(a) Incurred any Indebtedness since the beginning of such period that remains outstanding on the date of the transaction giving rise to the need to calculate the Combined Leverage Ratio or if the transaction giving rise to the need to calculate the Combined Leverage Ratio is an Incurrence of Indebtedness, Indebtedness at the end of such period, Combined EBITDA and Combined Total Net Indebtedness for such period shall be calculated on a pro forma basis as if such Indebtedness had been Incurred on the first day of such period (except that in making such computation, the amount of Indebtedness under any revolving credit facility outstanding on the day of such calculation will be deemed to be

(i) the average daily balance of such Indebtedness during such four fiscal quarters or such shorter period for which such facility was outstanding or

(ii) if such facility was created after the end of such four fiscal quarters, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation), or

(b) repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such period or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case, other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Combined Leverage Ratio, Combined EBITDA for such period shall be calculated on a pro forma basis as if such discharge had occurred on the first day of such period and as if Andres BV, such Guarantor or such Restricted Subsidiary has not earned the interest income actually earned during such period in respect of cash or Cash Equivalents used to repay, repurchase, defease or otherwise discharge such Indebtedness;

(2) if since the beginning of such period Andres BV, any Guarantor or any Restricted Subsidiary shall have made any Asset Disposition, then giving pro forma effect to such Asset Disposition during such period on the Combined EBITDA;

(3) if since the beginning of such period, Andres BV, any Guarantor or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Person that is merged with or into Andres BV, any Guarantor or any Restricted Subsidiary (or any Person that becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, then giving pro forma effect to such Investment or acquisition on the Combined EBITDA for such period, any such pro forma calculation may include adjustments appropriate to reflect, without duplication,

(a) any such acquisition to the extent such adjustments may be reflected in the preparation of pro forma financial information in accordance with the requirements of IFRS and Article 11 of Regulation S-X under the Exchange Act,

(b) the annualized amount of operating expense reductions reasonably expected to be realized in the six months following any such acquisition made during any of the four fiscal quarters constituting the four-quarter reference period prior to the date of determination, and

(c) the annualized amount of operating expense reductions reasonably expected to be realized in the six months following any such acquisition made by Andres BV, such Guarantor or such Restricted Subsidiary during either of the two fiscal quarters immediately preceding the four-quarter reference period prior to the date of determination;

provided that in either case such adjustments are set forth in an Officers' Certificate that states (i) the amount of such adjustment or adjustments, (ii) that such adjustment or adjustments are based on the reasonable good faith beliefs of the officers executing such Officers' Certificate at the time of such execution and (iii) that any related Incurrence of Indebtedness is permitted pursuant to the Indenture; and

(4) if since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into Andres BV, any Guarantor or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (2) or (3) above if made by Andres BV, a Guarantor or a Restricted Subsidiary during such period, Combined EBITDA for such period shall be calculated after giving pro forma effect thereto as if such Asset Disposition, Investment or acquisition of assets occurred on the first day of such period.

For purposes of this definition, whenever pro forma effect is to be given to an acquisition of assets and the amount of income or earnings relating thereto, the pro forma calculations shall be determined in good faith by a responsible financial or accounting officer of Andres BV and the Guarantors. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term as at the date of determination in excess of twelve months).

“Combined Net Comprehensive Income” shall mean, for any period, the Combined Consolidated Net Comprehensive Income for such period.

“Combined Net Tangible Assets” shall mean, as of any date, the Combined Consolidated Net Tangible Assets as of such date.

“Combined Total Net Indebtedness” shall mean, as of any date, the Combined Total Net Indebtedness as of such date.

“Common Stock” means, with respect to any Person, any Capital Stock (other than Preferred Stock) of such Person, whether outstanding on the Issue Date or issued thereafter.

“Consolidated EBITDA” means, for any period and with respect to any Person, the Consolidated Net Comprehensive Income of such Person for such period plus:

(1) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Comprehensive Income; plus

(2) Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that any such Fixed Charges were deducted in computing such Consolidated Net Comprehensive Income; plus

(3) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Comprehensive Income; minus

(4) non-cash items increasing such Consolidated Net Comprehensive Income for such period, other than the accrual of revenue in the ordinary course of business;

in each case, on a consolidated basis and determined in accordance with IFRS.

Notwithstanding the preceding, the provision for taxes based on the income or profits of, the Fixed Charges of and the depreciation and amortization and other non-cash expenses of, a Restricted Subsidiary will be added to Consolidated Net Comprehensive Income to compute Consolidated EBITDA of the relevant Person (A) in the same proportion that the net comprehensive income of such Restricted Subsidiary was added to compute such Consolidated Net Comprehensive Income of such Person and (B) only to the extent that a corresponding amount would be permitted at the date of determination to be dividended or distributed to the relevant Person by such Restricted Subsidiary without prior governmental approval (that has not been obtained), and without direct or indirect restriction pursuant

to the terms of its charter or any agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Subsidiary or its stockholders.

“Consolidated Net Comprehensive Income” means, for any period and with respect to any Person, the aggregate of the net comprehensive income (loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with IFRS; provided that:

(1) the net comprehensive income of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or distributions paid in cash to the relevant Person or a Restricted Subsidiary and such Person’s equity in the net loss of any such Person for such period shall be included only to the extent that such loss has been funded with cash from the relevant Person or a Restricted Subsidiary;

(2) the net comprehensive income (but not the net loss) of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that net comprehensive income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its equity holders;

(3) the net comprehensive income (loss) of any Person acquired during the specified period for any period prior to the date of such acquisition will be excluded;

(4) any gain or loss, together with any related provision for taxes on such gain or loss, realized in connection with: (a) any sale of assets outside the ordinary course of business of the relevant Person; or (b) the disposition of any securities by the relevant Person or a Restricted Subsidiary or the extinguishment of any Indebtedness of the relevant Person or any Restricted Subsidiary, will be excluded;

(5) any extraordinary gain or loss, together with any related provision for taxes on such extraordinary gain or loss, will be excluded;

(6) any non-cash compensation expense realized for grants of performance shares, stock options or other rights to officers, administrators and employees of the relevant Person and any Restricted Subsidiary; provided that such shares, options or other rights can be redeemed at the option of the holder only for Capital Stock (other than Disqualified Stock of the relevant Person);

(7) any gain or loss related to currency fluctuation;

(8) the cumulative effect of a change in accounting principles will be excluded; and

(9) the components of other comprehensive income will be excluded.

“Consolidated Net Tangible Assets” means, with respect to any Person, the total of all assets appearing on a consolidated balance sheet of such Person and its Restricted Subsidiaries, net of all applicable reserves and deductions, but excluding goodwill, trade names, trademarks, patents, unamortized debt discount and all other like intangible assets, less the aggregate of the current liabilities of such Person and its Subsidiaries appearing on such balance sheet as determined in accordance with IFRS.

“Credit Facilities” means, one or more debt facilities, commercial paper facilities, in each case with banks or other institutional lenders, providing for revolving credit loans, term loans, receivables financing (including through the pledge of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), letters of credit, standby letters of credit, any related Guaranties executed in connection therewith, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time (and whether or not with the original administrative agent and lenders or another administrative agent or agents or other lenders and whether provided under original credit or other agreement).

“Default” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“DISCOs” means EDE-Este, EDE-Norte and EDE-Sur, collectively, three of the four Dominican electricity distribution companies.

“Disinterested Member” means, with respect to any transaction or series of related transactions, a member of Andres BV’s or any Guarantor’s Board of Directors, as applicable, who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions and is not an Affiliate, or an officer, director, member of a supervisory, executive or management board or employee of any Person (other than Andres BV, a Guarantor or a Restricted Subsidiary) who has any direct or indirect financial interest in or with respect to such transaction or series of related transactions.

“Disqualified Stock” means any Capital Stock that, by its terms, by the terms of any security into which it is convertible, or for which it is exchangeable, or by contract or otherwise, is, or upon the happening of any event or passage of time would be, required to be redeemed on or prior to the date that is one year after the date on which the Notes mature, or is redeemable at the option of the holder thereof, or is convertible into or exchangeable for debt securities in any such case on or prior to such date. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require Andres BV and the Guarantors to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if (i) the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in “—Repurchase at the Option of Holders— Asset Dispositions” and “—Repurchase at the Option of Holders—Change of Control Triggering Event” covenants described herein and (ii) such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to Andres BV’s and any Guarantor’s repurchase of such Notes as are required to be repurchased pursuant to “—Repurchase at the Option of Holders—Asset Dispositions” and “—Repurchase at the Option of Holders—Change of Control Triggering Event” covenants. The term “Disqualified Stock” will also include any options, warrants or other rights that are convertible into Disqualified Stock or that are redeemable at the option of the holder, or required to be redeemed, prior to the date that is one year after the date on which the Notes mature.

“DPP” means Dominican Power Partners, an exempted company incorporated and existing under the laws of the Cayman Islands.

“DPP and AES Global Insurance Corporation Insurance Contract” shall mean the agreements entered into by each of Andres DR and DPP with AES Global Insurance Corporation on April 1, 2015 in which AES Global Insurance Corporation covers all operating risks, including broken machinery and interruption of the business.

“Eligible Subsidiary” means a Restricted Subsidiary of Andres BV and/or any Guarantor that constitutes a “Significant Subsidiary” but excluding any Subsidiary that is contractually restricted from acting as a Guarantor of the Notes pursuant to an agreement in effect on the Issue Date; provided that the aggregate amount of Combined tangible assets of Restricted Subsidiaries that are not Eligible Subsidiaries must not exceed 15% of the Combined Net Tangible Assets.

“ENADOM” means Energía Natural Dominicana S.R.L., a limited liability company (*sociedad de responsabilidad limitada*) organized under the laws of the Dominican Republic.

“ENADOM Administrative Services Agreement” shall mean the agreement entered into by and among Andres DR, Domi Trading, S.L. and ENADOM on September 23, 2019, through which Andres DR shall provide general assistance in the following areas: operation, finance, human resources, insurance, information technology, and others.

“ENADOM Construction Management Agreement” shall mean the agreement entered into by Andres DR with ENADOM on September 23, 2019 through which Andres DR provides assistance in engineering, purchasing and construction services.

“ENADOM Interconnection and Shared Infrastructure Agreement” shall mean the agreement entered into by Andres DR with ENADOM on September 23, 2019 for the shared use and access to the Andres Facilities, through which the rights to use the interconnection and an easement or right of way for access to the LNG terminal were agreed upon.

“ENADOM Lease Agreement” means the lease agreement entered on September 2, 2020 by and between Andres DR and ENADOM over a property located in Santo Domingo, Dominican Republic, owned by Andres DR.

“ENADOM Operation and Maintenance Agreement” shall mean the agreement entered into by Andres DR with ENADOM on September 23, 2019 through which Andres DR shall to provide assistance in the operation and maintenance activities of the eastern gas pipeline.

“ENADOM Shared Use and Access to Facilities Agreement” shall mean the agreement entered into by Andres DR with ENADOM on September 23, 2019 in order to determine the rights and obligations of each company relating to the interconnection of the eastern gas pipeline with the Andres DR’s gas terminal.

“Equity Interests” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“Existing Indebtedness” means the aggregate amount of Indebtedness of Andres BV, the Guarantors and the Restricted Subsidiaries (other than Indebtedness under the Notes and any Guaranty) in existence on the Issue Date after giving effect to the application of the proceeds of the Notes to repurchase and/or redeem in full the Notes, until such amounts are repaid.

“Event of Default” has the meaning given to it under “—Events of Default and Remedies.”

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Fair Market Value” means, as of any date of determination with respect to any asset or property, the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors of Andres BV, a Guarantor or a Restricted Subsidiary, as applicable, whose determination, will be conclusive if evidenced by a Board Resolution.

“Fitch” means Fitch Ratings Ltd. or any successor rating agency business thereof.

“Fixed Charges” means, for any period and with respect to any Person, the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs (other than debt issuance costs associated with the offering of the Notes or any premium associated with the repayment of the 2026 Andres-DPP Notes in the Tender Offer) and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers’ acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations; plus

(2) the consolidated interest of such Person and its Restricted Subsidiaries that was capitalized during such period; plus

(3) any interest expense on Indebtedness of another Person that is Guaranteed by such Person and/or its Restricted Subsidiaries or secured by a Lien on assets of such Person or its Restricted Subsidiaries, whether or not such Guarantee or Lien is called upon; plus



(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of Disqualified Stock of such Person or any Restricted Subsidiary or Preferred Stock of such Restricted Subsidiary, other than dividends on Equity Interests payable solely in Equity Interests (other than Disqualified Stock) of such Person or any Restricted Subsidiary, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state, provincial and local statutory tax rate of the issuer of such Disqualified Stock or Preferred Stock, expressed as a decimal; plus

(5) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than such Person or a Restricted Subsidiary) in connection with Indebtedness Incurred by such plan or trust; plus

(6) commissions, discounts, yield and other fees and charges Incurred in connection with any transaction pursuant to which such Person or any Restricted Subsidiary may sell, convey or otherwise transfer or grant a security interest in any accounts receivable or related assets.

in each case, on a consolidated basis and in accordance with IFRS.

“Fluence Services Agreement” shall mean the agreement entered into by Andres DR with Fluence Energy, LLC, May 1, 2017, in which Fluence agreed to temporarily provide certain technical services.

“Global Services Agreement” shall mean the agreements entered into by each of Andres DR and DPP with AES Big Sky, LLC on January 1, 2020 in which AES Big Sky, LLC agreed to provide corporate global services, assistance in technology services, IT management services, human resources center of excellence, operations and commercial services.

“Government Obligations” means direct obligations, including cash or certificates representing an ownership interest in obligations of the United States, including any agency or instrumentality thereof, for the payment of which the full faith and credit of the United States is pledged, and which are not callable or redeemable at the option of the issuer or issuers thereof, and shall also include a depositary receipt issued by a bank or trust company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of or any other amount with respect to any such Government Obligation held by such custodian for the account of the holder of a depositary receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian with respect to the Government Obligation or the specific payment of interest on or principal of or any other amount with respect to the Government Obligation evidenced by such depositary receipt.

“Guarantee” means, as to any Person, a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner, including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness of another Person, but excluding endorsements for collection or deposit in the normal course of business or Standard Receivables Undertakings in a Qualified Receivables Transaction.

“Guarantors” shall mean (i) Andres DR, (ii) DPP and (iii) any Restricted Subsidiary that executes a Guaranty in accordance with the provisions of the Indenture and their respective successors and assigns until released from their obligations under their Guaranties and the Indenture in accordance with the terms of the Indenture.

“Guaranty” means each of the Guaranties provided by Andres DR and DPP on the Issue Date under the Indenture and any future Guaranty by a Restricted Subsidiary of the Notes, executed pursuant to the provisions of the Indenture.

“Hedging Obligations” means, with respect to any specified Person, the obligations of such Person under:

(1) any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other similar agreement or arrangement;

(2) any commodity forward contract, commodity swap agreement, commodity option agreement or other similar agreement or arrangement; or

- (3) any foreign exchange contract, currency swap agreement or other similar agreement or arrangement.

“Holder” means a Person in whose name a Note is registered.

“IFRS” means International Financial Reporting Standards as issued by the International Accounting Standards Board, as in effect from time to time.

“Incur” means, with respect to any Indebtedness, to incur, create, issue, assume, Guarantee or otherwise become directly or indirectly liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness (and “Incurrence” and “Incurred” will have meanings correlative to the foregoing); provided that (1) any Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary will be deemed to be Incurred by such Person at the time it becomes a Restricted Subsidiary and (2) neither the accrual of interest nor the accretion of original issue discount nor the payment of interest in the form of additional Indebtedness with the same terms or the payment of dividends on Disqualified Stock or Preferred Stock in the form of additional shares of the same class of Disqualified Stock or Preferred Stock (to the extent provided for when the Indebtedness or Disqualified Stock or Preferred Stock on which such interest or dividend is paid was originally issued) will be considered an Incurrence of Indebtedness.

“Indebtedness” means, with respect to any specified Person, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with IFRS, excluding any operating leases or portion thereof treated as indebtedness by application of IFRS 16 and any liability in respect of a lease or hire purchase contract which would, in accordance with IFRS in force prior to January 1, 2019, have been treated as an operating lease:

- (1) all indebtedness of such Person in respect of borrowed money;
- (2) all obligations of such Person evidenced by bonds, notes, debentures or similar instruments;
- (3) all direct or contingent obligations of such Person arising under (i) letters of credit (including standby and commercial letters of credit), bankers’ acceptances and bank guaranties, and (ii) surety bonds, performance bonds and similar instruments issued or created by or for the account of such Person;
- (4) all Capital Lease Obligations and Attributable Debt of such Person;
- (5) all obligations of such Person in respect of the deferred and unpaid balance of the purchase price of any property or services (except any such balance that constitutes an accrued expense or trade payable and contingent obligations to pay earn-outs), which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto or the completion of such services;
- (6) all Hedging Obligations of such Person to the extent they appear as a liability on the balance sheet of such Person prepared in accordance with IFRS;
- (7) all Disqualified Stock issued by such Person, valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends; or
- (8) all Preferred Stock issued by a Subsidiary of such Person, valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends;
- (9) all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person), provided that the amount of such Indebtedness will be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such Indebtedness; and
- (10) to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

For purposes hereof, the “maximum fixed repurchase price” of any Disqualified Stock or Preferred Stock which does not have a fixed repurchase price will be calculated in accordance with the terms of such Disqualified Stock or

Preferred Stock, as applicable, as if such Disqualified Stock or Preferred Stock were repurchased on any date on which Indebtedness will be required to be determined pursuant to the Indenture.

The amount of any Indebtedness outstanding as of any date will be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation. The amount of any Indebtedness described in clauses (1) and (2) above will be:

- (1) the accreted value thereof, in the case of any Indebtedness issued with original issue discount; and
- (2) the principal amount thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

For purposes of determining any particular amount of Indebtedness, (x) Guaranties, Liens or obligations with respect to letters of credit supporting Indebtedness otherwise included in the determination of such particular amount shall not be included, and (y) any Liens granted pursuant to the equal and ratable provisions referred to in the “Limitation on Liens” covenant shall not be treated as Indebtedness.

“Indenture” shall mean the indenture dated as of May 4, 2021 among Andres BV, the Guarantors and the Trustee, as the same may be amended, supplemented, restated or otherwise modified from time to time.

“Initial Purchasers” means Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Scotia Capital (USA) Inc.

“Interest Rate Agreement” shall mean, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is a party or a beneficiary.

“Investment Grade Rating” means a senior unsecured long-term debt rating equal to or higher than Baa3 (or the equivalent) by Moody’s and BBB- (or the equivalent) by S&P and Fitch, in each case, with a stable or better outlook.

“Investments” in any Person means all direct or indirect investments in such Person in the form of loans or other extensions of credit (including Guaranties), advances, capital contributions (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities issued by such Person, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS.

If Andres BV, any Guarantor or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, Andres BV, such Guarantor or such Restricted Subsidiary will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Investment in such Subsidiary not sold or disposed of. The acquisition by Andres BV, any Guarantor or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by Andres BV, such Guarantor or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investment held by the acquired Person in such third Person unless such Investment in such third party was not made in anticipation or contemplation of the Investment by Andres BV, such Guarantor or such Restricted Subsidiary and such third party Investment is incidental to the primary business of such Person in whom Andres BV, such Guarantor or such Restricted Subsidiary is making such Investment.

“Issue Date” means the first date Notes are issued under the Indenture.

“Legal Holiday” means a Saturday, a Sunday or a day on which banking institutions in New York City, United States of America, Santo Domingo, Dominican Republic, Amsterdam, the Netherlands, Madrid, Spain or Grand Cayman, Cayman Islands, or at a place of payment are authorized or required by law, regulation or executive order to remain closed.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

“Long-Term Natural Gas Sale and Transportation Agreements” means the Natural Gas Contract and the Transportation Contract entered into on March 25, 2002 by and between Andres DR and DPP which expire March 31, 2023.

“LNG Contract” means, collectively, (i) the long-term LNG supply contract dated January 24, 2001, between BP Gas Marketing Ltd., a subsidiary of BP plc., and Atlantic Basin Services, Ltd., a Cayman Islands subsidiary of AES, as amended, and (ii) the long-term LNG supply contract dated January 24, 2001, between Atlantic Basin Services, Ltd. and Andres BV, as amended, each as in effect on the Issue Date.

“LNG Purchase and Sale Agreement and Joint Marketing Agreement” means the agreement entered into on November 29, 2016 by and between Atlantic Basin Services, Ltd. and Andres DR, including the Amended and Restated LNG Joint Marketing Agreement dated as of May 5, 2017 entered into with ENGIE, S.A., assigned to Global LNG SAS on June 12, 2018, and further assigned to Total Gas & Power Limited London, Meyrin-Geneva branch, on August 30, 2019.

“Minimum Legally Required Dividends” shall mean, for any Person and any period, an amount equal to the minimum dividend required to be distributed annually under applicable Dominican, Dutch, Cayman Islands and Spanish law by such Person to holders of its Capital Stock during such period.

“Moody’s” means Moody’s Investors Service, Inc. or any successor rating agency business thereof.

“Net Available Cash” means the aggregate proceeds, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not the interest component, thereof), received in Cash Equivalents by Andres BV, any Guarantor or any Restricted Subsidiary in respect of any Asset Disposition (including, without limitation, any Cash Equivalents received upon the sale or other disposition of any non-cash consideration received in any Asset Disposition), net of (1) the direct costs relating to such Asset Disposition, including, without limitation, legal, accounting, investment banking and brokerage fees, and sales commissions, and any relocation expenses incurred as a result thereof, (2) taxes paid or payable as a result thereof, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, (3) in the case of any Asset Disposition by a Restricted Subsidiary, payments to holders of Equity Interests in such Restricted Subsidiary in such capacity (other than such Equity Interests held by Andres BV, any Guarantor or any other Restricted Subsidiary) to the extent that such payment is required to permit the distribution of such proceeds in respect of the Equity Interests in such Restricted Subsidiary held by Andres BV, any Guarantor or any other Restricted Subsidiary and (4) appropriate amounts to be provided by Andres BV, the Guarantors or the Restricted Subsidiaries as a reserve against liabilities associated with such Asset Disposition, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Disposition, all as determined in accordance with IFRS; provided that (a) excess amounts set aside for payment of taxes pursuant to clause (2) above remaining after such taxes have been paid in full or the statute of limitations therefor has expired and (b) amounts initially held in reserve pursuant to clause (4) no longer so held, will, in the case of each of subclause (a) and (b), at that time become Net Available Cash.

“Net Cash Proceeds” with respect to any issuance or sale of Capital Stock or debt securities, any incurrence of Indebtedness or any sale or other disposition of any Investment, means the cash proceeds of such issuance or sale net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees and expenses actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Notes” shall be the \$300.0 million 5.700% senior notes offered hereby and to be issued by Andres BV and guaranteed by the Guarantors pursuant to the Indenture.

“Obligations” with respect to any Indebtedness means any principal, premium, interest, Additional Amounts, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing such Indebtedness.

“Offer to Purchase” means an offer to purchase Notes by Andres BV from the Holders commenced by mailing a notice to the Trustee and each Holder stating:

(1) the provision of the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase, which shall be a business day no earlier than 30 days nor later than 60 days from the date such notice is mailed (the “Payment Date”);

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless Andres BV defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest and Additional Amounts, if any, on and after the Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the paying agent at the address specified in the notice prior to the close of business on the business day immediately preceding the Payment Date;

(6) that Holders will be entitled to withdraw their election if the paying agent receives, not later than the close of business on the third business day immediately preceding the Payment Date, facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of \$200,000 or an integral multiple of \$1,000 in excess thereof.

On the Payment Date, Andres BV shall (a) accept for payment on a pro rata basis Notes or portions thereof (and, in the case of an Offer to Purchase made pursuant to “Repurchase at the Option of Holders—Asset Dispositions,” any other Pari Passu Debt included in such Offer to Purchase) tendered pursuant to an Offer to Purchase; (b) deposit with the paying agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers’ Certificate specifying the Notes or portions thereof accepted for payment by Andres BV. The paying agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and upon written instruction from Andres BV, the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of \$200,000 or an integral multiple of \$1,000 in excess thereof. Andres BV will publicly announce the results of an Offer to Purchase as soon as practicable after the Payment Date. The Trustee shall act as the paying agent for an Offer to Purchase. Andres BV will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder, to the extent such laws and regulations are applicable, in the event that Andres BV is required to repurchase Notes pursuant to an Offer to Purchase. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture relating to an Offer to Purchase, Andres BV will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under such provisions of the Indenture by virtue of such conflict.

“Officer” means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary, any Vice-President or any member of the management board, if any, of such Person.

“Officers’ Certificate” means a certificate signed on behalf of Andres BV and/or any Guarantor by at least two Officers of Andres BV and/or such Guarantor, as applicable, one of whom must be the principal executive officer or the principal financial officer or the principal accounting officer of Andres BV and/or such Guarantor, as applicable, that meets the requirements of the Indenture.

“Opinion of Counsel” means an opinion from legal counsel who is reasonably acceptable to the Trustee (who may be counsel to Andres BV) that meets the requirements of the Indenture.

“Pari Passu Debt” means (a) any Indebtedness of Andres BV that ranks equally in right of payment with the Notes or (b) any Indebtedness of a Guarantor that ranks equally in right of payment with any Guaranty.

“Permitted Business” means any business conducted or proposed to be conducted (as described in these listing particulars) by Andres BV and the Guarantors on the Issue Date and other businesses reasonably related or ancillary thereto.

“Permitted Debt” shall have the meaning set forth under “—Limitation on Indebtedness” above.

“Permitted Investments” means:

- (1) any Investment in Andres BV, a Guarantor or in a Restricted Subsidiary;
- (2) any Investment in Cash Equivalents or Temporary Cash Investments;
- (3) any Investment by Andres BV, any Guarantor or any Restricted Subsidiary in a Person, if as a result of such Investment:
  - (a) such Person becomes a Restricted Subsidiary; or
  - (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys all or substantially all of its assets to, or is liquidated into, Andres BV, a Guarantor or a Restricted Subsidiary;
- (4) any Investment made as a result of the receipt of non-cash consideration from an Asset Disposition that was made pursuant to and in compliance with the covenant described above under the caption “— Repurchase at the Option of Holders—Asset Dispositions;”
- (5) Hedging Obligations that are designed solely to protect Andres BV, the Guarantors or the Restricted Subsidiaries against fluctuations in interest rates, commodity prices or foreign currency exchange rates (or to reverse or amend any such agreements previously made for such purposes), and not for speculative purposes, and that do not increase the Indebtedness of the obligor outstanding at any time other than as a result of fluctuations in interest rates, commodity prices or foreign currency exchange rates or by reason of fees, indemnifies and compensation payable thereunder;
- (6) (i) stock, obligations or securities received in satisfaction of judgments, foreclosure of Liens or settlement of Indebtedness and (ii) any Investments received in compromise of obligations of any trade creditor or customer that were incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any such Person;
- (7) advances to customers or suppliers in the ordinary course of business that are, in conformity with IFRS, recorded as accounts receivable, prepaid expenses or deposits on the balance sheet of Andres BV, the Guarantors or the Restricted Subsidiaries and endorsements for collection or deposit arising in the ordinary course of business;
- (8) commission, payroll, travel and similar advances to officers and employees of Andres BV, any Guarantor or any Restricted Subsidiary that are expected at the time of such advance ultimately to be recorded as an expense in conformity with IFRS;

(9) any Investment by Andres BV, a Guarantor or a Subsidiary of Andres BV or a Guarantor in a Receivables Entity in connection with a Qualified Receivables Transaction, including Investments of funds held in accounts permitted or required by the arrangement governing such Qualified Receivables Transaction or any related Indebtedness; provided that such Investment is in the form of a Purchase Money Note, contribution of additional Receivables Assets, cash and Cash Equivalents or Equity Interests;

(10) any Investment existing on the Issue Date;

(11) receivables owing to Andres BV, a Guarantor or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such concessionary trade terms as Andres BV, such Guarantor or any such Restricted Subsidiary deems reasonable under the relevant circumstance; and

(12) additional Investments having an aggregate Fair Market Value, taken together with all other Investments made pursuant to this clause (12) that are at the time outstanding, not to exceed \$150.0 million at the time of such Investment (with the Fair Market Value of each Investment being measured at the time made and without giving effect to subsequent changes in value).

“Permitted Liens” means:

(1) Liens in favor of Andres BV or the Guarantors;

(2) Liens on property or assets of a Person existing at the time such Person is merged with or into or consolidated with Andres BV, any Guarantor or any Restricted Subsidiary, or any Liens on the property or assets of any Person existing at the time such Person becomes a Restricted Subsidiary; provided that such Liens were in existence prior to the contemplation of such transaction and do not extend to any other property or assets owned by Andres BV, any Guarantor or any Restricted Subsidiary;

(3) Liens on property or assets (including, without limitation, equity interests) existing at the time of acquisition thereof by Andres BV, any Guarantor or any Restricted Subsidiary of Andres BV or the Guarantors, provided that such Liens were in existence prior to the contemplation of such acquisition and do not extend to any property or assets other than the property or assets so acquired by Andres BV, the Guarantors or the Restricted Subsidiary;

(4) Liens securing the Notes and the Guaranties, if any;

(5) Liens existing on the Issue Date;

(6) Liens securing Permitted Refinancing Indebtedness; provided that such Liens do not extend to any property or assets other than the property or assets that secure the Indebtedness being refinanced;

(7) Liens on property or assets securing Indebtedness used to defease or to satisfy and discharge the Notes; provided that (a) the Incurrence of such Indebtedness was not prohibited by the Indenture and (b) such defeasance or satisfaction and discharge is not prohibited by the Indenture;

(8) Liens on assets transferred to or held by a Receivables Entity incurred in connection with a Qualified Receivables Transaction;

(9) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clauses (4), (15) and (16) of the second paragraph of the covenant described under the caption “—Certain Covenants—Limitation on Indebtedness;” provided that any such Lien (i) covers only the assets acquired, constructed or improved with such Indebtedness and (ii) is created within 180 days of such acquisition, construction or improvement;

(10) Liens on Cash Equivalents securing Hedging Obligations of Andres BV, the Guarantors or any Restricted Subsidiary (a) that are Incurred for the purpose of fixing, hedging or swapping interest rate, commodity price or foreign currency exchange rate risk (or to reverse or amend any such agreements previously made for such purposes), and not for speculative purposes, or (b) securing letters of credit that support such Hedging Obligations;

(11) Liens incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance or other social security obligations;

(12) Liens, deposits or pledges to secure the performance of bids, tenders, contracts (other than contracts for the payment of Indebtedness), leases, or other similar obligations arising in the ordinary course of business;

(13) Liens, deposits or pledges to secure public or statutory obligations, surety, stay, appeal, indemnity, performance or other similar bonds or obligations; and Liens, deposits or pledges in lieu of such bonds or obligations, or to secure such bonds or obligations, or to secure letters of credit in lieu of or supporting the payment of such bonds or obligations;

(14) Liens in favor of collecting or payor banks having a right of setoff, revocation, refund or chargeback with respect to money or instruments of Andres BV or any Restricted Subsidiary on deposit with or in possession of such bank;

(15) any interest or title of a lessor, licensor or sublicensor in the property subject to any lease, license or sublicense (other than any property that is the subject of a sale leaseback transaction);

(16) any Lien on the Capital Stock of an Unrestricted Subsidiary;

(17) Liens on the property or assets of Andres BV, any Guarantor or any Restricted Subsidiary for taxes, assessments, governmental charges, levies or claims which are not yet due or that can thereafter can be paid without penalty or are being contested in good faith by appropriate proceedings or the period within which such proceedings may be initiated has not expired;

(18) any Lien securing claims of laborers, workmen, suppliers, carriers, or vendors or other claims provided for by mandatory provisions of the laws of any jurisdiction in which Andres BV, any Guarantor or any Restricted Subsidiary conducts its business which are being contested in good faith by appropriate proceedings;

(19) Liens required by any contract or statute in order to permit Andres BV, the Guarantors or any Restricted Subsidiary to perform any contract or subcontract made by it with or at the request of a governmental entity or any department, agency or instrumentality thereof, or to secure partial progress, advance or any other payments to Andres BV, any Guarantor or any Restricted Subsidiary by a governmental entity or any department, agency or instrumentality thereof pursuant to the provisions of any contract or statute;

(20) any Lien arising solely by operation of law;

(21) any Lien created by or resulting from any litigation or legal proceeding that is currently being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and for which such reserves or other appropriate provision, if any, as is required by IFRS shall have been made;

(22) Liens on accounts receivable pledged to secure Indebtedness Incurred under clause (1) of the second paragraph of "—Certain Covenants—Limitation on Indebtedness;"

(23) any other Liens not otherwise described in clauses (1) to (23) above securing Indebtedness of Andres BV, any Guarantor or any Restricted Subsidiary in an aggregate principal amount that does not exceed \$25.0 million.

"Permitted Refinancing Indebtedness" means any Indebtedness of Andres BV, any Guarantor or any Restricted Subsidiary issued in exchange for, or the Net Cash Proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of Andres BV, any Guarantor or any Restricted Subsidiary (other than Indebtedness owed to Andres BV, any Guarantor or to any Subsidiary of Andres BV or any Guarantor which intercompany Indebtedness is governed by clause (6) of the definition of Permitted Debt); provided that:

(1) the amount of such Permitted Refinancing Indebtedness does not exceed the amount of the Indebtedness so extended, refinanced, renewed, replaced, defeased or refunded (plus all accrued and unpaid interest thereon and the amount of any reasonably determined premium necessary to accomplish such refinancing and such reasonable expenses incurred in connection therewith);



(2) such Permitted Refinancing Indebtedness has a final maturity date no earlier than the final maturity date of, and has a Weighted Average Life to Maturity not less than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;

(3) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the Notes or any Guaranty, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes or such Guaranties, as applicable, on terms at least as favorable, taken as a whole, to the Holders of Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and

(4) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is Pari Passu Debt, such Permitted Refinancing Indebtedness ranks equally in right of payment with, or is subordinated in right of payment to, the Notes or such Guaranties.

“Person” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

“Preferred Stock” means, with respect to any Person, any Capital Stock of such Person that has preferential rights to any other Capital Stock of such Person with respect to dividends or redemptions upon liquidation.

“Purchase Money Note” means a promissory note of a Receivables Entity evidencing a line of credit, which may be irrevocable, from Andres BV, any Guarantor or any Subsidiary of Andres BV or any Guarantor to a Receivables Entity in connection with a Qualified Receivables Transaction, which note is intended to finance that portion of the purchase price that is not paid in cash or a contribution of equity and which (a) shall be repaid from cash available to the Receivables Entity, other than (i) amounts required to be established as reserves, (ii) amounts paid to investors in respect of interest, (iii) principal and other amounts owing to such investors and (iv) amounts paid in connection with the purchase of newly generated receivables and (b) may be subordinated to the payments described in clause (a).

“Qualified Receivables Transaction” means any transaction or series of transactions entered into by Andres BV, the Guarantors or any of their Subsidiaries pursuant to which Andres BV, the Guarantors or any of their Subsidiaries sells, conveys or otherwise transfers to (1) a Receivables Entity (in the case of a transfer by Andres BV, the Guarantors or any of their Subsidiaries) or (2) any other Person (in the case of a transfer by a Receivables Entity), or transfers an undivided interest in or grants a security interest in, any Receivables Assets (whether now existing or arising in the future) of Andres BV, the Guarantors or any of their Subsidiaries.

“Rating Agencies” means each of Fitch, Moody’s and S&P or, if any of Fitch, Moody’s or S&P shall not make a rating on the Notes publicly available, a “nationally recognized statistical rating agency,” as such term is defined under Section 3(a)(62) under the Exchange Act, or agencies, as the case may be, selected by Andres BV (as certified by a resolution of the Board of Directors) which shall be substituted for Fitch, Moody’s or S&P, as the case may be.

“Rating Date” means, in connection with a Change of Control Triggering Event or a Renewable Asset Disposition, as the case may be, that date which is ninety (90) days prior to the earlier of (i) the occurrence of a Change of Control or consummation of a Renewable Asset Disposition or (ii) public notice of the occurrence of a Change of Control or consummation of a Renewable Asset Disposition or of the intention by Andres BV or any other Person or Persons to effect a Change of Control or by Andres BV, the Guarantors or any Restricted Subsidiary to consummate a Renewable Asset Disposition.

“Ratings Decline” means, in connection with a Change of Control Triggering Event or a Renewable Asset Disposition, as the case may be, the occurrence, on or within ninety (90) days (which period will be (i) extended for so long as any of the Rating Agencies has publicly announced that it is considering a possible ratings change as a result of a Change of Control or a Renewable Asset Disposition, or (ii) reduced in the event of a Ratings Reaffirmation to the date on which the Ratings Reaffirmation has been obtained) after the earlier to occur of public notice of (i) the occurrence of a Change of Control or a Renewable Asset Disposition or (ii) the intention by Andres BV or any other Person or Persons to effect a Change of Control or of Andres BV, the Guarantors or any Restricted Subsidiary to consummate a Renewable Asset Disposition, of any of the events listed below, in each case expressly as a result of such Change of Control or such Renewable Asset Disposition, as applicable:

- (a) in the event the Notes have an Investment Grade Rating by any two or more Rating Agencies on the Rating Date, the rating of the Notes by any such Rating Agency will be changed to below an Investment Grade Rating;
- (b) in the event the Notes have an Investment Grade Rating by any, but not two or more, of the Rating Agencies on the Rating Date, the rating of the Notes by such Rating Agency will be changed to below an Investment Grade Rating; or
- (c) in the event the Notes are rated below an Investment Grade Rating by any two or more Rating Agencies on the Rating Date, the rating of the Notes by any such Rating Agency will be decreased by one or more gradations (including gradations within rating categories as well as between rating categories).

“Ratings Reaffirmation” means, in connection with a Change of Control Triggering Event or a Renewable Asset Disposition, as the case may be, a written reaffirmation from each Rating Agency then rating the Notes stating that the credit rating on the Notes, which was in effect immediately prior to a public notice of (a) any Change of Control or of the intention of Andres BV or any Person to effect such Change of Control, or (b) any Renewable Asset Disposition or of the intention of Andres BV, the Guarantors or any Restricted Subsidiary to consummate such Renewable Asset Disposition, will not be decreased as a result of such Change of Control or such Renewable Asset Disposition.

“Receivables Assets” means any accounts receivable and any assets related thereto, including, without limitation, all collateral securing such accounts receivable and assets and all contracts and contract rights, and all guarantees or other supporting obligations (within the meaning of the New York Uniform Commercial Code Section 9-102(a)(77)) (including Hedging Obligations), in respect of such accounts receivable and assets and all proceeds of the foregoing and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitization transactions involving Receivables Assets.

“Receivables Entity” means a Subsidiary of Andres BV or any Guarantor (or another Person formed for the purposes of engaging in a Qualified Receivables Transaction in which Andres BV, any Guarantor or any of its Subsidiaries makes an Investment and to which Andres BV, any Guarantor or any of its Subsidiaries transfers Receivables Assets) which engages in no activities other than in connection with the financing of Receivables Assets of Andres BV, a Guarantor or its Subsidiaries, and any business or activities incidental or related to such financing, and which is designated by the Board of Directors of Andres BV, the Guarantors or of such other Person (as provided below) to be a Receivables Entity (a) no portion of the Indebtedness or any other Obligations (contingent or otherwise) of which (1) is guaranteed by Andres BV, any Guarantor or any Subsidiary of Andres BV or a Guarantor (excluding guarantees of Obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Receivables Undertakings), (2) is recourse to or obligates Andres BV, any Guarantor or any Subsidiary of Andres BV or any Guarantor in any way other than pursuant to Standard Receivables Undertakings or (3) subjects any property or asset of Andres BV, any Guarantor or any Subsidiary of Andres BV or a Guarantor (other than Receivables Assets and related assets as provided in the definition of “Qualified Receivables Transaction”), directly or indirectly, contingently or otherwise, to the satisfaction thereof other than pursuant to Standard Receivables Undertakings, (b) with which none of Andres BV, any Guarantor or any Subsidiary of Andres BV or any Guarantor has any material contract, agreement, arrangement or understanding (other than on terms which Andres BV or a Guarantor reasonably believes to be no less favorable to Andres BV, a Guarantor and/or such Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of Andres BV or any Guarantor) other than fees payable in the ordinary course of business in connection with servicing Receivables Assets, and (c) with which none of Andres BV, any Guarantor or any Subsidiary of Andres BV or any Guarantor has any obligation to maintain or preserve such entity’s financial condition or cause such entity to achieve certain levels of operating results. Any such designation by the Board of Directors of Andres BV, a Guarantor or of such other Person will be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the Board of Directors of Andres BV, the relevant Guarantor and/or of such other Person, as applicable, giving effect to such designation, together with an Officers’ Certificate certifying that such designation complied with the foregoing conditions.

“Receivables Repurchase Obligation” means any obligation of a seller of Receivables Assets in a Qualified Receivables Transaction to repurchase Receivables Assets arising as a result of a breach of a Standard Receivables Undertaking, including as a result of a Receivables Asset or portion thereof becoming subject to any asserted defense,

dispute, offset or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

“Renewable Assets” means (i) the Bayasol project, (ii) the Santanasol project, and (iii) any other existing or future renewable energy projects of Andres BV, the Guarantors or any Restricted Subsidiaries.

“Restricted Subsidiary” means (i) any Subsidiary of Andres BV or (ii) any Subsidiary of DPP, in each case, that is not an Unrestricted Subsidiary.

“Santanasol” means a photovoltaic power plant with an installed capacity of 50 MWn located in Santana, Peravia Province, Dominican Republic, owned by Andres DR.

“S&P” means Standard & Poor’s Ratings Group, Inc. or any successor rating agency business thereof.

“Sale and Leaseback Transaction” means, with respect to any Person, any transaction involving any of the assets or properties of such Person whether now owned or hereafter acquired, whereby such Person sells or otherwise transfers such assets or properties and then or thereafter leases such assets or properties or any part thereof or any other assets or properties which such Person intends to use for substantially the same purpose or purposes as the assets or properties sold or transferred for a period for more than three years to which funds have been or are to be advanced by such Person to whom the assets or properties are sold or transferred.

“Senior Indebtedness” shall mean all unsubordinated Indebtedness of any of Andres BV, any Guarantor or of any Restricted Subsidiary, whether outstanding on the Issue Date or Incurred thereafter.

“Significant Subsidiary” means any Subsidiary that would constitute a “significant subsidiary” within the meaning of Article 1 of Regulation S-X of the Securities Act.

“Standard Receivables Undertakings” means representations, warranties, covenants and indemnities entered into by Andres BV, any Guarantor or any of their respective Subsidiaries which are customary in a Qualified Receivables Transaction, including, without limitation, those relating to the servicing of the assets of a Receivables Entity, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Receivables Undertaking.

“Stated Maturity” means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which such installment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

“Subordinated Indebtedness” means any Indebtedness of Andres BV, any Guarantor or any Restricted Subsidiary (whether outstanding on the Issue Date or thereafter Incurred) that is subordinate or junior in right of payment to the Notes and any Guaranty pursuant to a written agreement.

“Subsidiary” means, with respect to any Person the accounts of which would be consolidated with those of a parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with IFRS as of such date, as well as, in the case of Andres BV and the Guarantors:

- (1) a corporation a majority of whose Voting Stock is at the time owned or controlled, directly or indirectly, by such Person, one or more Subsidiaries thereof or such Person and one or more Subsidiaries thereof; and
- (2) any other Person (other than a corporation), including, without limitation, a partnership, limited liability company, business trust or joint venture, in which such Person, one or more Subsidiaries thereof or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, has at least majority ownership interest entitled to vote in the election of administrators, managers or trustees thereof (or other Person performing similar functions).

“Temporary Cash Investments” means any of the following:

(1) Investments in direct obligations of the United States of America or any agency thereof or obligations Guaranteed by the United States of America or any agency thereof;

(2) Investments in time deposit accounts, certificates of deposit and money market deposits or money market mutual funds maturing within 365 days of the date of acquisition thereof (or with no maturity requirement if a money market mutual fund with liquidity available on New York Business Days) issued by a bank or trust company that is organized under the laws of the United States, any state thereof or any foreign country recognized by the United States having capital, surplus and undivided profits aggregating in excess of \$50.0 million (or the foreign currency equivalent thereof) and whose long-term debt is rated “BBB-” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as such term is defined under Section 3(a)(62) under the Exchange Act);

(3) Investments in repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 365 days after the date of acquisition, issued by a corporation (other than an Affiliate of Andres BV or any Guarantor) organized and in existence under the laws of the United States or any foreign country recognized by the United States with a rating at the time as of which any Investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;

(5) Investments in securities with maturities of six months or less from the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P or “A” by Moody’s; and

(6) (a) Investments in marketable direct obligations issued or unconditionally Guaranteed by the Dominican Republic and maturing within one year from the date of acquisition thereof by Andres BV, a Guarantor or a Restricted Subsidiary,

(b) Investments in time deposits or certificates of deposit of a Dominican bank, the commercial paper or other short-term unsecured debt obligations of which (or in the case of a bank that is the principal subsidiary of a holding company, the holding company) are rated the highest rating of any Dominican bank, but in no event less than the short term rating of “A2” by S&P or “P2” by Moody’s, and maturing within 90 days (unless the short term rating is not less than “A1” by S&P or “P1” by Moody’s, in which case maturing within one year) from the date of acquisition thereof by Andres BV, the Guarantors or a Restricted Subsidiary,

(c) Investments in repurchase obligations with a term of not more than 60 days for underlying securities of the types described in subclause (a) above entered into with a bank meeting the qualifications described in subclause (b) above, or

(d) Investments in certificates of deposit, time deposit accounts and money market accounts maturing not more than one year after the deposit of cash or acquisition thereof issued by (i) any of the largest ten banks (based on assets of the last December 31) organized under the laws of the Dominican Republic or (ii) any other bank organized under the laws of the Dominican Republic so long as the outstanding amount in any such bank does not exceed at any one time \$5.0 million (or the foreign currency equivalent thereof).

“Tender Offer” means the offer to purchase for cash commenced on April 19, 2021 by Andres and DPP for any and all of the \$270.1 million outstanding of the 2026 Andres-DPP Notes pursuant to the terms of, and subject to the conditions set forth in, an offer to purchase dated as of April 19, 2021 and related documents.

“Total Net Indebtedness” means, with respect to any Person, the sum of the total principal amount of Indebtedness (or, in the case of Indebtedness issued at less than its principal amount at maturity, the accreted value thereof) and the total amount of Disqualified Stock outstanding of any Person and its Restricted Subsidiaries on a consolidated basis and determined in accordance with IFRS on any Calculation Date, excluding any contingent obligations arising under clause (3) of the definition of Indebtedness, less the amount of cash, Cash Equivalents as determined in accordance with IFRS and Temporary Cash Investments held by such Person and its Restricted Subsidiaries on such Calculation Date.

“U.S. Dollar Equivalent” means with respect to any monetary amount in a currency other than U.S. dollars, at any time for determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with the applicable foreign currency as published in The Wall Street Journal in the “Exchange Rates” column under the heading “Currency Trading” on the date two business days prior to such determination.

“Unrestricted Subsidiary” means any Subsidiary of any of Andres BV or any Guarantors that is designated, by the Board of Directors of Andres BV or Guarantors that directly or indirectly controls such Subsidiary, as an Unrestricted Subsidiary pursuant to a Board Resolution in compliance with the covenant described under the caption “—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries,” and any Subsidiary of such Subsidiary.

“Voting Stock” of any Person as of any date means the Capital Stock of such Person that is ordinarily entitled to vote in the election of the Board of Directors of such Person.

“Weighted Average Life to Maturity” means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

## **BOOK ENTRY, DELIVERY AND LISTING**

### **Form and Registration**

The Notes will be represented by Regulation S Global Notes (as defined below) and Restricted Global Notes (as defined below) (each sometimes referred to herein as a “Global Note” and together sometimes referred to herein as the “Global Notes”).

Notes sold outside the United States in reliance on Regulation S will be represented by one or more global Notes in definitive, fully registered form without interest coupons (collectively, “Regulation S Global Notes”) and will be deposited with the Registrar as custodian for DTC, and registered in the name of DTC or its nominee for the accounts of Euroclear and Clearstream (as indirect participants in DTC).

Notes sold in reliance on Rule 144A under the Securities Act initially will be represented by one or more global Notes in definitive, fully registered form without interest coupons (collectively, “Restricted Global Notes”) and will be deposited with the Registrar as custodian for DTC and registered in the name of DTC or its nominee. Restricted Global Notes will be subject to certain restrictions on transfer and will bear a legend to that effect as described under “Transfer Restrictions.”

Beneficial interests in Regulation S Global Notes may be transferred to a person who takes delivery in the form of an interest in Restricted Global Notes only upon receipt by the Registrar of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made to a person that the transferor reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Beneficial interests in Restricted Global Notes may be transferred to a person who takes delivery in the form of an interest in Regulation S Global Notes only upon receipt by the Registrar of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 under the Securities Act. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Notes will, upon transfer, cease to be an interest in such Global Notes and become an interest in the other Global Notes and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Notes for as long as it remains such an interest.

### **Global Notes**

Upon the issuance of Regulation S Global Notes and Restricted Global Notes, DTC or its custodian will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such Global Notes to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the Initial Purchasers. Ownership of beneficial interests in Global Notes will be limited to persons who have accounts with DTC, or DTC Participants, or persons who hold interests through DTC Participants. Ownership of beneficial interests in the Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC or its nominee is the registered owner or Holder of Global Notes, DTC or such nominee, as the case may be, will be considered the sole owner or Holder of the Notes represented by such Global Notes for all purposes under the Indenture. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC’s applicable procedures, in addition to those provided for under the Indenture.

Investors may hold their interests in Regulation S Global Notes directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories, which in turn will hold such interests in Regulation S Global Notes in customers’ securities accounts in the depositories’ names on

the books of DTC. Investors that are qualified institutional buyers may hold their interests in Restricted Global Notes directly through DTC if they are DTC Participants, or indirectly through organizations that are DTC Participants.

Payments of the principal and interest and any Additional Amounts on individual Notes represented by Global Notes registered in the name of DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner of the Global Notes representing such Notes. None of the Issuer, the Trustee or any paying agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising, or reviewing any records relating to such beneficial ownership interests. The Issuer expects that DTC or its nominee, upon receipt of any payment of principal, interest or Additional Amounts, if any, in respect of Global Notes representing any Notes held by it or its nominee, will credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Notes as shown on the records of DTC or its nominee. The Issuer also expects that payments by DTC Participants to owners of beneficial interests in such Global Notes held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants.

Transfers between DTC Participants will be effected in accordance with DTC rules and procedures and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and procedures.

The laws of some states require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in Global Notes to such persons may be limited because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants and certain banks. Accordingly, the ability of a person having a beneficial interest in Global Notes to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of each interest, may be affected by the lack of a physical certificate for such interest.

Subject to compliance with the transfer restrictions applicable to the Notes described above and under "Transfer Restrictions," cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules and procedures on behalf of Euroclear or Clearstream, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (Brussels, Belgium time). Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in Regulation S Global Notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in Global Notes from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date, and the credit of any transactions in interests in Global Notes settled during such processing will be reported to the relevant Euroclear or Clearstream participant on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in Global Notes by or through a Euroclear or Clearstream participant to a DTC Participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

In order to ensure the availability of Rule 144(k) under the Securities Act, the Indenture will provide that all Notes which are purchased or otherwise acquired by the Issuer or any of its respective subsidiaries may not be resold or otherwise transferred.

DTC has advised the Issuer that it will take any action permitted to be taken by a Noteholder (including, without limitation, the presentation of Notes for transfer, exchange or conversion as described below) only at the direction of one or more DTC Participants to whose account with DTC interests in the Global Notes are credited and

only in respect of such portion of the aggregate principal amount of the Notes as to which such DTC Participant or DTC Participants has or have given such direction. However, in the limited circumstances described herein, DTC will exchange the Global Notes for certificated Notes in definitive form, which it will distribute to DTC Participants and which, if representing interests in the Restricted Global Note, will be legended as set forth under “Transfer Restrictions.” See “—Certificated Notes.”

DTC has advised the Issuer as follows: DTC will act as the depository for the Notes. Notes will be issued as fully registered senior notes registered in the name of Cede & Co., which is DTC’s partnership nominee. Fully registered Global Notes will be issued for the Notes, in the aggregate principal amount of the issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, including transfers and pledges, in deposited securities through electronic, computerized book entry changes to participants’ accounts, thereby eliminating the need for physical movement of certificates. Direct participants of DTC include securities brokers and dealers, including the Initial Purchasers of the Notes, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to DTC’s system is also available to indirect participants, which includes securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

To facilitate subsequent transfers, all Global Notes representing the Notes which are deposited with, or on behalf of, DTC are registered in the name of DTC’s nominee, Cede & Co. The deposit of Global Notes with, or on behalf of, DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Global Notes representing the Notes; DTC’s records reflect only the identity of the direct participant to whose accounts the Notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the Global Notes representing the Notes. Under its usual procedure, DTC mails an omnibus proxy to the Issuer as soon as possible after the applicable record date. The omnibus proxy assigns Cede & Co.’s consenting or voting rights to those direct participants to whose accounts the Notes are credited on the applicable record date (identified in a listing attached to the omnibus proxy). DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificated Notes are required to be printed and delivered. See “—Certificated Notes.”

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC or a successor securities depository. In that event, certificated Notes will be printed and delivered. See “—Certificated Notes.”

Although DTC, Euroclear and Clearstream have agreed to the procedures described above in order to facilitate transfers of interests in the Global Notes among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform these procedures, and these procedures may be discontinued at any time. Neither the Trustee nor the Issuer will have any liability or responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.



## **Certificated Notes**

If (i) DTC is at any time unwilling or unable to continue as a depository for the Global Notes and a successor depository is not appointed by the Issuer within 90 days, or (ii) an Event of Default shall have occurred and be continuing and the beneficial holder of Notes shall have requested that the Issuer issue to such beneficial holder its proportionate interest in Global Notes, the Issuer will issue certificated Notes which may bear the legend referred to under “Transfer Restrictions,” in exchange for the Global Notes holders of an interest in Global Notes may receive certificated Notes, which may bear the legend referred to under “Transfer Restrictions,” in accordance with DTC’s rules and procedures in addition to those provided for under the Indenture; *provided, however*, that if the Issuer is issuing certificated Notes pursuant to clause (ii) above, the Issuer shall only be required to issue certificated Notes to the beneficial owners of the Notes who request certificated Notes.

The Noteholder of a definitive Note may transfer such Note by surrendering it at the office or agency maintained by the Issuer for such purpose in the Borough of Manhattan, New York City, New York, which initially will be the office of the Registrar. Upon the transfer, exchange or replacement of definitive Notes bearing the legend, or upon specific request for removal of the legend on a definitive Note, the Issuer will deliver only definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Neither the Trustee, the Principal Paying Agent, the Luxembourg Special Paying Agent nor any other paying agent, registrar or transfer agent shall be required to register the transfer of or exchange definitive Notes for a period from the record date to the due date for any payment of principal of, or interest on, the Notes or register the transfer of or exchange any Notes for 15 days prior to selection for redemption through the date of redemption. For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, in the case of a transfer or exchange of definitive registered Notes, a holder thereof may effect such transfer or exchange by presenting and surrendering such Notes at, and obtaining new definitive registered Notes from the office of the Luxembourg transfer agent. In the case of a transfer of only part of definitive registered Notes, new definitive Notes in respect of the balance of the principal amount of the definitive registered Notes transferred will be delivered at the office of the Luxembourg transfer agent, and in the case of any lost, stolen, mutilated or destroyed definitive registered Notes, a holder thereof may obtain new definitive registered Notes from the Luxembourg transfer agent.

Prior to presentment of Notes for registration of transfer (including a Global Note), the Issuer, the Registrar and any agent of the Issuer or the Trustee may treat the person in whose name such Note is registered as the owner or holder of such Note for the purpose of receiving payment of principal, interest and any Additional Amounts on such Note and for all other purposes whatsoever, whether or not such Note is overdue, and none of the Issuer, the Registrar or any agent of the Issuer or the Registrar shall be affected by notice to the contrary.

## **Listing**

We will use our reasonable best efforts to obtain a listing of the Notes on the Official List of the Luxembourg Stock Exchange and admission to trade them on the Euro MTF Market of such exchange. If any European or national legislation is adopted and is implemented or takes effect in Luxembourg in a manner that would require Andres or DPP to publish or produce financial statements according to accounting principles or standards that are different from IFRS, or that would otherwise impose requirements on Andres or DPP that each of Andres or DPP, as applicable, in their discretion determine are impracticable or unduly burdensome, the Issuer may apply to delist the Notes. The Issuer will use its reasonable best efforts to obtain an alternative admission to listing, trading and/or quotation for the Notes by another listing authority, exchange and/or system within or outside the European Union, as it may reasonably decide.

## TAX CONSIDERATIONS

### Certain U.S. Federal Income Tax Considerations

The following are certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes to “U.S. Holders” (as defined below). This discussion applies only to Notes that are (i) purchased in this initial offering at the price indicated on the cover of this offering memorandum and (ii) held as capital assets (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”). It does not describe all of the U.S. federal income tax consequences that may be relevant to a U.S. Holder in light of its particular circumstances or to U.S. Holders subject to special rules, such as banks or other financial institutions, insurance companies, dealers in securities or currencies, traders in securities or currencies that have elected the mark-to-market method of accounting, individual retirement and other tax-deferred accounts, real estate investment trusts, regulated investment companies, persons holding Notes as part of a hedge, “straddle,” integrated transaction or similar transactions, persons participating in the Tender Offer, U.S. Holders whose functional currency is not the U.S. dollar, partnerships or other pass-through entities or arrangements for U.S. federal income tax purposes, tax-exempt entities, U.S. expatriates and persons subject to the alternative minimum tax.

This summary is based on the Code, administrative pronouncements of the Internal Revenue Service (the “IRS”), judicial decisions and final, temporary and proposed Treasury regulations, all as of the date of this offering memorandum and all of which are subject to change (possibly with retroactive effect) or differing interpretations. This summary does not address all aspects of U.S. federal tax law and does not describe the Medicare tax on net investment income, the estate tax, or any state, local or non-U.S. tax considerations. Persons considering purchasing the Notes are urged to consult their tax advisors regarding the application to their particular situations of U.S. federal laws as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

As used herein, the term “U.S. Holder” means a beneficial owner of a Note that is, for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust, if (1) a court within the United States is able to exercise primary supervision over the trust’s administration and one or more U.S. persons (within the meaning of section 7701(a)(30) of the Code) have the authority to control all of its substantial decisions, or (2) a valid election to be treated as a U.S. person is in effect under the relevant Treasury regulations with respect to such trust.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. federal income tax treatment of a partner in such partnership would generally depend on the status of the partner and upon the activities of the partnership. Such entities or arrangements and the partners therein should consult their tax advisors as to the particular U.S. federal income tax consequences of acquiring, owning and disposing of the Notes.

#### *Payments of Interest*

It is expected, and therefore this discussion assumes, that the Notes will not be issued with more than a *de minimis* amount of original issue discount for U.S. federal income tax purposes.

Interest paid on a Note (including any Additional Amounts paid on a Note as described under “Description of the Notes—Additional Amounts”) generally will be taxable to a U.S. Holder as ordinary interest income at the time the interest accrues or is received in accordance with such U.S. Holder’s regular method of accounting for U.S. federal income tax purposes. The amount of interest taxable as ordinary income will include amounts withheld in respect of any foreign taxes. Accordingly, the amount included in a U.S. Holder’s gross income for U.S. federal income tax purposes with respect to a payment of interest may be greater than the amount of cash actually received (or receivable) by such U.S. Holder.

Interest income earned by a U.S. Holder with respect to a Note will constitute foreign source income for U.S. federal income tax purposes. For most U.S. Holders, such income will constitute “passive category” income, which

may be relevant for calculating the U.S. Holder's foreign tax credit limitation. Foreign income taxes withheld from interest payments on a Note generally will be creditable against the U.S. Holder's U.S. federal income tax liability, subject to applicable limitations (including minimum holding period requirements) that may vary depending upon the U.S. Holder's circumstances. Alternatively, the U.S. Holder may deduct such foreign income taxes in computing U.S. taxable income as long as the U.S. Holder elects to deduct (rather than credit) all foreign income taxes paid or accrued for the relevant taxable year. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their tax advisors regarding the availability of foreign tax credits in their particular circumstances.

#### *Sale, Exchange, Retirement or other Taxable Disposition*

Upon the sale, exchange, retirement or other taxable disposition of a Note, a U.S. Holder will recognize taxable gain or loss equal to the difference between the amount realized (before the deduction of any foreign taxes) on the sale, exchange, retirement or other taxable disposition and the U.S. Holder's adjusted tax basis in the Notes. A U.S. Holder's adjusted tax basis in a Note generally will equal the cost of the Note to the U.S. Holder. For these purposes, the amount realized does not include any amount attributable to accrued interest, which will be treated as interest as described under "—Payments of Interest" above. Any gain or loss realized on the sale, exchange, retirement or other taxable disposition of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, retirement or other taxable disposition the Note has been held for more than one year. Certain U.S. Holders (including individuals) may be eligible for preferential tax rates in respect of long-term capital gain. The deductibility of capital losses is subject to limitations.

If any foreign income tax is withheld on the sale, exchange, retirement or other taxable disposition of a Note, the amount realized by a U.S. Holder will include the gross amount of the proceeds of that sale, exchange, retirement or other taxable disposition before deduction of such tax. Capital gain or loss, if any, realized by a U.S. Holder on the sale, exchange, retirement or other taxable disposition of a Note generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes. Consequently, in the case of a gain from the sale, exchange, retirement or other taxable disposition of a Note that is subject to foreign income tax, the U.S. Holder may not be able to benefit from the foreign tax credit for the tax unless the U.S. Holder can apply the credit against U.S. federal income tax payable on other income from foreign sources. Alternatively, the U.S. Holder may take a deduction for the foreign income tax if the U.S. Holder elects to deduct (rather than credit) all foreign income taxes paid or accrued during the taxable year. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their tax advisors regarding the availability of foreign tax credits in their particular circumstances.

#### *Backup Withholding and Information Reporting*

Payments on the Notes and the proceeds received from a sale, exchange, retirement or other taxable disposition of the Notes may be subject to information reporting. A U.S. Holder may also be subject to U.S. backup withholding at the applicable rate if the Holder fails to provide certain identifying information (such as an accurate taxpayer identification number) or meet certain other conditions. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against the Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

In addition, certain U.S. Holders who are individuals are required to report information relating to certain foreign financial assets, including debt of foreign issuers, subject to certain exceptions (including an exception for debt instruments held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Notes.

#### **Dutch Tax Considerations**

The following is a general summary of certain Dutch tax consequences of the acquisition, holding and disposal of the Notes. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a Noteholder or prospective Noteholder and does not purport to deal with the tax consequences applicable to all categories of investors, some of which, such as trusts or similar arrangements, may be subject to special rules. In view of its general nature, it should be treated with corresponding caution.

This summary is based on the tax laws of the Netherlands, published regulations thereunder and published authoritative case law, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. Where the summary refers to “the Netherlands” or “Dutch” it refers only to the part of the Kingdom of the Netherlands located in Europe.

This discussion is for general information purposes only and is not Dutch tax advice or a complete description of all Dutch tax consequences relating to the acquisition, holding and disposal of the Notes. Holders or prospective Noteholders should consult with their tax advisors regarding the Dutch tax consequences relating to the acquisition, holding and disposal of the Notes in light of their particular circumstances.

### ***Withholding tax***

#### *Non-related holders of Notes*

All payments of principal and/or interest made by the Issuer under the Notes to holders of Notes other than holders that are “related entities” (within the meaning of the Dutch Withholding Tax Act 2021; *Wet bronbelasting 2021*) (see below) in respect of Andres BV, may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

#### *Entities related to Andres BV*

As a result of its incorporation under Dutch law, any payments of principal or interest made by Andres BV under the Notes could in principle, and under the conditions as described below, fall within the scope of the Dutch Withholding Tax Act 2021.

Therefore, payments of principal or interest made by the Issuer under the Notes to holders of Notes that *are related entities* (within the meaning of the Dutch Withholding Tax Act 2021) (see below) in respect of Andres BV may become subject to Dutch withholding tax at a rate of 25% (rate for 2021), if such related entity:

- is considered to be resident (*gevestigd*) in a jurisdiction that is listed in the yearly updated Dutch Regulation on low-taxing states and non-cooperative jurisdictions for tax purposes (*Regeling laagbelastende staten en niet-coöperatieve rechtsgebieden voor belastingdoeleinden*) (a “Listed Jurisdiction”); or
- has a permanent establishment located in a Listed Jurisdiction to which the interest payment is attributable; or
- is entitled to the interest payment for the main purpose or one of the main purposes to avoid taxation for another person; or
- is a hybrid entity (a hybrid mismatch); or
- is not resident in any jurisdiction,

all within the meaning of the Dutch Withholding Tax Act 2021.

#### *Listed Jurisdiction*

For the fiscal year 2021, the following 23 jurisdictions are “Listed Jurisdictions”: American Samoa, Anguilla, Bahamas, Bahrain, Barbados, Bermuda, the British Virgin Islands, the Cayman Islands, Fiji, Guam, Guernsey, Isle of Man, Jersey, Palau, Panama, Samoa, Seychelles, Trinidad and Tobago, Turkmenistan, Turks and Caicos Islands, Vanuatu, the United Arab Emirates and the U.S. Virgin Islands.

### *Related entity*

For purposes of the Dutch Withholding Tax Act 2021, an entity is considered a “related entity” if:

- such entity has a Qualifying Interest (as defined below) in Andres BV;
- Andres BV has a Qualifying Interest in such entity; or
- a third party has a Qualifying Interest in both Andres BV and such entity.

The term “Qualifying Interest” means a directly or indirectly held interest, either individually or jointly as part of a collaborating group (*samenwerkende groep*), that confers a definite influence over the entity’s decisions and allows the holder of such interest to determine its activities (within the meaning of case law of the European Court of Justice on the right of freedom of establishment (*vrijheid van vestiging*)).

### *Taxes on income and capital gains*

Please note that the summary in this section does not describe the Dutch tax consequences for:

- (i) Noteholders, if such Noteholders, and in the case of individuals, his/her partner or certain of their relatives by blood or marriage in the direct line, including foster children, have a substantial interest or deemed substantial interest in the Issuer under the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with his/her partner (as defined in the Dutch Income Tax Act 2001), directly or indirectly, holds: (1) an interest of 5% or more of the total issued and outstanding capital of that company or of 5% or more of the issued and outstanding capital of a certain class of shares of that company; (2) rights to acquire, directly or indirectly, such interest; or (3) certain profit sharing rights in that company that relate to 5% or more of the company’s annual profits and/or to 5% or more of the company’s liquidation proceeds. A deemed substantial interest may arise if a substantial interest, or part thereof, in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis;
- (ii) pension funds, investment institutions (*fiscale beleggingsinstellingen*), exempt investment institutions (*vrijgestelde beleggingsinstellingen*) (as defined in the Dutch Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*)) and other entities that are, in whole or in part, not subject to or exempt from Dutch corporate income tax; and
- (iii) Noteholders who are individuals for whom the Notes or any benefit derived from the Notes are a remuneration or deemed to be a remuneration for activities performed by such Noteholders or certain individuals related to such Noteholders (as defined in the Dutch Income Tax Act 2001).

### *Taxes on income and capital gains / Residents of the Netherlands*

Generally speaking, if the Noteholder is an entity that is a resident or deemed to be resident of the Netherlands for Dutch corporate income tax purposes, any payment under the Notes or any gain or loss realized on the disposal or deemed disposal of the Notes is subject to Dutch corporate income tax at a rate of 15% with respect to taxable profits up to €245,000 and 25% with respect to taxable profits in excess of that amount (rates and brackets for 2021).

If a Noteholder is an individual, resident or deemed to be resident of the Netherlands for Dutch income tax purposes, any payment under the Notes or any gain or loss realized on the disposal or deemed disposal of the Notes is taxable at the progressive income tax rates (with a maximum of 49.5% in 2021), if:

- (i) the Notes are attributable to an enterprise from which the Noteholder derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth (*medegerechtigd*

*tot het vermogen*) of such enterprise without being a shareholder (as defined in the Dutch Income Tax Act 2001); or

- (ii) the Noteholder is considered to perform activities with respect to the Notes that go beyond ordinary asset management (*normaal, actief vermogensbeheer*) or derives benefits from the Notes that are taxable as benefits from other activities (*resultaat uit overige werkzaamheden*).

If the above-mentioned conditions (i) and (ii) do not apply to the individual Noteholder, such Noteholder will be taxed annually on a deemed return (with a maximum of 5.69% in 2021) of his/her net investment assets (*rendementsgrondslag*) for the year, insofar the individual's net investment assets for the year exceed a statutory threshold (*heffingvrij vermogen*). The deemed return on the individual's net investment assets for the year is taxed at a rate of 31%. Actual income, gains or losses in respect of the Notes are not subject to Dutch income tax.

The net investment assets for the year are the fair market value of the investment assets less the allowable liabilities on January 1 of the relevant calendar year. The Notes are included as investment assets. For the net investment assets on January 1, 2021, the deemed return ranges from 1.90% up to 5.69% (depending on the aggregate amount of the net investment assets of the individual on January 1, 2021). The deemed return will be adjusted annually on the basis of historic market yields.

#### *Taxes on income and capital gains / Non-residents of the Netherlands*

A Noteholder who is neither resident nor deemed to be resident of the Netherlands will not be subject to Dutch taxes on income or capital gains in respect of any payment under the Notes or in respect of any gain or loss realized on the disposal or deemed disposal of the Notes, provided that:

- (i) such Holder does not have an interest in an enterprise or deemed enterprise (as defined in the Dutch Income Tax Act 2001 and the Dutch Corporate Income Tax Act 1969) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Notes are attributable; and
- (ii) in the event the Holder is an individual, such Holder does not carry out any activities in the Netherlands with respect to the Notes that go beyond ordinary asset management and does not derive benefits from the Notes that are taxable as benefits from other activities in the Netherlands.

#### *Gift and inheritance taxes / Residents of the Netherlands*

Gift or inheritance taxes will arise in the Netherlands with respect to a transfer of the Notes by way of a gift by, or on the death of, a Holder of such Notes who is resident or deemed resident of the Netherlands at the time of the gift or his/her death.

#### *Gift and inheritance taxes / Non-residents of the Netherlands*

No Dutch gift or inheritance taxes will arise on the transfer of Notes by way of gift by, or on the death of, a Noteholder who is neither resident nor deemed to be resident in the Netherlands, unless:

- (i) in the case of a gift of a Note by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands;
- (ii) in the case of a gift of a Note is made under a condition precedent, the holder of the Notes is resident or is deemed to be resident of the Netherlands at the time the condition is fulfilled; or
- (iii) the transfer is otherwise construed as a gift or inheritance made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands.

For purposes of Dutch gift and inheritance taxes, amongst others, a person that holds the Dutch nationality will be deemed to be resident in the Netherlands if such person has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his/her death. Additionally, for purposes of Dutch gift tax, amongst others, a person not holding the Dutch nationality will be deemed to be resident in the Netherlands if such person has been resident in the Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.

#### *Value added tax (“VAT”)*

No Dutch VAT will be payable by the Noteholders on: (i) any payment in consideration for the issue of the Notes or (ii) the payment of interest or principal by the Issuer under the Notes.

#### *Other documentary taxes and duties*

No Dutch registration tax, stamp duty or any other similar documentary tax or duty will be payable by the Noteholders in respect of: (i) the issue of the Notes or (ii) the payment of interest or principal by the Issuer under the Notes.

### **Spanish Tax Considerations**

*The information provided below does not purport to be a complete summary of tax law and practice applicable in the Kingdom of Spain as at the date of this offering memorandum and is subject to any changes in law and the administrative interpretation and application thereof, which could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of whom (such as dealers in securities) may be subject to special rules. Prospective investors should consult with their own professional advisers.*

*Prospective investors should also note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Prospective investors should consult their own tax advisors in relation to the tax consequences for them of any such appointment.*

#### *Withholding tax*

According to Additional Provision One of Law 10/2014 and Section 44.5 of Royal Decree 1065/2007, Andres BV will pay interest as well as income derived from the redemption and repayment of the Notes without withholding on account of Spanish income taxes to the Noteholders (who are the beneficial owners of the Notes), provided that the Notes are listed on a regulated market, multilateral trading facility or other organized market on any Payment Date and are registered in a non-Spanish clearing and settlement entity recognized by Spanish legislation or by the legislation of another OECD country (such as DTC, Euroclear and/or Clearstream, Luxembourg) and the Payment Statement is submitted to Andres BV by the principal paying agent in a timely manner, notwithstanding the information obligations of Andres BV under general provisions of Spanish tax legislation.

If the principal paying agent fails or, for any reason, is unable to deliver the Payment Statement in a timely manner as set forth in Section 44.5 of Royal Decree 1065/2007, Andres BV will withhold the relevant percentage (19%, as of the date of this offering memorandum) and will not pay additional amounts with respect to any such withholding. See below “—Tax reporting obligations of Andres BV.”

#### *Indirect taxation*

Regardless of the nature and residence of the Noteholder, the acquisition and transfer of the Notes will be exempt from indirect taxes in Spain, such as (i) transfer tax and stamp duties, and (ii) value added tax, in accordance with Article 314 of the Consolidated Text of the Spanish Securities Market Law and related provisions.

## *Individuals with Tax Residency in Spain*

### *Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas)*

Payments of both interest and income deriving from the transfer, redemption, repayment or exchange of the Notes constitute a return on investment obtained from the transfer of capital to third parties in accordance with the provisions of Section 25.2 of the Personal Income Tax Law (“PIT”), and must be included in each investor’s PIT savings taxable base. The savings taxable base is currently subject to a flat rate of 19% on the first € 6,000; 21% from € 6,000.01 up to € 50,000; 23% from € 50,000.01 up to € 200,000 or 26% for any amount in excess of € 200,000.

Income from the transfer of the Notes must be computed as the difference between the amounts obtained in the transfer, redemption or reimbursement of the Notes and their acquisition or subscription value. Costs and expenses effectively borne on the acquisition and/or disposal of the debt securities must be taken into account, insofar as adequately evidenced, in calculating the income. When calculating the net income, expenses related to the management and deposit of the debt securities will be deductible, excluding those pertaining to discretionary or individual portfolio management.

No withholding on account of PIT will be imposed by Andres BV on interest as well as on income derived from the redemption or repayment of the Notes by individual Noteholders subject to PIT, provided that certain requirements are met (including that the Payment Statement is submitted to Andres BV by the principal paying agent in a timely manner). See below “—Tax reporting obligations of Andres BV.”

If the principal paying agent fails or for any reason is unable to deliver the Payment Statement in the manner indicated, Andres BV will withhold the relevant percentage (19% as of the date of this offering memorandum) and will not pay additional amounts with respect to any such withholding.

Furthermore, in the case of Notes held by Spanish resident individuals and deposited with a Spanish resident or established entity acting as depository or custodian, payments of interest or income obtained upon redemption, transfer or repayment of the Notes may be subject to withholding tax on account of PIT at the then-applicable general rate (currently set at 19%) which will be made by the depository or custodian. Additional withholding tax events may apply upon sale or transfer of the Notes (other than their redemption or repayment by Andres).

In any event, the individual Noteholder may credit the withholding against his or her Personal Income Tax liability for the relevant year.

### *Wealth tax (Impuesto sobre el Patrimonio)*

Individuals with tax residency in Spain that hold Notes at 31 December of any year are subject to Spanish Wealth Tax to the extent that their net worth exceeds a certain limit. This limit has been set at €700,000. Therefore, they should take into account the average market value of the Notes during the last quarter of the year and the applicable rates ranging between 0.2% and 3.5%. The autonomous communities may have different provisions on this respect.

### *Inheritance and gift tax (Impuesto sobre Sucesiones y Donaciones)*

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to inheritance and gift tax in accordance with the applicable Spanish regional or national rules. The applicable tax rates as at the date of this offering memorandum range from 7.65% to 34%. Relevant factors, such as net wealth or family relationship among transferor and transferee determine the final effective tax rate, which ranges from 0% to 81.6%.

## *Legal Entities with Tax Residency in Spain*

### *Corporate income tax (Impuesto sobre Sociedades)*



Payments of both interest and income deriving from the transfer, redemption, repayment or exchange of the Notes must be included in the taxable income of legal entities resident in Spain for corporate income tax (“CIT”) purposes. The current general tax rate of 25%, however, does not apply to all CIT taxpayers, such as banking institutions, which are subject to a tax rate of 30%.

No withholding on account of CIT will be imposed on interest as well as on income derived from the redemption or repayment of the Notes paid to Spanish CIT Noteholders, provided that certain requirements are met (including that the Payment Statement is submitted to Andres BV by the principal paying agent in a timely manner). See below “—Tax reporting obligations of Andres BV.”

If the principal paying agent fails or for any reason is unable to deliver the Payment Statement in the manner indicated, Andres BV will withhold the relevant percentage (19% as of the date of this offering memorandum) and will not pay additional amounts with respect to any such withholding.

In addition, in the case of Notes held by Spanish CIT-payers and deposited with a Spanish resident or established entity acting as depositary or custodian, payments of interest or income obtained upon redemption, transfer or repayment of the Notes may be subject to withholding tax on account of PIT at the then-applicable general rate (currently set at 19%) which will be made by the depositary or custodian. Additional withholding tax events may apply upon sale or transfer of the Notes (other than their redemption or repayment by Andres).

Notwithstanding the above, amounts withheld, if any, may be credited by the relevant investors against its final CIT liability.

#### *Wealth tax (Impuesto sobre el Patrimonio)*

Legal entities resident in Spain are not subject to wealth tax.

#### *Inheritance and gift tax (Impuesto sobre Sucesiones y Donaciones)*

Legal entities resident in Spain are not subject to inheritance and gift tax. Notwithstanding the above, entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy must include the market value of the Notes in their taxable income for Spanish CIT purposes.

#### *Individuals and Legal Entities without Tax Residency in Spain*

#### *Non-resident Income Tax (Impuesto sobre la Renta de No Residentes)*

#### Non-Spanish resident investors acting through a permanent establishment in Spain

Ownership of the Notes by Noteholders who are not resident in Spain for tax purposes will not create the existence of a permanent establishment in Spain. However, if the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, such permanent establishment will be subject to Non-Resident Income Tax (“NRIT”) on terms similar to those described above for Spanish CIT taxpayers.

#### Non-Spanish resident investors not acting through a permanent establishment in Spain

Payments of both interest and income deriving from the transfer, redemption, repayment or exchange of the Notes, obtained by individuals or legal entities without tax residency in Spain, and who do not act, with respect to the Notes, through a permanent establishment in Spain, are, in principle, exempt from NRIT and therefore no withholding on account of NRIT should be levied on such income provided certain requirements are met.

In order to be eligible for the exemption from withholding on account of NRIT, the principal paying agent must submit to Andres BV the Payment Statement, in a timely manner, see below “—Tax reporting obligations of Andres BV.” If the principal paying agent fails or for any reason is unable to deliver the Payment Statement in the

manner indicated, Andres BV will withhold the relevant percentage (19% as of the date of this offering memorandum) and will not pay additional amounts with respect to any such withholding. In such case, Noteholders not resident in Spain for tax purposes and entitled to exemption from NRIT but would have to apply directly to the Spanish tax authorities for any refund to which they may be entitled.

*Wealth tax (Impuesto sobre el Patrimonio)*

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to Spanish Wealth Tax would generally not be subject to such tax. Otherwise, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed €700,000 on the last day of any given year would be subject to Spanish Wealth Tax. The applicable rates currently range between 0.2% and 3.5%.

Individuals who are non-resident in Spain for tax purposes but are resident in an EU or EEA Member State may apply the rules approved by the autonomous region where the assets and rights with more value are situated. All such potential investors should consult their tax advisors.

To the extent that income derived from the Notes is exempt from NRIT, individual Noteholders not resident in Spain for tax purposes will be exempt from Spanish Wealth Tax. Legal entities without tax residency in Spain are not subject to Spanish Wealth Tax.

*Inheritance and gift tax (Impuesto sobre Sucesiones y Donaciones)*

Individuals who are not resident in Spain for tax purposes and who acquire ownership or other rights over the Notes by inheritance, gift or legacy will be subject to inheritance and gift tax in accordance with the applicable Spanish regional and national legislation, to the extent that rights deriving from the Notes can be exercised within the Spanish territory. As such, potential investors should consult their tax advisers.

Legal entities without tax residency in Spain that acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to inheritance and gift tax. However, these acquisitions will be subject to NRIT as described above.

*Tax reporting obligations of Andres BV*

Article 44 of Royal Decree 1065/2007 sets out the reporting obligations applicable to preference shares and debt instruments issued under Law 10/2014.

According to Article 44.5 of Royal Decree 1065/2007 income derived from securities originally registered with the entities that manage clearing systems located outside Spain, that are recognized by Spanish law or by the law of another OECD country (such as DTC, Euroclear or Clearstream, Luxembourg), will not be subject to Spanish withholding tax provided that the principal paying agent submits a statement to Andres BV before the relevant payment with the following information (the Payment Statement):

- (i) identification of the Notes with respect to which the relevant payment is made;
- (ii) income payment date (or redemption if the Notes are issued at discount or are segregated);
- (iii) total amount of income (or total amount to be reimbursed if the debt securities are issued at discount or are segregated) paid on the relevant payment date; and
- (iv) total amount of the income corresponding to Notes held through each clearing system located outside Spain.

In accordance with Article 44 of Royal Decree 1065/2007, the principal paying agent should provide Andres BV with the Payment Statement on the Business Day immediately prior to each Payment Date. The Payment Statement must reflect the situation at the close of business of that same day. If the principal paying agent fails or, for any reason,

is unable to deliver the required information in a timely manner, Andres BV will withhold the current percentage, as of this date (19%) and will not pay additional amounts with respect to any such withholding.

Notwithstanding the above, if, before the tenth calendar day of the month following the month in which the relevant income is paid, the principal paying agent provides the Payment Statement, Andres BV will reimburse the amounts withheld. Otherwise, Noteholders may apply directly to the Spanish tax authorities for any refund to which they may be entitled.

In addition, Andres BV will have to comply with the reporting obligations set out in the Spanish tax laws with respect to Noteholders who are legal persons or entities resident in Spain for tax purposes.

Prospective Noteholders should note that none of Andres BV or the Joint Book-Running Managers accepts any responsibility relating to the procedures established for the collection of the Payment Statement. Accordingly, none of Andres BV or the Joint Book-Running Managers will be liable for any damage or loss suffered by any Noteholder who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because these procedures prove ineffective. Moreover, Andres BV will pay not any additional amounts with respect to any such withholding. See “*Risk Factors—Risks relating to Withholding.*”

*Set out below is Exhibit I. Sections in English have been translated from the original Spanish and such translations constitute direct and accurate translations of the Spanish language text. In the event of any discrepancy between the Spanish language version of the certificate contained in Exhibit I and the corresponding English translation, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only.*

*The language of this offering memorandum is English. The Spanish language wording in Exhibit I has been included solely to ensure that the adequate technical meaning can be ascribed to it under applicable Spanish law. Any foreign language wording included in this offering memorandum does not form part of this offering memorandum.*

## EXHIBIT I

**Anexo al Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos, aprobado por Real Decreto 1065/2007**

**Modelo de declaración a que se refieren los apartados 3, 4 y 5 del artículo 44 del Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos**

Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

**Don (nombre), con número de identificación fiscal (...)<sup>(1)</sup>, en nombre y representación de (entidad declarante), con número de identificación fiscal (...)<sup>(1)</sup> y domicilio en (...) en calidad de (marcar la letra que proceda):**

Mr. (name), with tax identification number (...)<sup>(1)</sup>, in the name and on behalf of (entity), with tax identification number (...)<sup>(1)</sup> and address in (...) as (function - mark as applicable):

(a) **Entidad Gestora del Mercado de Deuda Pública en Anotaciones.**

(a) Management Entity of the Public Debt Market in book entry form.

- (b) Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.**
- (b) Entity that manages the clearing and settlement system of securities resident in a foreign country.
- (c) Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.**
- (c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.
- (d) Agente de pagos designado por el emisor.**
- (d) Issue and Paying Agent appointed by the issuer.

**Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:**

Makes the following statement, according to its own records:

**1 En relación con los apartados 3 y 4 del artículo 44:**

1 In relation to paragraphs 3 and 4 of Article 44:

**1.1 Identificación de los valores .....**

1.1 Identification of the securities .....

**1.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)**

1.2 Income payment date (or refund if the securities are issued at discount or are segregated)

**1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados).....**

1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)

**1.4 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora.....**

1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals whose reimbursement to the referred taxpayers involves an intermediary entity.

**1.5 Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).**

1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).

**2 En relación con el apartado 5 del artículo 44.**

2 In relation to paragraph 5 of Article 44.

- 2.1 Identificación de los valores** .....
- 2.1 Identification of the securities .....
- 2.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)**
- 2.2 Income payment date (or refund if the securities are issued at discount or are segregated)...
- 2.3 Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados)** .....
- 2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)
- 2.4 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.**
- 2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.
- 2.5 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.**
- 2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.
- 2.6 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.**
- 2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

**Lo que declaro en .....a .... de .....de ....**  
 I declare the above in ..... on the.... of..... of....

- <sup>(1)</sup> **En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia.**
- <sup>(1)</sup> In case of non-residents (individuals or corporations) without permanent establishment in Spain the number or identification code which corresponds according to their country of residence shall be included.

### **Dominican Republic Tax Considerations**

The following is a general description of certain Dominican tax considerations and it does not purport to be a complete analysis of all tax considerations relating to the Notes. Noteholders should consult their tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Dominican Republic of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this offering memorandum, which is subject to prospective and retroactive changes. It is not intended as tax advice, does not consider any Holder's particular circumstances, and does not consider tax consequences other than those arising under Dominican law.

This summary of certain Dominican tax matters is based on a review of the Dominican Republic Tax Code (*Código Tributario de la República Dominicana*) (the "Tax Code"), enacted pursuant to Law No.11-92 of May 16, 1992, as amended, and its rules for application. Pursuant to section (h) of Article 272 of the Tax Code, interests paid on notes issued by companies domiciled in the Dominican Republic, are considered Dominican-source income.

Based on the provisions of Article 306 of the Tax Code, interest payments made to non-resident creditors are subject to a 10% withholding tax.

The gains realized on the sale or disposition by a foreign non-resident Noteholders may be subject to capital gain taxes pursuant to the provisions of Article 270, Article 272 letter (a), and Article 289 of the Tax Code, on the theory that such gains derive from capital put into economic use in the Dominican Republic, and, as such, constitute Dominican source income. Under Article 11(k) of the Tax Code, the purchaser of the Notes may be held jointly liable with the seller for any capital gain tax obligations of the seller arising from a sale or disposition of the Notes.

Payments of principal on the Notes to a foreign non-resident Noteholder will not generally be subject to income withholding tax or any other kind of withholding tax in the Dominican Republic. A foreign non-resident Noteholder will not generally be liable for estate, gift, inheritance or similar taxes in the Dominican Republic with respect to the purchase, ownership or disposition of the Notes.

### **Cayman Islands Tax Considerations**

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

#### *Cayman Islands Taxation*

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

#### *Under Existing Cayman Islands Laws:*

1. Payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any Holder of the Notes, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax.
2. No stamp duty is payable in respect of the issue of the Notes. An instrument of transfer in respect of Notes is stampable if executed in or brought into the Cayman Islands.

DPP has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands in the following form:

#### **The Tax Concessions Law (2011 Revision) Undertaking as to Tax Concessions**

In accordance with the provision of section 6 of The Tax Concessions Law (2011 Revision), the Governor in Cabinet undertakes with Dominican Power Partners (the "Company").

1. That no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
2. In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
  - 2.1 On or in respect of the shares, debentures or other obligations of the Company; or

- 2.2 by way of the withholding in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2011 Revision).
3. These concessions shall be for a period of twenty years from May 11, 2016.

### **Tax Warning**

Potential investors and sellers of Notes should be aware that they may be required to pay stamp taxes or other documentary taxes or fiscal duties or charges in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In addition, payments of interest on the Notes, or income derived from the Notes, may be subject to taxation, including withholding taxes, in the jurisdiction of the Issuer, in the jurisdiction of the holder of Notes, or in other jurisdictions in which the holder of Notes is required to pay taxes. Any such tax consequences may have an impact on the net income received from the Notes.

*Prospective investors should carefully consider the tax consequences of investing in the Notes and consult their own tax adviser about their own tax situation. Finally, potential investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time, with or without retroactive effect. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.*

## PLAN OF DISTRIBUTION

Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Scotia Capital (USA) Inc. are acting as the Initial Purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each Initial Purchaser named below has severally, and not jointly, agreed to purchase, and we have agreed to sell to that Initial Purchaser, the principal amount of the Notes set forth opposite the initial purchaser's name.

<b>Initial Purchaser</b>	<b>Principal Amount of Notes</b>
Citigroup Global Markets Inc. ....	U.S.\$ 120,000,000
Scotia Capital (USA) Inc. ....	U.S.\$ 120,000,000
J.P. Morgan Securities LLC.....	U.S.\$ 60,000,000
<b>Total</b> .....	<b>U.S.\$ 300,000,000</b>

The Initial Purchasers may offer and sell the Notes through their respective affiliates.

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes. If an Initial Purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting Initial Purchasers may be increased, or the offering may be terminated.

The Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this offering memorandum within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. See "Transfer Restrictions." The price at which the Notes are offered may be changed at any time without notice.

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

We have agreed that, for a period of 30 days from the date of this offering memorandum, we will not, without the prior written consent of the Initial Purchasers, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by us.

The Notes will constitute a new class of securities with no established trading market. However, we cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, they are not obligated to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes.

In connection with the offering, the Initial Purchasers may purchase and sell Notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions and stabilizing purchases.

- Short sales involve secondary market sales by the Initial Purchasers of a greater number of Notes than they are required to purchase in the offering.



- Covering transactions involve purchases of Notes in the open market after the distribution has been completed in order to cover short positions.
- Stabilizing transactions involve bids to purchase Notes so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the Initial Purchasers for their own accounts, may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The Initial Purchasers may conduct these transactions in the over-the-counter market or otherwise. If the Initial Purchasers commence any of these transactions, they may discontinue them at any time.

Certain of the Initial Purchasers and their affiliates have engaged, and may in the future engage, in investment banking, commercial banking and other financial advisory and commercial dealings, including derivative transactions, with us and our associates. They have received (or will receive) customary fees and commissions for these transactions.

The Initial Purchasers will also concurrently be acting as dealer managers in connection with the Tender Offer for which they will receive customary fees.

The Initial Purchasers are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers and their respective affiliates have in the past performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The Initial Purchasers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

It is expected that delivery of the Notes will be made to investors on or about May 4, 2021, which will be the third business day following the date of this offering memorandum (such settlement being referred to as “T+3”). Under Rule 15c6-1 under the U.S. Securities Exchange Act of 1934, as amended, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to the delivery of the Notes will be required, by virtue of the fact that the Notes will initially settle in T+3, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery should consult their advisors.

## **Selling Restrictions**

### ***Notice to Prospective Investors in the European Economic Area***

The Notes are not intended to be offered, sold or otherwise made available to and will not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive (EU) 2014/65 (as amended, “MiFID II”); or
- (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

#### ***Notice to Prospective Investors in the United Kingdom***

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “FSMA”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

#### ***Notice to Prospective Investors in Hong Kong***

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any Notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

#### ***Notice to Prospective Investors in Singapore***

Each of the Initial Purchasers has acknowledged that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, each of the Initial Purchasers has represented, warranted and undertaken that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell the Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore

other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This offering memorandum has not been registered as a prospectus with the MAS. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person (as defined in Section 275(2) of the SFA) or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Singapore Securities and Futures Act Product Classification—Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore), we have determined, and hereby notified all relevant persons (as defined in Section 309A of the SFA) that the Notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### ***Notice to Prospective Investors in Canada***

The Notes may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation;

provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### ***Notice to Prospective Investors in France***

Neither this offering memorandum nor any other offering material relating to the Notes described in this offering memorandum has been submitted to the clearance procedures of the Autorité des Marchés Financiers or of the competent authority of another member state of the European Economic Area and notified to the Autorité des Marchés Financiers. The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this offering memorandum nor any other offering material relating to the Notes has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the Notes to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with, articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code *monétaire et financier*;
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French Code *monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the Autorité des Marchés Financiers, does not constitute a public offer (*appel public à l'épargne*).

The Notes may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code *monétaire et financier*.

### ***Notice to Prospective Investors in Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act. No. 25 of 1948, as amended; the FIEA), and the Initial Purchasers have represented and agreed that they will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### ***Notice to Prospective Investors in People's Republic of China***

The Notes may not be offered or sold directly or indirectly within the People's Republic of China ("PRC"). This offering memorandum or any information contained herein does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. This offering memorandum, any information contained herein or the Notes have not been, and will not be, submitted to, approved by, verified by or registered with any relevant

governmental authorities in the PRC and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC. The Notes may only be invested in by PRC investors that are authorized to engage in the investment in the Notes of the type being offered or sold. Investors are responsible for obtaining all relevant governmental approvals, verifications, licenses or registrations (if any) from all relevant PRC governmental authorities, including, but not limited to, the State Administration of Foreign Exchange, the China Securities Regulatory Commission, the China Banking Regulatory Commission, the China Insurance Regulatory Commission and/or other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, any relevant foreign exchange regulations and/or overseas investment regulations.

#### ***Notice to Prospective Investors in Taiwan***

The Notes have not been and will not be registered with the Financial Supervisory Commission (“FSC”) pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the FSC. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the Notes in Taiwan.

#### ***Notice to Prospective Investors in the United Arab Emirates (excluding the Dubai International Financial Centre)***

The Notes to be issued under this offering memorandum have not been and will not be offered, sold or publicly promoted or advertised in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities. The information contained in this offering memorandum does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law 8 of 1986 (as amended)) or otherwise and is not intended to be a public offer and the information contained in this offering memorandum is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates.

#### ***Notice to Prospective Investors in Switzerland***

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or the rules of any other stock exchange or regulated trading facility in Switzerland, and neither this offering memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

#### ***Notice to Prospective Investors in Chile***

Pursuant to the Chilean Securities Market Law and the CMF Rule 336, the Notes may be privately offered in Chile to certain “qualified investors” identified as such by CMF Rule 336 (which in turn are further described in Rule No. 216, dated June 12, 2008, and Rule No. 410, dated July 27, 2016, both of the CMF).

CMF Rule 336 requires the following information to be provided to prospective investors in Chile:

1. Date of commencement of the offer: April 29, 2021. The offer of the Notes is subject to Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the Chilean Financial Markets Commission (*Comisión para el Mercado Financiero*, the “CMF”).

2. The subject matter of this offer are securities not registered with the Securities Registry (*Registro de Valores*) of the CMF, nor with the foreign securities registry (*Registro de Valores Extranjeros*) of the CMF, due to the Notes not being subject to the oversight of the CMF.

3. Since the Notes are not registered in Chile there is no obligation by the issuer to make publicly available information about the Notes in Chile.

4. The Notes shall not be subject to public offering in Chile unless registered with the relevant Securities Registry of the CMF.

#### *Información a los Inversionistas Chilenos*

*De conformidad con la ley N° 18.045, de Mercado de Valores y la Norma de Carácter General N° 336 (la “NCG 336”), de 27 de junio de 2012, de la Comisión para el Mercado Financiero (la “CMF”), los bonos pueden ser ofrecidos privadamente a ciertos “inversionistas calificados,” a los que se refiere la NCG 336 y que se definen como tales en la Norma de Carácter General N° 216, de 12 de junio de 2008, y la Norma de Carácter General N° 410 de fecha 27 de julio de 2016, ambas de la CMF.*

*La siguiente información se proporciona a potenciales inversionistas de conformidad con la NCG 336:*

*1. La oferta de los bonos comienza el 29 de abril de 2021, y se encuentra acogida a la Norma de Carácter General N° 336, de fecha 27 de junio de 2012, de la CMF.*

*2. La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la CMF, por lo que tales valores no están sujetos a la fiscalización de esa Superintendencia.*

*3. Por tratarse de valores no inscritos en Chile no existe la obligación por parte del emisor de entregar en Chile información pública sobre los mismos.*

*4. Estos valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente.*

#### ***Notice to Prospective Investors in Peru***

The Notes and the information contained in this offering memorandum are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to this offering of the Notes and therefore, the disclosure obligations set forth therein will not be applicable to the Issuer or the sellers of the Notes before or after their acquisition by prospective investors. The Notes and the information contained in this offering memorandum have not been and will not be reviewed, confirmed, approved or in any way submitted to the SMV nor have they been registered under the Securities Market Law (*Ley del Mercado de Valores*) or any other Peruvian regulations. Accordingly, the Notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein.

#### ***Other Jurisdictions***

No action has been or will be taken in any jurisdiction by us that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this offering memorandum comes are required by us to comply with all applicable laws at their own expense.

## TRANSFER RESTRICTIONS

None of the Notes or the Guaranties have been registered, or will be registered, under the Securities Act or any other applicable securities laws, and none of the Notes or the Guaranties may be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act.

Accordingly, the Notes are being offered and sold only:

- (1) in the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the Securities Act; and
- (2) outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

### **Purchasers' Representations and Restrictions on Resale and Transfer**

Each purchaser of Notes (other than the Initial Purchasers in connection with the initial issuance and sale of Notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

- (1) It is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (i) a qualified institutional buyer and is aware that the sale to it is being made in reliance on Rule 144A or (ii) a non-U.S. person that is outside the United States.
- (2) It acknowledges that the Notes have not been registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.
- (3) It understands and agrees that Notes initially offered in the United States to qualified institutional buyers will be represented by one or more global notes and that Notes offered outside the United States in reliance on Regulation S will also be represented by one or more global notes.
- (4) It will not resell or otherwise transfer any of such Notes except (i) to us, (ii) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (iii) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act.
- (5) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.
- (6) It acknowledges that prior to any proposed transfer of Notes (other than pursuant to an effective registration statement or in respect of Notes sold or transferred either pursuant to Rule 144A or Regulation S) the Holder of such Notes may be required to provide certifications relating to the manner of such transfer as provided in the Indenture.
- (7) It acknowledges that the trustee, registrar or transfer agent for the Notes will not be required to accept for registration transfer of any Notes acquired by it, except upon presentation of evidence satisfactory to us and the trustee, registrar or transfer agent that the restrictions set forth herein have been complied with.
- (8) It acknowledges that we, the Initial Purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations and agreements deemed to have been made by its

purchase of the Notes are no longer accurate, it will promptly notify us and the Initial Purchasers. If it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations, and agreements on behalf of each account.

The following is the form of restrictive legend which will appear on the face of the Rule 144A Global Note, and which will be used to notify transferees of the foregoing restrictions on transfer:

**“This Note has not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any other securities laws. The holder hereof, by purchasing this Note, agrees that this Note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to us, (2) so long as this Note is eligible for resale pursuant to Rule 144A under the Securities Act (“Rule 144A”), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act afforded by Rule 144 under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this Note, represents and agrees that it will notify any purchaser of this Note from it of the resale restrictions referred to above.**

**The foregoing legend may be removed from this Note on satisfaction of the conditions specified in the Indenture referred to herein.”**

The following is the form of restrictive legend which will appear on the face of the Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

**“This Note has not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any other securities laws. The holder hereof, by purchasing this Note, agrees that neither this Note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration.**

**The foregoing legend may be removed from this Note after 40 days beginning on and including the later of (a) the date on which the notes are offered to persons other than distributors (as defined in Regulation S under the Securities Act) and (b) the original issue date of this Note.”**

For further discussion of the requirements (including the presentation of transfer certificates) under the Indenture to effect exchanges or transfers of interest in global Notes and certificated notes, see “Book Entry, Delivery and Listing.”



## LEGAL MATTERS

Certain legal matters with respect to U.S. law and New York law and the issuance of the Notes offered hereby will be passed upon for the Issuer and the Guarantors by Shearman & Sterling LLP as the Issuer's and the Guarantors' U.S. legal counsel. Certain legal matters with respect to Dominican law will be passed upon for the Issuer and the Guarantors by Squire Patton Boggs as the Issuer's and the Guarantors' Dominican legal counsel. Certain legal matters with respect to Dutch law will be passed upon for the Issuer and the Guarantors by NautaDutilh N.V. as the Issuer's and the Guarantors' Netherlands counsel. Certain legal matters with respect to Spanish law will be passed upon for the Issuer and the Guarantors by Uría Menéndez Abogados, S.L.P. as the Issuer's and the Guarantors' Spanish counsel. Certain legal matters with respect to Cayman Islands law will be passed upon for DPP by Maples and Calder (Cayman) LLP as DPP's Cayman Islands counsel.

Certain legal matters with respect to U.S. law and New York law and the issuance of the Notes offered hereby will be passed upon for the Initial Purchasers by Clifford Chance US LLP as their U.S. legal counsel. Certain legal matters with respect to Dominican law will be passed upon for the Initial Purchasers by Pellerano & Herrera as their Dominican legal counsel. Certain legal matters with respect to Dutch law will be passed upon for the Initial Purchasers by Clifford Chance LLP, as their Netherlands counsel. Certain legal matters with respect to Cayman Islands law will be passed upon for the Initial Purchasers by Walkers as their Cayman Islands counsel.

## **INDEPENDENT AUDITOR**

The individual consolidated financial statements of Andres and the individual financial statements of DPP as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this offering memorandum, have been audited by Ernst & Young, S.R.L. (formerly Ernst & Young Asociados) (Santo Domingo, Dominican Republic), independent auditor, as stated in their report appearing herein.

## GENERAL INFORMATION

The Restricted Global Notes and the Regulation S Global Notes have been accepted for clearance and settlement through DTC, Clearstream, Luxembourg and Euroclear. The Restricted Global Notes have been assigned ISIN No. US00109YAA38, CUSIP No. 00109Y AA3. The Regulation S Global Notes have been assigned ISIN No. USN01007AA64, CUSIP No. N01007 AA6.

1. For so long as any of the Notes remain outstanding, copies of the following documents will be obtainable and available during normal business hours at the offices of the Luxembourg Special Paying Agent and the Issuer's principal office, at the addresses listed on the last page of this offering memorandum:

- the Indenture and the by-laws of the Issuer;
- annual consolidated financial statements of Andres and annual financial statements of DPP for the years ended December 31, 2018, December 31, 2019 and December 31, 2020;
- all future annual and quarterly interim consolidated financial statements of Andres and financial statements of DPP; Andres DR and ADRE do not produce stand-alone financial information.

2. Except as disclosed in this offering memorandum, there has been no material adverse change, or any development reasonably likely to involve an adverse material change, in the Issuer's or Guarantors' condition (financial or otherwise) and in the Issuer's and Guarantors' general affairs since December 31, 2020, the date of the latest audited financial statements included in this offering memorandum and there has been no significant change in the Issuer's and Guarantors' financial or trading position since December 31, 2020.

3. Except as disclosed in this offering memorandum, the Issuer and Guarantors are not involved in any legal, governmental, litigation or arbitration proceedings (including any such proceedings of which we are aware), during a period covering the last 12 months), relating to claims or amounts that are material nor so far as the Issuer or Guarantors are aware is any such legal, governmental, litigation or arbitration threatened.

4. Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market of the Luxembourg Stock Exchange.

5. The issuance of the Notes was authorized by Andres BV's Board of Directors on April 19, 2021. The issuance of each of the Guaranties was authorized by DPP's and Andres DR's Board of Directors on April 19, 2021 and on April 19, 2021, respectively.

6. The Issuer and the Guarantors accept responsibility for the information contained in this offering memorandum. To the best of the Issuer's and the Guarantors' knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

7. Banque Internationale à Luxembourg SA is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market of the Luxembourg Stock Exchange.

8. Andres BV was incorporated on September 14, 1999 in the Netherlands, as a private limited liability company organized and existing under the laws of the Netherlands with incorporation number 34121080, and its registered office in Spain is located at Calle Bravo Murillo 101, Planta 5, Puerta 01, 28020 Madrid, Spain. Andres DR was incorporated on March 31, 2014 in the Dominican Republic, as a corporation (*sociedad anónima*) organized under the laws of the Dominican Republic with incorporation number 106313SD and its registered office in the Dominican Republic is located at Rafael Augusto Sanchez street No. 86, Roble Corporate Center, 5th floor, Piantini, Santo Domingo, República Dominicana. DPP was incorporated on November 14, 1995 in the Cayman Islands, as an exempted company incorporated with limited liability under the laws of the Cayman Islands with incorporation number 62480, and its registered office in the Cayman Islands is located at Maples Corporate Services Limited at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands.

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**AES Andres B. V. and subsidiaries, and  
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Unaudited Combined Financial Statements as  
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**AES Andres B. V. and subsidiaries, and  
Dominican Power Partners**  
**UNAUDITED COMBINED STATEMENT OF FINANCIAL POSITION**  
**As of December 31, 2020 and 2019**

*(Amounts expressed in thousands of US dollars)*

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 67,029	\$ 75,525
Short term investments	92	95
Accounts receivables:		
Related parties	26,172	18,705
Other accounts receivable related party	28,043	9,552
Trade, net	110,992	202,309
Trade receivables - lease	161	-
Inventories, net	26,444	29,390
Other non-financial assets	2,135	2,062
Other financial assets	109	120
Income tax receivable	8,268	-
<b>Total current assets</b>	<u>269,445</u>	<u>337,758</u>
<b>Non-current assets</b>		
Property, plant and equipment, net	776,753	764,652
Intangible assets, net	4,160	5,604
Contract assets	3,215	-
Trade receivables - lease	5,355	-
Right-of-use asset, net	5,009	4,161
Other non-financial assets	6,363	3,427
Other financial assets	1,793	873
Investment in affiliate	44,856	47,544
<b>Total non-current assets</b>	<u>847,504</u>	<u>826,261</u>
<b>Total assets</b>	<u><b>\$ 1,116,949</b></u>	<u><b>\$ 1,164,019</b></u>
<b>Liabilities and stockholder's equity</b>		
<b>Current liabilities</b>		
Accounts payable:		
Suppliers and other liabilities	\$ 62,060	\$ 80,403
Related parties	1,462	8,971
Line of credit	30,000	25,000
Dividends payable	-	-
Lease liabilities	668	244
Income tax payable	2,716	41,915
Loans payable current, net	45,951	-
Other financial liabilities	107	61
<b>Total current liabilities</b>	<u>142,964</u>	<u>156,594</u>
<b>Non-current liabilities</b>		
Bonds payable, net	520,688	519,405
Loans payable, net	36,624	49,492
Deferred income tax, net	86,985	78,181
Lease liabilities	4,430	3,740
Other financial liabilities	664	363
Other non-financial liabilities	5,172	55
<b>Total non-current liabilities</b>	<u>654,563</u>	<u>651,236</u>
<b>Total liabilities</b>	797,527	807,830
<b>Stockholder's equity</b>		
Authorized capital	15,018	15,018
Contributed capital	104,976	104,976
Additional paid-in-capital	272,700	272,656
Accumulated deficit	(100,092)	(64,891)
Restricted retained earnings	26,777	28,392
Subtotal	<u>319,379</u>	<u>356,151</u>
Non-controlling interests	43	38
Total stockholders' equity	<u>319,422</u>	<u>356,189</u>
<b>Total Liabilities and stockholder's equity</b>	<u><b>\$ 1,116,949</b></u>	<u><b>\$ 1,164,019</b></u>

**AES Andres B. V. and subsidiaries, and  
Dominican Power Partners**  
**UNAUDITED COMBINED STATEMENTS OF INCOME**  
**For the years ended December 31, 2020, 2019 and 2018**

*(Amounts expressed in thousands of US dollars)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Revenues</b>			
Electricity sales – contracts	\$ 469,300	\$ 500,081	472,064
Electricity sales – spot market	9,612	20,575	50,487
Natural gas sales	231,531	153,225	129,486
Other sales (non-electricity)	3,440	2,991	510
Total revenues	<u>713,883</u>	<u>676,872</u>	<u>652,547</u>
<b>Operating costs and expenses</b>			
Costs of revenues – electricity purchases	(76,073)	(5,688)	(83,070)
Costs of revenues – fuel and related costs used for generation	(163,753)	(226,031)	(177,005)
Costs of revenues – fuel purchased for resale and related costs	(149,953)	(85,500)	(72,206)
Costs of revenues – transmission charges	(24,391)	(25,252)	(26,032)
Costs of revenues – gain (loss) on derivative financial instruments	572	(223)	(1,298)
Operating, general and maintenance expense	(111,952)	(106,103)	(97,807)
<b>Total operating costs and expenses</b>	<u>(525,550)</u>	<u>(448,797)</u>	<u>(457,418)</u>
<b>Operating income</b>	<b>188,333</b>	<b>228,075</b>	<b>195,129</b>
<b>Other (expenses) income</b>			
Interest expense, net	(38,121)	(26,867)	(29,525)
Equity loss in investment in affiliate	(687)	(1,160)	-
Debt discount amortization	(499)	(516)	(383)
Other income (expense), net	1,646	85,470	(5,374)
Exchange gain, net	11,929	3,954	78
<b>Income before income tax expense</b>	162,601	288,956	159,925
Income tax expense	(55,284)	(93,808)	(47,619)
<b>Net income</b>	<u><u>\$ 107,317</u></u>	<u><u>\$ 195,148</u></u>	<u><u>\$ 112,306</u></u>
Non-controlling interest			
Less: net income attributable to non-controlling interest	5	13	4
<b>Net income after non-controlling interest</b>	<u><u>\$ 107,312</u></u>	<u><u>\$ 195,135</u></u>	<u><u>\$ 112,302</u></u>

**AES Andres B. V. and subsidiaries, and  
Dominican Power Partners  
UNAUDITED COMBINED STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2020, 2019 and 2018**

*(Amounts expressed in thousands of US dollars)*

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>			
Net income	\$ 107,317	\$ 195,148	\$ 112,306
Adjustments to reconcile net income to net cash provided by operating			
Depreciation	44,766	42,365	44,597
Amortization of intangible assets	1,166	1,008	279
Right-of-use asset amortization	470	459	-
Allowance for doubtful accounts	29	2	36
Amortization of deferred financing cost	1,123	1,033	794
Debt discount amortization	499	516	383
(Gain) loss on derivative financial instruments	(572)	223	2,093
Income tax expense	55,284	93,808	47,619
Write-off of deferred financing costs due to early extinguishment of debt	-	1,415	-
Loss on early extinguishment of debt	-	240	-
Loss on retirement of property, plant and equipment	905	7,829	23,688
Gain on asset sale	(2,130)	(1,586)	-
Share-based compensation	96	78	83
Equity loss in investment in affiliate	687	1,160	-
Interest expense (income), net	36,998	25,834	28,731
Exchange gain, net	(11,929)	(3,954)	(78)
<b>Changes in operating assets and liabilities:</b>			
Decrease (increase) in accounts receivable	82,216	(28,019)	(46,190)
(Increase) decrease in accounts receivable related parties	(7,467)	10,761	(24,924)
Increase in other accounts receivable related parties	(18,491)	(73,780)	(55,165)
Decrease (increase) in inventories	2,945	(13,715)	3,616
(Increase) decrease in other assets	(9,243)	9,403	2,120
Increase in contract assets	(3,215)	-	-
Increase in accounts payable suppliers and other liabilities	19,027	32,699	10,893
(Decrease) increase in accounts payable related parties	(8,216)	6,723	319
Increase (decrease) in other liabilities	383	(151)	(2,171)
	<b>292,648</b>	<b>309,499</b>	<b>149,029</b>
Interest received	9,072	7,029	5,943
Interest paid	(42,057)	(40,937)	(37,723)
Income tax paid	(87,862)	(52,021)	(33,952)
<b>Net cash provided by operating activities</b>	<b>171,801</b>	<b>223,570</b>	<b>83,297</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	(69,997)	(149,926)	(24,368)
Advance payments for the acquisition of property, plant and equipment	(5,518)	(3,407)	(17,364)
Acquisition of intangible assets	(218)	(6,197)	(1,703)
Proceeds from the sale of property, plant and equipment	-	-	9
Proceeds from the sale of business	-	47,348	-
Investment in affiliate	-	(48,704)	-
Dividends received from affiliate	294	-	-
Reduction of investment in affiliate	1,706	-	-
Insurance proceeds	-	110,649	8,744
<b>Net cash used in investing activities</b>	<b>(73,733)</b>	<b>(50,237)</b>	<b>(34,682)</b>
<b>Cash flows from financing activities</b>			
Proceeds from line of credit	127,500	160,000	25,000
Proceeds from new loans	33,000	60,000	14,000
Payment of line of credit	(122,500)	(135,000)	(25,000)
Dividends paid	(144,128)	(228,478)	(38,035)
Payment of financing costs and debt discount	-	(529)	(1,520)
Payment of loan	-	(24,000)	-
Penalty payment on early extinguishment of debt	-	(240)	-
Payment of lease liabilities	(200)	(439)	-
Prepayment of lease liabilities	(236)	(203)	-
<b>Net cash used in financing activities</b>	<b>(106,564)</b>	<b>(168,889)</b>	<b>(25,555)</b>
Net (decrease) increase in cash and cash equivalents	(8,496)	4,444	23,060
Cash and cash equivalents at the beginning of the year	75,525	71,081	48,021
<b>Cash and cash equivalents at the end of the year</b>	<b>\$ 67,029</b>	<b>\$ 75,525</b>	<b>\$ 71,081</b>



Consolidated Financial Statements

**AES Andres B.V. and Subsidiaries**

*As of December 31, 2020 and 2019 and for the three years then ended  
with Independent Auditor's Report*

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## **Independent Auditor's Report**

To the Shareholders of  
AES Andres B.V. and Subsidiaries

### **Opinion**

We have audited the consolidated financial statements of AES Andres B.V. and Subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020 and 2019 and its consolidated financial performance and its cash flows for each of the three years in the period ended December 31, 2020, 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), the Code of Ethics issued by the Institute of Certified Public Accountants of the Dominican Republic (ICPARD Code), together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code and the ICPARD Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

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

### *Accounts Receivables Trade:*

Accounts receivables trade as of December 31, 2020 amounted to \$40 million and is detailed in Note 6 to the consolidated financial statements and represents 5% of the Company's total assets as of December 31, 2020. The accounts receivables trade is mainly concentrated in the energy distribution companies in the Dominican Republic (Empresa Distribuidora de Electricidad del Este, SA - "EDEESTE", EDENORTE Dominicana, SA- "EDENORTE" and EDESUR Dominicana, SA "EDESUR"), which represents 85% of total accounts receivable invoiced as of December 31, 2020. The assessment of the recoverability of these accounts receivable includes, to a certain extent, a level of judgment from the Administration.

### How We Addressed the Matter in Our Audit:

- We sent and obtained the confirmation of balances from the distribution companies, which were reconciled with the Company's accounting records.
- We analyzed the contracts and agreements reached with the distribution companies.
- We evaluated the integrity of the data and the assumptions used by the Administration to calculate the impairment estimate for doubtful accounts.
- We evaluated the adequacy of the disclosures in the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 Rubén Tejeda.

Santo Domingo, Dominican Republic  
April 25, 2021

A handwritten signature in black ink, appearing to read "Ernst & Young", written in a cursive style.

**AES Andres B.V. and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**As of December 31, 2020 and 2019**

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

<i>Notes</i>		<u>2020</u>	<u>2019</u>
	<b>ASSETS</b>		
	<b>Current Assets</b>		
4	Cash and cash equivalents	\$ 50,095	\$ 64,267
	Accounts receivables:		
5	Related parties	34,396	93,191
5	Other accounts receivable related party	28,043	9,552
6	Trade, net	39,535	64,964
14	Trade receivables - lease	161	—
7	Inventories, net	24,038	25,078
10	Other non-financial assets	1,844	1,136
11	Other financial assets	109	120
22	Income tax receivable	8,268	—
	<b>Total current assets</b>	<u>186,489</u>	<u>258,308</u>
	<b>Non-current assets</b>		
8	Property, plant and equipment, net	499,544	480,895
9	Intangible assets, net	3,326	3,815
6	Contract assets	3,215	—
14	Trade receivables - lease	5,355	—
14	Right-of-use asset, net	4,381	3,990
10	Other non-financial assets	5,765	2,917
11	Other financial assets	1,793	873
12	Investment in affiliate	44,856	47,544
	<b>Total non-current assets</b>	<u>568,235</u>	<u>540,034</u>
	<b>TOTAL ASSETS</b>	<u><u>\$ 754,724</u></u>	<u><u>\$ 798,342</u></u>

**AES Andres B.V. and Subsidiaries**  
**Consolidated Statements of Financial Position (continued)**  
**As of December 31, 2020 and 2019**

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

	<u>2020</u>	<u>2019</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable:		
13 Suppliers and other liabilities	\$ 42,033	\$ 63,527
5 Related parties	92,730	135,555
11 Line of credit	30,000	20,000
14 Lease liabilities	216	67
22 Income tax payable	—	35,444
11 Loans payable current, net	45,951	—
11 Other financial liabilities	107	61
<b>Total current liabilities</b>	<u>211,037</u>	<u>254,654</u>
<b>Non-current liabilities</b>		
11 Bonds payable, net	214,314	213,504
11 Loans payable, net	36,624	49,492
22 Deferred income tax, net	55,344	46,861
14 Lease liabilities	4,063	3,740
11 Other financial liabilities	664	363
15 Other non-financial liabilities	5,099	19
<b>Total non-current liabilities</b>	<u>316,108</u>	<u>313,979</u>
<b>Total liabilities</b>	<u>527,145</u>	<u>568,633</u>
<b>STOCKHOLDERS' EQUITY</b>		
Authorized capital	18	18
Additional paid-in-capital	271,628	271,627
Accumulated deficit	(60,273)	(58,984)
Restricted retained earnings	16,163	17,010
Subtotal	<u>227,536</u>	<u>229,671</u>
Non-controlling interest	43	38
<b>Total stockholders' equity</b>	<u>227,579</u>	<u>229,709</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u>\$ 754,724</u></u>	<u><u>\$ 798,342</u></u>

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



**AES Andres B.V. and Subsidiaries**  
**Consolidated Statements of Income**  
**For the years ended December 31, 2020, 2019 and 2018**

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

<i>Notes</i>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
5, 18 <b>Revenues</b>	\$ 539,896	\$ 512,345	\$ 551,445
<b>Operating costs and expenses</b>			
5, 19    Costs of revenues	(390,631)	(336,414)	(429,811)
20        Operating, general and maintenance expense	(70,014)	(63,612)	(57,448)
<b>Total operating costs and expenses</b>	<b><u>(460,645)</u></b>	<b><u>(400,026)</u></b>	<b><u>(487,259)</u></b>
<b>Operating income</b>	79,251	112,319	64,186
<b>Other (expenses) income</b>			
21        Interest expense, net	(21,529)	(14,443)	(13,190)
12        Equity loss in investment in affiliate	(687)	(1,160)	—
11        Debt discount amortization	(400)	(421)	(312)
23        Other income (expense), net	2,162	86,633	(4,140)
Exchange gain, net	8,473	2,506	480
<b>Income before income tax expense</b>	67,270	185,434	47,024
22        Income tax expense	(22,404)	(58,311)	(9,589)
<b>Net income</b>	<b><u>\$ 44,866</u></b>	<b><u>\$ 127,123</u></b>	<b><u>\$ 37,435</u></b>
<b>Non-controlling interest</b>			
Less: net income attributable to non- controlling interest	5	13	4
<b>Net income after non-controlling interest</b>	44,861	127,110	37,431
	<b><u>\$ 44,866</u></b>	<b><u>\$ 127,123</u></b>	<b><u>\$ 37,435</u></b>
17        Net income per share	<b><u>\$ 247</u></b>	<b><u>\$ 698</u></b>	<b><u>\$ 206</u></b>

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

**AES Andres B.V. and Subsidiaries**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**For the years ended December 31, 2020, 2019 and 2018**

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

	Notes	Number of shares	Authorized capital	Additional paid-in capital	Accumulated deficit	Restricted retaining earnings	Subtotal	Non-controlling interest	Total stockholders' equity
Balance as of January 1, 2018		182	\$ 18	\$ 271,618	\$ (49,275)	\$ 20,804	\$ 243,165	\$ 21	\$ 243,186
Revaluation effect	3	—	—	—	2,676	(2,676)	—	—	—
Net income		—	—	—	37,431	—	37,431	4	37,435
Dividends paid		—	—	—	(38,035)	—	(38,035)	—	(38,035)
Share-based compensation		—	—	1	—	—	1	—	1
Balance as of December 31, 2018		182	18	271,619	(47,203)	18,128	242,562	25	242,587
Balance as of January 1, 2019		182	\$ 18	\$ 271,619	\$ (47,203)	\$ 18,128	\$ 242,562	\$ 25	\$ 242,587
Revaluation effect	3	—	—	—	1,118	(1,118)	—	—	—
Net income		—	—	—	127,110	—	127,110	13	127,123
Dividends paid	5	—	—	—	(140,009)	—	(140,009)	—	(140,009)
Share-based compensation		—	—	8	—	—	8	—	8
Balance as of December 31, 2019		182	18	271,627	(58,984)	17,010	229,671	38	229,709
Revaluation effect	3	—	—	—	847	(847)	—	—	—
Net income		—	—	—	44,861	—	44,861	5	44,866
Dividends paid	5	—	—	—	(46,997)	—	(46,997)	—	(46,997)
Share-based compensation		—	—	1	—	—	1	—	1
<b>Balance as of December 31, 2020</b>		<b>182</b>	<b>\$ 18</b>	<b>\$ 271,628</b>	<b>\$ (60,273)</b>	<b>\$ 16,163</b>	<b>\$ 227,536</b>	<b>\$ 43</b>	<b>\$ 227,579</b>

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

**AES Andres B.V. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2020, 2019 and 2018**

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

<i>Notes</i>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>			
Net income	\$ 44,866	\$ 127,123	\$ 37,435
Adjustments to reconcile net income to net cash provided by operating activities:			
8, 20 Depreciation	25,242	21,972	23,396
9 Amortization of intangible assets	624	527	183
14 Right-of-use asset amortization	143	139	—
6 Allowance for doubtful accounts	5	(16)	32
21 Amortization of deferred financing costs	744	666	469
11 Debt discount amortization	400	421	312
11 (Gain) loss on derivative financial instruments	(572)	223	2,093
22 Income tax expense	22,404	58,311	9,589
23 Write-off of deferred financing costs due to early extinguishment of debt	—	1,415	—
Loss on early extinguishment of debt	—	240	—
23 Loss on retirement of property, plant and equipment	351	6,645	22,324
23 Gain on asset sale	(2,130)	(1,586)	—
Share based compensation	5	14	20
Equity loss in investment in affiliate	687	1,160	—
21 Interest expense (income), net	20,785	13,777	12,721
Exchange gain, net	(8,473)	(2,506)	(480)
<b>Changes in operating assets and liabilities:</b>			
Decrease in accounts receivable trade, net	24,146	7,998	1,555
Decrease (increase) in accounts receivable related parties	58,795	17,702	(73,932)
Increase in other accounts receivable related parties	(18,491)	(73,780)	(55,165)
Decrease (increase) in inventories	1,040	(11,850)	3,996
Increase (decrease) in other assets	(10,153)	10,093	689
Increase in contract assets	(3,215)	—	—
Increase in accounts payable suppliers and other liabilities	15,042	16,408	7,626
(Decrease) increase in accounts payable related parties	(42,825)	(14,763)	103,682
Increase (decrease) in other liabilities	347	(147)	(2,167)
Interest received	1,278	2,848	3,362
Interest paid	(22,872)	(20,611)	(17,702)
Income tax paid	(53,174)	(7,291)	(16,993)
<b>Net cash provided by operating activities</b>	<b><u>54,999</u></b>	<b><u>155,132</u></b>	<b><u>63,045</u></b>
<b>Carried forward.....</b>	<b><u>54,999</u></b>	<b><u>155,132</u></b>	<b><u>63,045</u></b>

**AES Andres B.V. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2020, 2019 and 2018**

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

<i>Notes</i>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Brought forward....</b>	<b>54,999</b>	<b>155,132</b>	<b>63,045</b>
<b>Cash flows from investing activities</b>			
8 Acquisition of property, plant and equipment	(61,500)	(147,146)	(17,346)
Advance payments for the acquisition of property, plant and equipment	(5,158)	(2,897)	(17,167)
9 Acquisition of intangible assets	(180)	(5,204)	(1,006)
Proceeds from the sale of property, plant and equipment	—	—	9
Proceeds from the sale of business	—	47,348	—
Investment affiliate	—	(48,704)	—
12 Dividends received from affiliate	294	—	—
12 Reduction of investment affiliate	1,706	—	—
5 Insurance proceeds	—	110,649	8,744
<b>Net cash used in investing activities</b>	<b>(64,838)</b>	<b>(45,954)</b>	<b>(26,766)</b>
<b>Cash flows from financing activities</b>			
11 Proceeds from line of credit	62,500	125,000	25,000
11 Proceeds from new loans	33,000	60,000	14,000
11 Payment of line of credit	(52,500)	(105,000)	(25,000)
5 Dividends paid	(46,997)	(140,009)	(38,035)
11 Payment of financing costs and debt discount	—	(529)	(1,520)
Payment of loan	—	(24,000)	—
Penalty payment on early extinguishment of debt	—	(240)	—
Proceeds from intercompany loan	—	4,210	—
Payment of intercompany loan	—	(4,210)	—
Payment of lease liabilities	(100)	(203)	—
Prepayment of lease liabilities	(236)	(127)	—
<b>Net cash used in financing activities</b>	<b>(4,333)</b>	<b>(85,108)</b>	<b>(25,555)</b>
Net (decrease) increase in cash and cash equivalents	(14,172)	24,070	10,724
Cash and cash equivalents at the beginning of the year	64,267	40,197	29,473
<b>Cash and cash equivalents at the end of the year</b>	<b>\$ 50,095</b>	<b>\$ 64,267</b>	<b>\$ 40,197</b>
<b>Supplementary disclosure</b>			
Acquisition of intangible assets not paid at year end	\$ —	\$ —	\$ 676
Property, plant and equipment purchases not paid at year end	\$ 10,147	\$ 26,916	\$ 3,373

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

**AES Andres B.V. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**As of December 31, 2020 and 2019**

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

**1. Organization and Nature of Operation**

AES Andres B.V. and its subsidiaries (“the Company” or “Andres”) is an indirect owned subsidiary of The AES Corporation (“the Parent Company”), with a branch (“the Branch”) registered in the Dominican Republic. The Company was formed and incorporated in 1999 in accordance with the laws of The Netherlands, as a private limited liability company. On September 1, 2014, AES Andres B.V., signed an agreement to transfer all assets and liabilities from its Branch in the Dominican Republic to AES Andres DR, S.A. (Andres DR), a commercial company organized and established on March 31, 2014 under the laws of the Dominican Republic. In addition, it was agreed that due to the transfer of assets and liabilities, AES Andres B.V. received 111,923 shares and AES DPP Holdings, Ltd. received 1 share of AES Andres DR, S. A.

Andres constructed a 319 megawatts ("MW") gas fired combined cycle generation plant (“power plant”), 10MW battery energy storage solution and a liquefied natural gas re-gasification terminal (“LNG facility”), receiving pier, and a pipeline of approximately 35 km to the facilities of Dominican Power Partners (“DPP”), an affiliated entity under common control. The project was constructed in Punta Caucedo, Dominican Republic. Gas operations began in March 2003 and the power plant began commercial operations in December 2003 and the energy storage solution project concluded in June 2017 and was put into service in December 2017 according to the resolution issued by the Superintendence of Electricity (“SIE”). In 2018, Andres began the construction of the gas pipeline of its LNG terminal located in San Pedro de Macoris. This project was transferred in September 2019 to Energía Natural Dominicana Enadom, S. R. L. (Enadom), a related company, through an agreement for the assignment of the project.

Andres is currently the only entry point for liquefied natural gas or “LNG” in the Dominican Republic. The LNG received by Andres is regasified and the resulting natural gas is used by Andres to operate its combined cycle power generation unit, although a higher portion of the natural gas is sold to DPP and third parties under long term natural gas sale and purchase and transportation contracts. The power facility sells all of its power production in the Dominican Republic, mainly through Power Purchase Agreements (“PPA”) with distribution companies owned by the Dominican Government and non-regulated users (UNR's).

Andres owns the largest thermal power generation unit in the Dominican Republic and is the third largest thermal power generator in the country based on installed capacity.

During 2019, some contracts expired with companies in the Dominican market that are currently permitted to generate their own electricity or contract directly with generators, or the unregulated market (commonly known as “Non-Regulated Users”). As of December 31, 2020 and 2019, the Company has a total of 23 and 16 contracts with Non-Regulated Users, with a total of 60 and 54 MW, respectively, of contracted capacity.

**AES Andres B.V. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**As of December 31, 2020 and 2019**

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

**1. Organization and Nature of Operations (continued)**

In January 2016, AES Andres B.V. relocated its place of effective management to Madrid, Spain and became resident for tax purposes in that country. Since its relocation, Andres B.V. is subject to the Spanish tax regime. AES Andres B.V., however, still remains incorporated under the laws of the Netherlands. The Company's administrative offices are located at Bravo Murillo Street 101, floor 05, 28020 Madrid, Spain.

In November 2019, the Company acquired 100% of the common stock of the company Parque Eólico Beata, S.R.L., through a purchase agreement. The Company paid \$2.3 million to the previous shareholders of Parque Eólico Beata, S.R.L., representing the acquisition of an intangible asset. This company was created to develop a 50MW solar generation project in Matanzas, Bani, Peravia province, Dominican Republic, (Bayasol Project). Currently, the project is in the final phase of its construction and it is expected to start operations in March 2021.

On May 29, 2019, the Company entered into a joint venture through which it acquired 1,800 shares of the company Domi Trading, S.L. and its subsidiary Energía Natural Dominicana Enadom S. R. L. (Enadom), which represents a 50% ownership interest. The main purpose is to dedicate to the operation and management of assets related to the natural gas commercialization business in the Dominican Republic, including storage, distribution, import, export, commercialization, sale and transportation by pipeline, virtual or any other form of liquid, methane, or regasified natural gas; as well as operating, managing and developing the assets of the company.

The administrative offices of the subsidiary AES Andres DR, S. A. are located at Rafael Augusto Sanchez Street No.86, corporate building Robles Corporate Center, 5th floor, Ensanche Piantini, Santo Domingo, Dominican Republic.

**2. Basis of Preparation**

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

The consolidated financial statements were authorized by the Controller for issuance on April 25, 2021.

**Basis for measurement**

The consolidated 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.

**AES Andres B.V. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**As of December 31, 2020 and 2019**

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

**2. Basis of Preparation (continued)**

**Principles of consolidation**

The accompanying consolidated financial statements include the accounts of Andres and its subsidiaries AES Andres DR, S.A. and Parque Eólico Beata, S.R.L. The financial statements of the Company's subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Intercompany balances and transactions have been eliminated in these consolidated financial statements.

**Functional currency**

The functional and reporting 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. Transactions denominated in other currencies (mainly Dominican Pesos, RD\$, local currency of the Dominican Republic) are recorded at the rate of exchange in effect at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted into the Company's functional currency at the rate of exchange in effect at the consolidated statements of financial position dates; the effect of changes in exchange rates is recognized in the consolidated statements of income. As of December 31, 2020, the exchange rate for U.S. dollar was RD\$58.33 (2019: RD\$52.96) and the annual average exchange rate for the year ended December 31, 2020 was RD\$56.52 (2019: RD\$51.29).

**Estimates and significant accounting assumptions**

The preparation of the consolidated 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.

**AES Andres B.V. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**As of December 31, 2020 and 2019**

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

**3. Summary of Accounting Policies**

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

**Financial instruments**

***Initial recognition and measurement***

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

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

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



**AES Andres B.V. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**As of December 31, 2020 and 2019**

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

**3. Summary of Accounting Policies (continued)**

**Financial instruments (continued)**

***Classification and measurement (continued)***

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

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

Investments in debt instruments recognized at fair value through OCI are subsequently measured at fair value. Interest income, calculated using the effective interest method, exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. When the assets are derecognized, the gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

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

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

***Evaluation of the business model***

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

The levels of 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.

**AES Andres B.V. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**As of December 31, 2020 and 2019**

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

**3. Summary of Accounting Policies (continued)**

**Financial instruments (continued)**

*Evaluation of the business model (continued)*

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

*Impairment of financial assets*

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

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

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

The Company 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, 2020 and 2019, the Company maintains allowance of doubtful accounts as disclosed in Note 6.

**AES Andres B.V. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**As of December 31, 2020 and 2019**

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

**3. Summary of Accounting Policies (continued)**

***Financial asset derecognition***

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; or when the Company has transferred 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 arrangement 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 pass-through 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. Part of the cash and cash equivalents includes certificates of deposit used as collateral for employees financing, on which there is no restriction and are granted according to the established benefit policy.

**Restricted Cash**

Restricted cash as of December 31, 2020, included accounts retained by local authorities of \$0.1 million (2019: \$0.2 million).

**Inventory**

Inventories, which mainly consist of fuel, materials and spare parts, are recorded at the lower of their cost or net realizable value. The spare parts are used for the maintenance of generation equipment. Cost is determined using the average cost method. The value of inventories are reduced when an obsolescence loss is identified.

**AES Andres B.V. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**As of December 31, 2020 and 2019**

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

**3. Summary of Accounting Policies (continued)**

**Property, plant and equipment**

Property, plant, and equipment is initially stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. When assets are sold or written off, the corresponding cost and accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is reflected in the consolidated statements of income. When 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:

	<b><u>Estimated Useful Lives</u></b>
Generation plant	5 to 40 years
LNG facility, pier and pipeline	6 to 50 years
Buildings	5 to 65 years
Vehicles	3 to 5 years
Office equipment and other	4 to 7 years

Capital spare parts, including rotatable spare parts, are included in generation plant and are depreciated over their estimated useful life after the part is placed in service.

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

**Major and minor maintenance**

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

**AES Andres B.V. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**As of December 31, 2020 and 2019**

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

**3. Summary of Accounting Policies (continued)**

**Construction in progress**

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

**Intangible Assets**

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

The estimated useful lives for licenses and software is 3 years.

**Computer Applications Contracts hosted in the cloud**

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

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

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

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

**AES Andres B.V. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**As of December 31, 2020 and 2019**

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

**3. Summary of Accounting Policies (continued)**

**Computer Applications Contracts hosted in the cloud (continued)**

The implementation costs are presented as “Other non-financial asset - prepaid assets” in the consolidated statement of financial position and once the implementation phase is completed, they are amortized to operating, general and maintenance expenses during the life of the contract.

**Impairment of non-financial assets**

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

If such indication exists and the carrying amount exceeds the recoverable amount, the Company values the assets or cash generating 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 consolidated statements of 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 consolidated 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.

**AES Andres B.V. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**As of December 31, 2020 and 2019**

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

**3. Summary of Accounting Policies (continued)**

**Investment in affiliate (continued)**

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.

*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:

	<u>Useful lives</u>
Land	35 years
Building	5 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.

**AES Andres B.V. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**As of December 31, 2020 and 2019**

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

**3. Summary of Accounting Policies (continued)**

**Leases (continued)**

**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.

**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.

**Lessor**

For finance lease, the lessor at the commencement date, shall recognize a net investment in the sale, selling profit or loss arising from the sale and initial direct costs derecognized 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.



**AES Andres B.V. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**As of December 31, 2020 and 2019**

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

**3. Summary of Accounting Policies (continued)**

**Contract asset**

A contract asset is initially recognized for revenue earned from the sale of LNG on a conditional basis. Once the LNG has been supplied and the customer has accepted it, the amount recognized as a contract asset is reclassified to trade receivables.

**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 \$744, \$666 and \$469 net of capitalization, for the years ended December 31, 2020, 2019 and 2018, 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 consolidated statements of 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 consolidated statements of income over the period of the loans using the effective interest method. The Company recognizes gains or losses in the consolidated statements of 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.

**AES Andres B.V. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**As of December 31, 2020 and 2019**

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

**3. Summary of Accounting Policies (continued)**

**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 consolidated statements of 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 shares outstanding during the year. The issued and outstanding shares is 182 for the years 2020, 2019 and 2018.

**Revenue recognition**

The Company derives its revenue from the sale of electricity through contracts or the spot market, and from the sale of natural gas and transportation services associated with the use of the gas pipeline. 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, non-regulated users and other spot market agents. The LNG and services transportation are sold to industrial customers.

The Company's generation contracts, based on specific facts and circumstances, can have one or more performance obligations as the promise to transfer energy, capacity, LNG and other services may or may not be distinct depending on the nature of the market and terms of the contract. As the performance obligations are generally satisfied over time and use the same method to measure progress, the performance obligations meet the criteria to be considered a series.

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**3. Summary of Accounting Policies (continued)**

**Revenue recognition (continued)**

In measuring progress toward satisfaction of a performance obligation, the Company applies the "right to invoice" practical expedient when available and recognizes revenue in the amount to which the Company has a right to consideration from a customer that corresponds directly with the value of the performance completed to date.

For contracts determined to have multiple performance obligations, we allocate revenue to each performance obligation based on its relative standalone selling price using a market or expected cost plus margin approach.

Additionally, the Company allocates variable consideration to one or more, but not all, distinct goods or services that form part of a single performance obligation when (1) the variable consideration relates specifically to the efforts to transfer the distinct good or service and (2) the variable consideration depicts the amount to which the Company expects to be entitled in exchange for transferring the promised good or service to the customer.

Revenue from generation contracts is recognized using an output method, as energy and capacity delivered best depicts the transfer of goods or services to the customer. Performance obligations including energy or ancillary services are generally measured by the MWhs delivered; the capacity is measured using MWhs.

When energy or capacity is sold or purchased in the spot market, the Company assesses the facts and circumstances to determine gross versus net presentation of spot revenues and purchases. Generally, the nature of the performance obligation is to sell surplus energy or capacity above contractual commitments, or to purchase energy or capacity to satisfy deficits. Generally, on an hourly basis, a generator is either a net seller or a net buyer in terms of the amount of energy or capacity transacted in the spot market. In these situations, the Company recognizes revenue for the hours where the generator is a net seller and cost of sales for the hours where the generator is a net buyer.

Revenue from the sale of natural gas has an initially expected duration of one year or less and only contains a performance obligation, which the Company satisfies over time by delivering millions of Btu. Customers make payments in advance for gas purchases, which are presented in the consolidated statements of financial position under accounts payable and accrued liabilities.

As a practical expedient, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised goods or service to the customer and when the customer pays for that goods or service will be one year or less.

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**3. Summary of Accounting Policies (continued)**

**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 expense**

Income tax expense for the year includes both current tax and deferred tax. The income tax expense is recognized in the consolidated statements of income of the current year or in equity, as appropriate. The current income tax expense refers to the estimated tax payable on the taxable profit of the year, using the income tax rate enacted at the date of the consolidated 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.

**Derivative Financial Instruments**

The Company records all derivatives on the consolidated statements of financial position at fair value, regardless of the purpose or intent for holding them. The accounting for changes in fair value of the derivatives varies, depending on whether the derivative is considered to be a hedge for accounting purposes, and whether the hedging instrument is a fair value or a cash flow hedge. If the financial derivative instrument is classified for accounting hedge purposes, it may be: (1) a fair value hedge of existing assets or liabilities or firm commitments, or (2) a cash flows hedge related to existing assets or liabilities or expected transactions.

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**3. Summary of Accounting Policies (continued)**

**Derivative Financial Instruments (continued)**

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value on the date of the consolidated statement of financial position. Any gain or loss is immediately recognized unless the derivative is designated as a hedging instrument, in which case the recognition in profit or loss through time will depend on the nature of the hedge relationship.

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

The Company assesses the existence of embedded derivatives in contracts for financial and non-financial instruments to determine if their characteristics and risks are closely related to the main contract, as long as the set is not classified as an asset or liability at fair value through profit or loss. If they are not closely related, they are recorded separately accounting for the variations in value in the consolidated income statement.

**Severance benefits**

The Dominican Republic Labor Code requires severance benefits be paid to employees terminated without justified cause. The Company recognizes the expense for these severance benefits as incurred.

**Fair value of financial instruments**

The fair value of the current financial assets and current financial liabilities are estimated to be equal to their reported carrying amounts due to the short-term maturities of these instruments. The fair value of affiliate receivables and payables is not practicable to estimate due to the related party nature.

**Restricted retained earnings**

In 2009 with the first-time adoption of IFRS, the Company applied the fair value or revaluation option as deemed cost to certain buildings and electric generation assets. As of December 31, 2020, the amount for this concept is \$16,163 (2019: \$17,010), net of effects of accumulated depreciation, asset disposals and deferred income tax transferred to retained earnings in 2020 by \$847 (2019: \$1,118).

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**3. Summary of Accounting Policies (continued)**

**Operating segments**

Segment information is presented consistently with the internal reports provided to Management, who makes decisions for the Company and who is responsible for assigning resources and assessing the performance of operating segments. Management identifies its operating segments related to the sale of electricity and LNG based on the market in which it participates, that is, the Dominican market, to make strategic decisions. This financial information by operating segments is detailed in Note 24.

**Standards issued but not yet effective**

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

**4. Cash and cash equivalents**

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

	<u>2020</u>	<u>2019</u>
Cash in US dollars	\$ 46,895	\$ 59,167
Cash in Dominican pesos	1,169	1,756
Cash in EURO	83	171
Cash equivalents		
Term deposits in Dominican Pesos, average annual interest rate of 4.2% as of December 31, 2020 (2019: 6.8%)	1,948	3,173
<b>Total</b>	<b><u>\$ 50,095</u></b>	<b><u>\$ 64,267</u></b>

Cash equivalents represent financial certificates maturing in less than three months from the original maturity, of which \$0.2 million (2019: \$0.2 million) is used as collateral for loans to employees, over which there is no restriction.

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**5. Balances and Transactions with Related Parties**

***Natural gas sale and purchase agreements***

In March 2002, the Company entered into a 20-year LNG supply contract with Atlantic Basin Services, Ltd. (“ABS”), an affiliated entity under common control (“The LNG Sales Contract”). Under a take or pay agreement, Andres has agreed to purchase a minimum quantity of LNG. In February 2008, a third amendment was signed whereby the minimum quantities to purchase were modified starting in 2010 to 33.6 TBtus per year (trillions of British Thermal Units).

ABS purchases the fuel from a third party and sells it to Andres at cost plus a fixed fee of \$10 thousand per month, which is presented in the consolidated statements of income under operating, general and maintenance expense, included in contracted services. In addition, during 2020, ABS invoiced to the Company the services of tugboats which totaled \$2.1 million (2019: \$2.3 million and 2018: \$1.8 million) which are presented in costs of revenues. On December 30, 2003, the Company entered into the Amendment No. 1 to the LNG Sales Contract with ABS to change the pricing structure of the contract in order to reflect more properly the variability of the cost of natural gas, by adding \$0.20 cent per MMBtu (millions of British Thermal Units) to the cost of purchase.

As of January 7, 2014, AES Andres B.V. agreed with ABS to assign this contract to AES Andres (BVI) LTD., an affiliated entity under common control, under the same terms and conditions. Meanwhile AES Andres B.V. and AES Andres (BVI) LTD., signed an LNG purchase contract which expires in 2023. On April 9, 2014, a "Novation Agreement" to the Side Letter Agreement dated August 9, 2013, was signed between the Company, AES Andres DR, S.A. and BP Gas Marketing Limited, with the purpose that the new entity assume all obligations of the Branch at the effective date September 1, 2014. Under this agreement AES Andres (BVI) LTD. buys fuel from ABS and sells it to the AES Andres DR, S.A. at cost plus \$1.60 per MMBtu, plus a fixed fee of \$15 thousand per month. During 2020, 2019 and 2018, such costs totaled \$0.2 million, which is presented in the consolidated statements of income under operating, general and maintenance expense, included in contracted services.

The LNG purchase cost associated with this contract is presented in the consolidated statements of income as costs of revenues of \$292.4 million as of December 31, 2020 (2019: \$317.0 million and 2018: \$277.4 million).

AES Andres DR, S.A. granted a 20-year guaranty to BP Gas Marketing Limited (“BP”) in reference to the LNG Sales Contract signed between ABS and BP, in order to guarantee the payment of all the due and payable liabilities and obligations under such contract. The aggregate amount of the guaranty, which expires in 2023, shall not exceed \$100 million.

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**5. Balances and transactions with related parties (continued)**

In 2002, Andres signed both a natural gas sale and purchase agreement (“the Gas Purchase Contract”) and a Natural Gas Transportation Contract with DPP that commenced upon completion of the LNG facility and the pipeline in March 2003. Both contracts expire in April 2023. The revenues associated with these contracts are included in the consolidated statements of income as natural gas sales totaling \$66.1 million for the year ended December 31, 2020 (2019: \$90.2 million and 2018: \$95.6 million), and as natural gas transportation totaling \$8.6 million for the year ended December 31, 2020 (2019: \$8.6 million and 2018: \$8.4 million).

On May 10, 2017, the Company entered into a new contract of energy with DPP by which the Company purchases energy and firm capacity assigned. This contract began on June 1, 2017 with an indefinite duration, unless both parties agree on its suspension. The purchases associated with this contract consist of energy purchases that are included in the consolidated statements of income as costs of revenue of \$13.7 million for the year ended December 31, 2020 (2019: \$31.1 million and 2018: \$107.5 million).

During 2020, the Company sold energy to DPP in the spot market totaling \$0.1 million (2019: \$0.01 million and 2018: \$0).

During 2020, the Company purchased energy from Empresa Generadora de Electricidad Itabo, S.A. (Itabo) in the spot market, totaling \$1.7 million (2019: \$1.1 million and 2018: \$2.3 million) The Company did not sell energy to Itabo during 2020 and 2019, and in 2018 it sold \$0.7 million.

***Administrative Agreements***

The Company entered into a management agreement (the "Services Agreement") on December 17, 2009 with AES Solutions, LLC. ("Solutions"), a related company owned by the Parent Company, through which Solutions is responsible to provide technical assistance and transfer technology necessary to ensure the competitiveness of Andres in the Dominican energy market. The contract has a validity of 3 years and after this period it is expected to be renewed annually. Andres will have to pay for this contract, the actual cost assumed by Solutions plus 4% of said cost. Fees incurred related to this contract are presented in the consolidated statements of income under operating, general and maintenance expense, included in contracted services totaling \$2.8 million from January 1, 2019 to June 30, 2019 and \$5.0 million for the year 2018.

On July 1, 2019, this contract was assigned to AES Latin América S. de R.L., a related company owned by subsidiaries of the Parent Company. The expenses for fees related to this contract from July 1, 2019 to December 31, 2019 totaled \$4.4 million and a balance payable due of \$1.8 million at December 31, 2019. For the year ended December 31, 2020 the total expenses totaled \$3.2 million and a balance payable due of \$0.1 million.



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**5. Balances and transactions with related parties (continued)**

***Others***

The Company has comprehensive risk insurance contracted with AES Global Insurance Corporation (AGIC), a related company owned by the Parent Company, which covers certain operating risks including damage to machinery and business interruption. For this contract, the Company has recognized in operating, general and maintenance expense in the consolidated statements of income, insurance cost of \$12.2 million for the year ended December 31, 2020 (2019: \$7.9 million and 2018: \$5.3 million).

On September 3, 2018, lightning affected the Andres 319MW combined cycle natural gas facility in the Dominican Republic resulting in significant damage to its steam turbine and generator. The Company has business interruption and property damage insurance coverage, subject to pre-defined deductibles, under its existing programs. In September 2019, it restarted operations. On March 12, 2020, the steam turbine had a new damage and a repair period began until October 2020 when it restarted operations again.

During 2019 and 2018, the Company has registered \$281.6 million to be collected from the insurance company related to the above mentioned event. From this amount, \$20.1 million corresponds to property damage, \$97.1 million to recovery expense and \$164.4 million to business interruption (energy purchases and lost margin). In December 2018, as a result of the event mentioned above the Company expected to collect \$281.6 million from the insurance company. From this amount, the Company collected \$20 million (\$8.7 million for property damage and \$11.3 million for business interruption). During 2019, the Company collected \$252 million (\$110.0 million for property damage and recovery expense and \$142.0 million for business interruption). The total amount to be collected as of December 31, 2019 is \$9.6 million and is presented in the consolidated statement of financial position as other receivable - related parties. During 2019, the Company recognized in the consolidated statement of income as insurance claims an amount of \$89.2 million within other income (expenses). Additionally, \$96.3 million was recognized as a business interruption and is included as a reduction of costs of revenues. For the event in March 2020, the Company registered \$28.0 million, \$ 25.7 million corresponds to business interruption and \$ 2.3 million to expenses incurred in reprogramming fuel purchases. During 2020 the Company collected \$9.6 million from 2019 outstanding balance and the account receivable as of December 31, 2020 is \$28.0 million related to the event of March 2020.

As of December 31, 2020, the Company has an accounts payable to its Parent Company of \$0.08 million (2019: \$0.03 million) related to the reimbursement of salaries and benefits for executives and other direct costs.

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**5. Balances and transactions with related parties (continued)**

***Others (continued)***

On May 1, 2017, the Company entered into a service agreement with Fluence Energy, LLC, a related company owned by the Parent Company, through which Fluence shall temporarily provide technical services that are detailed in said contract, to work on a project developed by the Company. The term of this agreement is one year and will be renewed annually unless terminated by any of the parties. The total expense related to this contract is \$0.1 million for years ended December 31, 2020, 2019 and 2018 and is included in the consolidated statements of income as operating, general and maintenance expense.

The Company made donations to Fundación AES Dominicana in 2020 for \$0.4 million (2019: \$0.4 million and 2018 \$0.6 million) which are presented in the consolidated statements of income under operating, general and maintenance expense as contracted services.

On August 2, 2016, the Company entered into an expense reimbursement agreement with Gas Natural Atlántico, S.R.L., who is managing the construction of a gas plant, and is owned by the Parent Company. The Company shall temporarily provide the technical personnel detailed in said contract to work on the development, construction, operation and initiation of the commercial operations of the project. During the term of the agreement, the Company will be responsible for the costs and payments of these employees. This agreement is effective as of October 1, 2015 for a maximum total amount of \$1.1 million in effect until the date of substantial termination of the generation plant. In 2019, an additional amount of \$1.1 million was approved. During 2020, this contract was ceased (2019: \$1.1 million and 2018: \$0.1 million). The total amounts of 2019 were collected in 2020.

In February 2020, one LNG sales contract was executed with Gas Natural Atlántico, S.R.L. for 0.6 TBTU, and during 2019, two LNG sales contracts were executed with Gas Natural Atlántico, S.R.L., one in August for 1.6 TBTU and one in September for 0.5 TBTU. Revenue from these contracts for the year ended December 31, 2020 was \$1.6 million (2019: \$11.8 million) and is presented in the consolidated statements of income.

During 2020, the Company paid dividends of \$47.0 million (2019: \$140.0 million and 2018: \$38.0 million). The distribution of dividends of Andres DR is based on fiscal accounting.

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**5. Balances and transactions with related parties (continued)**

***Construction Management Agreement***

On September 23, 2019, the Company signed a construction management agreement with Enadom, a related company, through which the Company will provide assistance in engineering, purchasing and services of construction. The term of this contract was until the construction of the Eastern Gas Pipeline completed during 2020, and the total amount was \$3.9 million. During the year ended December 31, 2019, the Company recognized \$2.4 million net of costs incurred at the time of the pipeline transfer. On October 7, 2020, the Company signed an amendment to this contract to provide assistance in the construction of the second natural gas storage tank project for an amount of \$5.1 million.

***Management agreement***

The Company, with Domi Trading, S.L., a related company, signed a management agreement on September 23, 2019 with Enadom, through which both companies are responsible for providing general assistance in the process of operation, finance, human resources, insurance, information technology, and others in order to ensure Enadom's competitiveness in the Dominican market. The contract is for a term of ten years and it will be automatically renewed for five more years. Enadom must pay \$0.2 million plus taxes annually from this contract from the start date until it obtains the commercial operation date of the Gasoducto del Este project, after which the amount to be paid will be \$0.4 million per year plus taxes. For the year ended December 31, 2020, the revenues from fees related to this contract is presented in the consolidated statements of income for an amount of \$0.3 million and \$0.1 million for the period from September 1, 2019 to December 31, 2019.

***Operation and maintenance agreement***

On September 23, 2019, the Company signed an operation and maintenance agreement with Enadom to provide support in functions related to the operations and maintenance activities of the eastern gas pipeline. The start date of this contract will be the commercial operation date of the eastern gas pipeline, which was in February 2020. For the year ended December 31, 2020, the revenues from fees related to this contract is presented in the consolidated statements of income for an amount of \$0.6 million.

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**5. Balances and transactions with related parties (continued)**

The costs related with the followings agreements signed with Enadom for the year ended December 31, 2020 totaled an amount of \$12.5 million and are presented in the consolidated statements of income as costs of revenue.

- ***Interconnection and shared infrastructure agreement:*** On September 23, 2019, the Company signed an agreement with Enadom, with the purpose of establishing the rights and obligations in relation to the interconnection of the eastern gas pipeline with the Company's gas terminal. The start date of this contract was the commercial operation date of the eastern gas pipeline, which was in February 2020.
- ***Sale and Purchase Contract of regasified natural gas:*** On September 23, 2019, the Company signed a contract with Enadom, for the sale of regasified natural gas, which will be valid for 12 years and will begin on the date of commercial operation of the eastern gas pipeline. The purpose of this contract is to execute the gas sale contract that the Company had with Compañía de Electricidad San Pedro de Macoris, S.A. (CESPM) S.L. and which was transferred to Enadom as part of the joint business process with Domi Trading, S.L. In October 2020, the Company signed an amendment where AES Andres DR, S.A will supply temporarily the gas to CESPM until Enadom obtains the license for the sale of natural gas.
- ***Regasified Natural Gas Transportation Contract:*** On September 23, 2019, the Company signed a contract with Enadom, which will be valid for 10 years, beginning in February 2020 the date of commercial operation of the eastern gas pipeline, the purpose of this contract is that the Company receive transportation service through the eastern gas pipeline.

During 2020, the Company invoiced Enadom an amount of \$2.0 million related with logistics costs incurred for rescheduling purchases of LNG.

As of December 31, 2020, the Company has an accounts receivable for an amount of \$5.8 million related to logistic cost invoiced and contract services.

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**5. Balances and transactions with related parties (continued)**

***Global service agreement***

The Company signed a Corporate Global Services agreement on January 1, 2020 with AES Big Sky, LLC, a related company owned by AES subsidiaries through which AES Big Sky is responsible for providing assistance in technology services, human resources, operations and commercial support necessary to ensure Andres competitiveness in the Dominican energy market, the services will be provided by AES Big Sky directly or through AES Big Sky affiliates or subcontractors. The contract is valid for 5 years and will be automatically renewed for successive periods of one (1) year, unless one of the Parties notifies at least ninety (90) days before the expiration of the period current at that time. Andres will have to pay for this contract the real cost assumed by AES Big Sky plus taxes. Fees incurred related to this contract are presented in the consolidated statements of income under operating, general and maintenance expense, included in consultancies and legal fees totaling \$2.5 million for the year ended December 31, 2020, and a balance receivable of \$0.8 million for credit notes received at the end of 2020.

***Agreement implementation software***

On February 27, 2020, the Company jointly with other AES subsidiaries signed an agreement with Uplight, Inc., a related company for the implementation of software “DCEP” (AES Digital Customer Engagement Portal for C&I customers), a platform of market related to electricity sector industry owned by the supplier, the contract was valid until December 31, 2020. The costs incurred in the implementation of this software was a total amount \$1.0 million of which \$0.5 million is presented in the consolidated statements of income under operating, general and maintenance expense included in other expenses and \$0.5 million correspond to internal use software. As of December 31, 2020, there is a balance payable of \$1.0 million.

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**5. Balances and transactions with related parties (continued)**

As a result of the operations and contracts mentioned above and other less significant transactions carried out with affiliates, related party accounts receivable and payable as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
<i>Accounts receivables:</i>		
AES Andres (BVI) Ltd.	\$ 17,835	\$ 6
Dominican Power Partners	9,127	74,873
Energía Natural Dominicana ENADOM, S.R.L.	5,784	5,040
AES Big Sky, L.L.C.	762	—
AES Grand Dominicana, Ltd.	297	—
AES Fonseca Energía, Ltda. de C.V.	124	124
AES Africa Power Company B.V.	115	115
Others	217	134
AES Hispanola Holdings II BV	57	11
AES Global Power Holding B.V.	49	46
Empresa Generadora de Electricidad Itabo, S.A.	28	91
Gas Natural Atlántico S. de R.L.	1	12,751
<b>Total accounts receivables related parties</b>	<b><u>\$ 34,396</u></b>	<b><u>\$ 93,191</u></b>
<i>Other accounts receivable related party:</i>		
AES Global Insurance Corporation	\$ 28,043	\$ 9,552
<b>Total other accounts receivable related party</b>	<b><u>\$ 28,043</u></b>	<b><u>\$ 9,552</u></b>
	<u>2020</u>	<u>2019</u>
<i>Accounts payable:</i>		
Dominican Power Partners	\$ 92,082	\$ 128,215
Atlantic Basin Services, Ltd.	423	351
AES Latin América S. de R.L.	79	1,805
Empresa Generadora de Electricidad Itabo, S.A.	75	197
Others	71	127
AES Andres (BVI) Ltd.	—	4,860
<b>Total accounts payable related parties</b>	<b><u>\$ 92,730</u></b>	<b><u>\$ 135,555</u></b>

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**5. Balances and transactions with related parties (continued)**

The transactions with related parties during 2020, 2019 and 2018, are summarized below:

<u>Affiliate</u>	<u>Transaction type</u>	<u>Revenues</u>			<u>Costs and Expenses</u>		
		<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
AES Andres (BVI) Ltd.	Purchase of LNG	\$ —	\$ —	\$ —	\$ (292,563)	\$ (317,019)	\$ (277,441)
Atlantic Basin Services, Ltd.	Other costs of LNG	—	—	—	(2,144)	(2,339)	(1,756)
Empresa Generadora de Electricidad Itabo, S. A.	Energy, firm capacity and frequency regulation	34	31	724	(1,675)	(1,111)	(2,302)
Dominican Power Partners	Energy, firm capacity and frequency regulation, LNG and other services	75,192	99,146	104,668	(13,669)	(31,088)	(107,540)
Fluence Energy, LLC	Other services	—	—	—	(120)	(120)	(120)
AES Latin América S. de R.L.	Other services	—	—	—	(3,154)	(4,377)	—
AES Solutions, LLC	Other services	—	—	—	—	(2,787)	(5,018)
AES Big Sky, L.L.C.	Other services	—	—	—	(2,502)	—	—
Fundación AES Dominicana	Donations	—	—	—	(360)	(363)	(648)
AES Global Insurance Corporation	Other services	—	—	—	(12,161)	(7,895)	(5,322)
Gas Natural Atlántico, S.R.L.	Sale of LNG, other services	1,621	11,842	—	—	(1,094)	(148)
Energía Natural Dominicana ENADOM, S.R.L.	Contract services	3,032	2,488	—	(12,549)	—	—
<b>Total</b>		<b>\$ 79,879</b>	<b>\$ 113,507</b>	<b>\$ 105,392</b>	<b>\$ (340,897)</b>	<b>\$ (368,193)</b>	<b>\$ (400,295)</b>

**Remuneration of key personnel:**

The compensation of the Company's executives during the years ended December 31, 2020, amounted to \$1.1 million (2019: \$1.0 million and 2018: \$0.9 million). These amounts include fixed monthly compensation, variable bonuses according to performance, long-term compensation and other compensation.

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**6. Accounts receivables trade, net**

The accounts receivable trade, net balances as of December 31, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
Spot and PPA electricity market agents	\$ 14,984	\$ 33,298
Non - regulated users	3,387	2,788
Subtotal of accounts receivables	<u>18,371</u>	<u>36,086</u>
Other receivables	21,185	28,894
Allowance for doubtful accounts	(21)	(16)
<b>Total</b>	<b><u>\$ 39,535</u></b>	<b><u>\$ 64,964</u></b>

	<u>2020</u>	<u>2019</u>
<i>Allowance for doubtful accounts</i>		
Beginning balance	\$ 16	\$ 32
Increase	5	—
Decrease	—	(16)
<b>Total allowance for doubtful accounts</b>	<b><u>\$ 21</u></b>	<b><u>\$ 16</u></b>

Accounts receivable generate interest according to regulations in the electric sector and according to the terms established in the energy sale contracts.

Other receivables include unbilled revenue.

A detail of the age of accounts receivable, including those with a delay in their recovery but not impaired and including an impairment estimate for doubtful accounts for a part of those with an age of 91 days or more after December 31 of each period, are presented below:

	<u>2020</u>	<u>2019</u>
Current	\$ 39,491	\$ 58,495
31 to 60 days	19	6,435
91 days and more, net of allowance for doubtful accounts	25	34
<b>Total</b>	<b><u>\$ 39,535</u></b>	<b><u>\$ 64,964</u></b>



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**6. Accounts receivables trade, net (continued)**

***Contract Asset***

The Company signed a 10-year LNG supply contract in which the price formula contains a fixed and a variable component and, in the third year of the contract the fixed component has a variation, therefore as a result of the analysis of the revenue recognition, fixed consideration will be recognized on a straight-line basis. As of December 31, 2020, the Company maintains a non-current contract asset balance of \$3.2 million related to the recognition of revenue on a straight-line basis.

***Sector Agreements***

On March 15, 2019, the Company entered into a sales and credit assignment agreement with CDEEE, the distribution companies owned by the Government of the Dominican Republic and the Banco de Reservas ("Bank"), in which the Bank committed and paid \$33.9 million for 100% of the accounts receivable that the Company had with the distribution companies at that date. This transaction was a sale without recourse for the Company.

**7. Inventories, net**

Inventories, net balance as of December 31, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
LNG	\$ 11,632	\$ 14,750
Spare parts and other materials	10,819	10,339
Inventory in transit	1,779	227
Allowance for obsolescence	(192)	(238)
<b>Total</b>	<b><u>\$ 24,038</u></b>	<b><u>\$ 25,078</u></b>

The cost associated with the consumption of LNG during 2020 was \$314 million (2019: \$309 million and 2018: \$249 million), which is included as part of costs of revenues in the consolidated statements of income. The cost associated with the consumption of spare parts and other materials during 2020 was \$1.4 million (2019: \$1.7 million and 2018: \$1.8 million).

During 2020, there were adjustments for impairment of inventories of \$0.2 (2019: \$0.1 million and 2018: \$0.2 million), which are shown under operating, general and maintenance expense in the consolidated statements of income.

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**8. Property, plant and equipment, net**

Property, plant and equipment, net, is detailed as follows:

	<b>As of December 31, 2020</b>						
	<b>Land</b>	<b>Buildings</b>	<b>Generation plant</b>	<b>Spare parts</b>	<b>Office equipment and others</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost:</b>							
Beginning balance	\$ 41,064	\$ 16,427	\$ 629,923	\$ 19,461	\$ 5,253	\$ 5,814	\$ 717,942
Additions	—	—	—	—	193	47,435	47,628
Reductions	(3,386)	(82)	(1,009)	—	(42)	—	(4,519)
Reclassifications	—	531	5,962	(159)	497	(6,831)	—
<b>Ending balance</b>	<b>\$ 37,678</b>	<b>\$ 16,876</b>	<b>\$ 634,876</b>	<b>\$ 19,302</b>	<b>\$ 5,901</b>	<b>\$ 46,418</b>	<b>\$ 761,051</b>
<b>Accumulated depreciation:</b>							
Beginning balance	\$ —	\$ 5,282	\$ 221,038	\$ 6,274	\$ 4,453	\$ —	\$ 237,047
Additions	—	396	24,425	—	421	—	25,242
Reductions	—	(29)	(711)	—	(42)	—	(782)
Reclassifications	—	—	923	(923)	—	—	—
<b>Ending balance</b>	<b>—</b>	<b>5,649</b>	<b>245,675</b>	<b>5,351</b>	<b>4,832</b>	<b>—</b>	<b>261,507</b>
<b>Net balance</b>	<b>\$ 37,678</b>	<b>\$ 11,227</b>	<b>\$ 389,201</b>	<b>\$ 13,951</b>	<b>\$ 1,069</b>	<b>\$ 46,418</b>	<b>\$ 499,544</b>

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**8. Property, plant and equipment, net (continued)**

	<b>As of December 31, 2019</b>						
	<b>Land</b>	<b>Buildings</b>	<b>Generation plant</b>	<b>Spare parts</b>	<b>Office equipment and others</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost:</b>							
Beginning balance	\$ 40,686	\$ 16,504	\$ 502,557	\$ 19,410	\$ 5,019	\$ 13,600	\$ 597,776
Additions	—	—	2,208	177	59	188,309	190,753
Reductions	—	(77)	(18,014)	(41)	(117)	—	(18,249)
Reductions for business sale	—	—	—	—	(172)	(52,166)	(52,338)
Reclassifications	378	—	143,172	(85)	464	(143,929)	—
<b>Ending balance</b>	<b>\$ 41,064</b>	<b>\$ 16,427</b>	<b>\$ 629,923</b>	<b>\$ 19,461</b>	<b>\$ 5,253</b>	<b>\$ 5,814</b>	<b>\$ 717,942</b>
<b>Accumulated depreciation:</b>							
Beginning balance	\$ —	\$ 4,930	\$ 213,300	\$ 4,342	\$ 4,107	\$ —	\$ 226,679
Additions	—	373	21,175	—	424	—	21,972
Reductions	—	(21)	(11,464)	(41)	(78)	—	(11,604)
Reclassifications	—	—	(1,973)	1,973	—	—	—
<b>Ending balance</b>	<b>—</b>	<b>5,282</b>	<b>221,038</b>	<b>6,274</b>	<b>4,453</b>	<b>—</b>	<b>237,047</b>
<b>Net balance</b>	<b>\$ 41,064</b>	<b>\$ 11,145</b>	<b>\$ 408,885</b>	<b>\$ 13,187</b>	<b>\$ 800</b>	<b>\$ 5,814</b>	<b>\$ 480,895</b>

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**8. Property, plant and equipment, net (continued)**

	<b>As of December 31, 2018</b>						
	<b>Land</b>	<b>Buildings</b>	<b>Generation plant</b>	<b>Spare parts</b>	<b>Office equipment and others</b>	<b>Construction in progress</b>	<b>Total</b>
<b><u>Cost:</u></b>							
Beginning balance	\$ 39,791	\$ 16,504	\$ 538,373	\$ 18,861	\$ 4,780	\$ 1,690	\$ 619,999
Additions	—	—	64	3,892	47	16,184	20,187
Reductions	—	—	(42,289)	(121)	—	—	(42,410)
Reclassifications	895	—	6,409	(3,222)	192	(4,274)	—
<b>Ending balance</b>	<b>\$ 40,686</b>	<b>\$ 16,504</b>	<b>\$ 502,557</b>	<b>\$ 19,410</b>	<b>\$ 5,019</b>	<b>\$ 13,600</b>	<b>\$ 597,776</b>
<b><u>Accumulated depreciation:</u></b>							
Beginning balance	\$ —	\$ 4,556	\$ 209,736	\$ 5,402	\$ 3,666	\$ —	\$ 223,360
Additions	—	374	22,581	—	441	—	23,396
Reductions	—	—	(20,029)	(48)	—	—	(20,077)
Reclassifications	—	—	1,012	(1,012)	—	—	—
<b>Ending balance</b>	<b>—</b>	<b>4,930</b>	<b>213,300</b>	<b>4,342</b>	<b>4,107</b>	<b>—</b>	<b>226,679</b>
<b>Net balance</b>	<b>\$ 40,686</b>	<b>\$ 11,574</b>	<b>\$ 289,257</b>	<b>\$ 15,068</b>	<b>\$ 912</b>	<b>\$ 13,600</b>	<b>\$ 371,097</b>

The costs of interest capitalized during the year ended December 31, 2020, amounted to \$1.0 million (2019: \$4.9 million and 2018: \$0.5 million). The interest rate used to determine the amount of finance costs that were eligible to capitalize as of December 31, 2020 was 0.5% (2019: 0.8% and 2018: 0.8%), which is the average annual financing rate.

The main construction in progress as of December 31, 2020 correspond to the solar project Bayasol.

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**9. Intangible assets, net**

The following table summarizes the balances comprising intangible assets in the accompanying consolidated statements of financial position as of the end of the years indicated:

	<b>2020</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Carrying amount</b>
Internal use software	\$ 3,839	\$ (2,845)	\$ 994
License project	2,332	—	2,332
<b>Total</b>	<b>\$ 6,171</b>	<b>\$ (2,845)</b>	<b>\$ 3,326</b>

	<b>2019</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Carrying amount</b>
Internal use software	\$ 3,704	\$ (2,221)	\$ 1,483
License project	2,332	—	2,332
<b>Total</b>	<b>\$ 6,036</b>	<b>\$ (2,221)</b>	<b>\$ 3,815</b>

	<b>2018</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Carrying amount</b>
Internal use software	\$ 3,571	\$ (1,694)	\$ 1,877

The movement of intangible assets is as follows:

	<b>Internal use software</b>	<b>License project</b>	<b>Total</b>
Balance as of January 1, 2018	\$ 378	\$ —	\$ 378
Additions	1,682	—	1,682
Amortization	(183)	—	(183)
Balance as of December 31, 2018	1,877	—	1,877
Additions	133	2,332	2,465
Amortization	(527)	—	(527)
Balance as of December 31, 2019	1,483	2,332	3,815
Additions	249	—	249
Reclassification	(114)	—	(114)
Amortization	(624)	—	(624)
<b>Balance as of December 31, 2020</b>	<b>\$ 994</b>	<b>\$ 2,332</b>	<b>\$ 3,326</b>

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**9. Intangible assets, net (continued)**

The following table summarizes the estimated amortization expense for 2021 through 2024:

2021	\$	638
2022		237
2023		49
2024		70
<b>Total</b>	<b>\$</b>	<b>994</b>

**10. Other non-financial assets**

Other non-financial assets balances as of December 31, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
<b>Current:</b>		
Other receivable taxes	\$ 16	\$ 26
Prepayments to vendors	411	1,005
Advance to employees	31	37
Other prepaid expenses	115	45
Prepaid insurance	37	23
Other account receivable guarantee steam turbine	1,206	—
Prepaid assets	28	—
<b>Total current other non-financial assets</b>	<b>\$ 1,844</b>	<b>\$ 1,136</b>
<b>Non-current:</b>		
Advance payments for the acquisition of property, plant and equipment	\$ 5,158	\$ 2,897
Prepaid assets	587	—
Guarantee deposit	20	20
<b>Total non-current other non-financial assets</b>	<b>\$ 5,765</b>	<b>\$ 2,917</b>

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**11. Other financial assets and financial liabilities**

**11.1 Other financial assets**

Other financial assets balance current and non-current as of December 31, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
<b>Current:</b>		
Restricted cash	\$ 109	\$ 119
Natural gas derivative - Nymex	—	1
<b>Total current other financial assets</b>	<u>\$ 109</u>	<u>\$ 120</u>
<b>Non-current:</b>		
Embedded derivative - BP	873	873
Embedded derivative - Natural gas sales	920	—
<b>Total non-current other financial assets</b>	<u>\$ 1,793</u>	<u>\$ 873</u>

**11.2 Financial liabilities**

Derivative balances current and non-current as of December 31, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
<b>Financial instruments at fair value</b>		
<b>Current</b>		
Natural gas derivative - Nymex	\$ 61	\$ 61
Embedded derivative - Natural gas sales	46	—
<b>Total current derivative</b>	<u>\$ 107</u>	<u>\$ 61</u>
<b>Non-current</b>		
Embedded derivative - Natural gas sales	413	—
Embedded derivative - BP	251	363
<b>Total non-current derivative</b>	<u>\$ 664</u>	<u>\$ 363</u>
<b>Total derivative</b>	<u>\$ 771</u>	<u>\$ 424</u>

Financial instruments through profit and loss consist of two embedded derivatives (note 11.4).

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**11.2 Financial liabilities (continued)**

***Line of credit***

On December 6, 2019, Scotiabank disbursed to the Company of \$50 million with an interest rate of LIBOR plus 1.5% of which \$30 million was paid by December 31, 2019. During 2019, the Company requested \$75 million from the credit lines and repaid it during the year. In 2020, the Company requested \$62.5 million with an interest rate of LIBOR plus a spread and repaid \$32.5 million. As of December 31, 2020, \$30 million remains payables (2019: \$20 million) which are presented in the consolidated statements of financial position.

***International Bonds - bonds payable, net***

On May 11, 2016, the Company issued \$220.1 million in bonds in international markets under Rule 144A and Regulation S, with a single and definitive payment due in May 2026 at an interest rate of 7.950% per annum. Interest payments are semi-annual from November 2016. The total debt issuance costs amounted to \$8.5 million.

Bonds payable, net as of December 31, 2020 and 2019 were as follows:

	<b><u>2020</u></b>	<b><u>2019</u></b>
International Bonds	\$ 220,100	\$ 220,100
Deferred financing cost, net	(2,925)	(3,335)
Unamortized discount	(2,861)	(3,261)
<b>Total bonds payable, net</b>	<b><u>\$ 214,314</u></b>	<b><u>\$ 213,504</u></b>

The deferred financing cost, net as of December 31, 2020 and 2019 consists of:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Deferred financing costs at the beginning of the year	\$ 3,335	\$ 3,765
Amortization of deferred financing costs during the year	(410)	(430)
<b>Total deferred financing costs, net at the end of the year</b>	<b><u>\$ 2,925</u></b>	<b><u>\$ 3,335</u></b>

The unamortized discount as of December 31, 2020 and 2019 consists of:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Unamortized discount at the beginning of the year	\$ 3,261	\$ 3,682
Amortization of discount during the year	(400)	(421)
<b>Total unamortized discount at the end of the year</b>	<b><u>\$ 2,861</u></b>	<b><u>\$ 3,261</u></b>



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**11.2 Financial liabilities (continued)**

***Loans payable, net***

On October 31, 2018, AES Andres DR, S.A. executed a loan agreement for up to \$88 million with Banco Centroamericano de Integración Económica and Banco Múltiple BHD León, S.A., and Banco Múltiple BHD León, as Administrative Agent. In September 2019, this loan was extinguished early and the total amount of deferred financing costs were written off for an amount of \$1.7 million, which are included as part of interest expense, net in the consolidated statements of income as write off of deferred financing costs due to early debt repayment.

On September 26, 2019, the Company signed a loan agreement of \$45 million with Banco Múltiple BHD León S.A with an annual fixed interest rate of 4.5%, with a maturity of 2 years from the disbursement.

On November 5, 2019, the Company signed a loan agreement of \$50 million with Banco Múltiple BHD León S.A up to an amount of \$30 million jointly with BHD International Bank (Panama) S.A. up to an amount of \$20 million with a variable interest rate of LIBOR 3 months + a margin of 3.25%, maturity date established is September 15, 2029 and will be paid quarterly. This loan was acquired in order to finance the construction of the Bayasol solar energy project up to an installed capacity of 50MW. At the end of 2019, disbursements of \$5 million had been processed, and for 2020 \$33 million.

As of December 31, 2020 and 2019, the Company maintains obligations in the form of loans, which are detailed below:

	<u>2020</u>	<u>2019</u>
Loans payable	\$ 83,000	\$ 50,000
Deferred financing cost	(425)	(508)
<b>Total loans payable, net</b>	<b>82,575</b>	<b>49,492</b>
Less:		
Loans payable - current	45,984	—
Deferred financing cost - current	(33)	—
<b>Loans payable - current, net</b>	<b>45,951</b>	<b>—</b>
<b>Loans payable - non-current, net</b>	<b>\$ 36,624</b>	<b>\$ 49,492</b>

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**11.2 Financial liabilities (continued)**

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

	<u>2020</u>	<u>2019</u>
2021	\$ 45,984	\$ 45,130
2022	3,732	491
2023	4,009	528
2024	4,294	565
2025 to expiration date	24,981	3,286
<b>Total</b>	<b>\$ 83,000</b>	<b>\$ 50,000</b>

The deferred financing cost, net as of December 31, 2020 and 2019 consists of:

	<u>2020</u>	<u>2019</u>
Deferred financing cost at the beginning of the year	\$ 508	\$ 1,509
Write off - early extinguishment of debt	—	(1,415)
Payment of financing cost	—	529
Capitalized financing cost	(23)	(14)
Amortization of financing cost during the year	(60)	(101)
<b>Total deferred financing cost, net at the end of the year</b>	<b>\$ 425</b>	<b>\$ 508</b>

As a consequence of the aforementioned issuance of financing agreements, the Company must comply with certain obligations and limitations in order to carry out certain transactions, including the incurrence of additional debt or to make dividend payments. Before executing the aforementioned transactions, the Company must validate and verify that all contract covenants are being complied with including:

- Financial Ratios to Incur Additional Debt: refers to ratios that the Company must comply with in order to incur in additional debt, except for the exceptions stipulated in the relevant financing agreement.
- Financial Ratios to Pay Dividends: refers to ratios that the Company must comply with in order to make a dividend payment, except for the exceptions stipulated in the relevant financing agreement.
- Debt Service Coverage Ratio: has to be greater than 2.5x and Debt to EBITDA ratio has to be less than 3.5x.

As of December 31, 2020, the Company is in compliance with all of its commitments and restrictions in relation to such financing arrangements.

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**11.2 Financial liabilities (continued)**

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

	Balance as of January 1, 2020	Cash flows-received	Cash flows-payments	Amortization of deferred financing costs	Early extinguishment of debt	Other adjustments	Balance as of December 31, 2020
Line of credit	\$ 20,000	\$ 62,500	\$ (52,500)	\$ —	\$ —	\$ —	\$ 30,000
Loans payable current, net	—	—	—	—	—	45,951	45,951
Bonds payable, net	213,504	—	—	810	—	—	214,314
Loan payable, net	49,492	33,000	—	83	—	(45,951)	36,624
Lease liabilities	3,807	—	(336)	—	—	808	4,279
<b>Total</b>	<b>\$ 286,803</b>	<b>\$ 95,500</b>	<b>\$ (52,836)</b>	<b>\$ 893</b>	<b>\$ —</b>	<b>\$ 808</b>	<b>\$ 331,168</b>

	Balance as of January 1, 2019	Cash flows-received	Cash flows-payments	Amortization of deferred financing costs	Early extinguishment of debt	Other adjustments	Balance as of December 31, 2019
Line of credit	\$ —	\$ 125,000	\$ (105,000)	\$ —	\$ —	\$ —	\$ 20,000
Bonds payable, net	212,653	—	—	851	—	—	213,504
Loan payable, net	12,491	60,000	(24,529)	115	1,415	—	49,492
Lease liabilities	—	—	(152)	—	—	3,959	3,807
<b>Total</b>	<b>\$ 225,144</b>	<b>\$ 185,000</b>	<b>\$ (129,681)</b>	<b>\$ 966</b>	<b>\$ 1,415</b>	<b>\$ 3,959</b>	<b>\$ 286,803</b>

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**11.3 Hedging activities and derivatives**

**Embedded derivative**

As a result of the price formulas included in the contracts for the purchase of LNG and the sale of energy, the Company is exposed to embedded derivatives.

The Company maintains a contract to purchase LNG until the year 2023, through AES Andres (BVI) LTD., which in turn has a contract with ABS and ABS with BP Gas Marketing Limited (“BP”). BP has the option of delivering to ABS one twelfth of the total LNG contracted, through the delivery of Fuel Oil No 2, whereby Andres will pay the price contracted, adjusted by an indexer. The indexer's formula is based on the changes in the plant's efficiency (heat rate), additional maintenance and reduction of the plant's capacity as a result of the Fuel Oil No. 2 instead of the LNG. This fuel substitution option is BP's decision and cannot be rejected by ABS.

On November 29, 2016, Atlantic Basin Services, Ltd and AES Andres DR, SA, signed the LNG Purchase and Sale agreement and the Joint Marketing Agreement with the LNG supplier, in which the general terms and conditions were agreed of the purchase and sale of LNG. Through additional Confirmation Agreements, quantities and prices of LNG are established to supply each client.

In May 2018, a Confirmation Agreement for the purchase of LNG was issued to supply a Client. During 2020, the Company began the LNG delivery with the beginning of operations. This agreement contains the consideration of an adjustment to the price of LNG subject to factors that are not intrinsically related, which is why an implicit derivative is associated with this Confirmation Agreement. As of December 31, 2020, an other financial asset non-current of this derivative is recognized.

**Derivative - price hedging**

In December 2018, Andres signed a contract with Citibank, NA for a price of 1,740,000 MMbtu that purchased between January 1 and December 31, 2020. As of December 31, 2019, a current asset is recognized for the fair value of this derivative. For 2020, there is not balance of this derivative.

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**11.4 Fair Value**

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, 2020 and 2019 are detailed below:

	<u>Book Value</u>		<u>Fair Value</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Financial assets</b>				
Other financial asset	\$ 1,793	\$ 873	\$ 1,793	\$ 873
Trade receivables - lease	\$ 5,517	\$ —	\$ 5,517	\$ —
<b>Financial liabilities</b>				
Other liabilities	\$ 5,870	\$ 443	\$ 5,870	\$ 443
Line of credit	\$ 30,000	\$ 20,000	\$ 30,000	\$ 20,000
International bonds	\$ 220,100	\$ 220,100	\$ 231,109	\$ 225,995
Loans payable	\$ 83,000	\$ 50,000	\$ 84,560	\$ 52,283

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

- The carrying amount of certain financial assets, including cash and equivalents, restricted cash, accounts receivable, and certain financial liabilities including accounts payable to suppliers and related parties, other current liabilities and line of credit 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 Company calculates the fair value of the loans based on information available as of the date of the consolidated statements of financial position. The fair value is estimated based upon interest rates and other features of the loan. These loans were contracted at a variable rate, therefore, the Company considers that its book value resembles is a close approximation of its fair value.

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**11.4 Fair Value (continued)**

- For the calculation of fair value of the embedded derivatives (other financial assets), the Company uses Excel as valuation tool. The option model used to calculate the amount of the Company's embedded derivative is an option to exchange active multiples.

For derivatives, the income methodology is used, which consists of forecasting future cash flows based on contractual notional amounts and applicable and available market data as of the valuation date. The following assumptions are used in valuation models for derivative instruments:

- a) Market assumptions such as historic and spot prices, price projections, credit risk or observable rates;
- b) Discount rate assumptions such as risk-free rates, local and counterparty spreads (based on risk profiles and data available in the market);
- c) The model also incorporates variables such as volatilities, correlations, regression formulas and market spreads using observable market data and techniques commonly used by market participants;

Future rates and prices are generally obtained from published information provided by pricing services for an instrument with the same duration as the derivative instrument being valued. In situations where significant inputs are not observable, the Company uses relevant techniques to best estimate the inputs, such as regression analysis or from prices for similarly traded instruments available in the market.

Additionally, the Company uses observable commodity data that are highly liquid and long-term data to estimate the models' future data, as long as they are closely related to the data being used for future prices in the valuation model. Credit risk is also incorporated in all of the derivative calculations and is estimated by the Company using credit margins and risk premiums that are observable in the market, as appropriate, or estimated loan costs based on information published by banks, industries and/or other financing executed in similar projects.

The assumptions used by the Company to calculate the fair value of derivative instruments fall under Level 3 of the hierarchy as of December 31, 2020 and 2019.

The Company has not made reclassifications of levels. Any difference between the balance as of December 31, 2020 and 2019, only represents changes in the fair value of the derivative instruments.

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**11.4 Fair Value (continued)**

**Hierarchy of fair value of reasonable financial instruments**

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

The fair value hierarchy consists of the following three levels:

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

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

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

The classification of the derivative is presented below:

Derivative instruments	Classification	2020			2019		
		Derivative instrument Asset Current and non-current	Derivative instrument Liability Current and non-current	Gain (2020)	Derivative instrument Asset Current and non-current	Derivative instrument Liability Current and non-current	Loss (2019)
Embedded derivative - LNG sales	Financial instrument asset and liability recognized in the consolidated statements of financial position	\$ 920	\$ (459)	\$ (461)	\$ —	\$ —	\$ —
Embedded derivative - BP	Financial instrument asset and liability recognized as fair value with change in earning - costs of revenue (gain on derivative financial instruments)	873	(251)	(111)	873	(363)	223
	<b>Total derivative instrument - level 3</b>	<b>\$ 1,793</b>	<b>\$ (710)</b>	<b>\$ (572)</b>	<b>\$ 873</b>	<b>\$ (363)</b>	<b>\$ 223</b>

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**12. Investment in affiliate**

Beginning May 29, 2019, the Company has a participation of 50% in Domi Trading S.L. and its subsidiary Enadom. The participation of the Company is recorded using the equity method in the consolidated financial statements.

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

<u>Affiliate</u>	<u>Commercial activity</u>	<u>% of equity participation</u>		<u>December 31</u>	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Domi Trading S.L. and subsidiary	Natural gas commercialization	50.0%	50.0%	<u>\$ 44,856</u>	<u>\$ 47,544</u>

**For the year ended December 31, 2020**

<u>Affiliate</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net Loss</u>	<u>Equity Participation</u>
Domi Trading S.L. and subsidiary	\$ 108,345	\$ 20,112	\$ 88,232	\$ 11,812	\$ (8,908)	\$ (1,374)	\$ (687)

**For the year ended December 31, 2019**

<u>Affiliate</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net Loss</u>	<u>Equity Participation</u>
Domi Trading S.L. and subsidiary	\$ 100,285	\$ 16,679	\$ 93,607	\$ —	\$ (2,319)	\$ (2,319)	\$ (1,160)

For the year ended December 31, 2020 and 2019, the Company has recorded in relation to its 50% share in earnings of Domi Trading S.L. and subsidiary, losses of \$(687) and \$(1,160), respectively. These amounts are presented as equity loss in investment in affiliate in the consolidated statements of income.

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

During 2020, the Company received dividends from the affiliate of \$0.3 million and reduced the amount of investment by \$1.7 million.



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**13. Accounts payable suppliers and other liabilities**

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

	<u>2020</u>		<u>2019</u>
Energy suppliers	\$ 11,227	\$	15,125
Contract liabilities	12,174		6,605
Accrued interest	2,536		2,643
Local suppliers	1,791		19,441
Incentive compensation payable	1,105		335
International suppliers	6,151		14,266
Others	7,049		5,112
<b>Total</b>	<b>\$ 42,033</b>	<b>\$</b>	<b>63,527</b>

Accounts payable to local and international suppliers are due for up to 45 days from the date of issue of the respective documents or invoices, are not subject to any discount for prompt payment and most of them are payable in the currency of issue of the invoice. Electricity purchases payable (energy suppliers) generate interest if they are not paid at maturity. Contract liabilities include customer gas advance purchases and energy guarantee deposits.

**14. Leases**

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 (land and buildings) used in its operations.

*Land:*

- The Company has a land lease which was signed on November 28, 2018. Since November 1, 2019, this sublease contract entered into force which corresponds to a 1,325,903 Mts<sup>2</sup> land with a term until October 31, 2054.

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**14. Leases (continued)**

*Buildings:*

- The Company had a lease contract for its corporate office with a term until June 1, 2021. The Company had the option to apply an early termination clause giving notice six months in advance. In April 2020, the Company decided to apply the early termination clause. The lease expense under this contract was \$209 in 2018, which is presented as part of operating, general and expense in the consolidated statement of income.
- In March 2020, the Company began a new lease for corporate office and parking with a term until September 30, 2024.

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

	<u>Land</u>	<u>Building</u>	<u>Total</u>
As of January 1, 2019	\$ —	\$ 174	\$ 174
Additions	3,973	—	3,973
Amortization expense	—	(139)	(139)
Amortization expense capitalized	(18)	—	(18)
As of December 31, 2019	3,955	35	3,990
Additions	48	600	648
Amortization expense	—	(143)	(143)
Amortization expense capitalized	(114)	—	(114)
<b>As of December 31, 2020</b>	<b><u>\$ 3,889</u></b>	<b><u>\$ 492</u></b>	<b><u>\$ 4,381</u></b>

Below are the carrying amounts of lease liabilities current and non-current:

	<u>2020</u>	<u>2019</u>
As of January 1	\$ 3,807	\$ 162
Additions	618	3,975
Accretion of interest	216	39
Rent concession payments	(26)	—
Payments	(336)	(369)
<b>As of December 31</b>	<b><u>\$ 4,279</u></b>	<b><u>\$ 3,807</u></b>
Current	<b><u>\$ (216)</u></b>	<b><u>\$ (67)</u></b>
Non-current	<b><u>\$ (4,063)</u></b>	<b><u>\$ (3,740)</u></b>

The maturity analysis of lease liabilities is disclosed in Note 11.2.

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**14. Leases (continued)**

The following are the amounts recognized in 2020 and 2019 consolidated statements of income:

	<u>2020</u>	<u>2019</u>
Amortization expense of right-of-uses assets (including in operating, general and maintenance expense)	\$ 143	\$ 139
Interest expense on lease liabilities (including in interest expense, net)	216	39
Amortization expense of right-of-uses assets capitalized	114	18
Expense relating to leases of low-value assets and short-term lease (including in operating, general and maintenance expense)	1,661	70
<b>Total amount recognized in consolidated statements of income</b>	<b><u>\$ 2,134</u></b>	<b><u>\$ 266</u></b>

*Lessor*

On September 2, 2020, Andres DR and Endom entered into a lease agreement for the rent of a portion of land, owned by Andres DR, located in Santo Domingo, Dominican Republic. The portion of land leased is 65,692.64 m2 that will be used for the construction of the second LNG storage tank and 56,600.00 m2 for temporary building just during the construction period. The land must be exclusively used for the construction and operation of a second LNG storage tank with associated auxiliary system and additional bays for LNG truck loading station, which will be interconnected. The term is 10 years with automatic renewal for additional periods through the commercial operation life of the second tank, expected to be fifty years. In the event of the commercial operation of the second tank expires, the contract will terminate automatically, without notifications.

The rent of the leased land is required from an effective date (start of construction or notice to proceed date "NTP") and shall be determinate as follow:

- From the start of construction or signing of NTP until the commissioning (expected for a period of 28 months since the NTP), \$0.3 million per year, adjusted by CPI. (proportionately, \$0.2 million corresponds to the portion of land leased for the construction of the second LNG storage tank and \$0.1 million corresponds to the portion of land leased for the temporary building during construction period).
- After the commercial operation date of the second tank, \$0.6 million per year, adjusted by CPI.

The contract is a lease, since Enadom has the right to obtain substantially all of the economic benefits from use of the two portions of land leased and has the right to direct how and for what purpose the land is used throughout the period of use. For the portion of land for the second LNG storage tank (50-year term), the Company shall classify the lease as a finance lease.

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**14. Leases (continued)**

*Lessor (continued)*

For finance lease, the lessor at the commencement date, shall recognize a net investment in the sale, selling profit or loss arising from the sale and initial direct costs and derecognize the underlying asset. Amounts due from lessees under finance lease are recorded as a receivable at the amount of the Company's net investment in the lease.

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

	<b>2020</b>
Less than one year	\$ 161
One to two years	161
Two to three years	454
Three to four years	600
Four to expiration date	<u>27,600</u>
Total of undiscounted lease payments	28,976
Unearned income	<u>(23,460)</u>
<b>Net investment as of December 31, 2020</b>	<b><u>\$ 5,516</u></b>
<b>Current</b>	<b><u>\$ 161</u></b>
<b>Non-current</b>	<b><u>\$ 5,355</u></b>

The Company recognized a gain from the sale of land of \$2.1 million in 2020.

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.

**15. Other non-financial liabilities**

As of December 31, 2020 and 2019, the following summarizes the other non-financial liabilities balances:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Long-term compensation	\$ 6	\$ —
Long-term contingent legal reserves	17	19
Long-term service contract (maintenance agreement see Note 16)	<u>5,076</u>	<u>—</u>
<b>Total</b>	<b><u>\$ 5,099</u></b>	<b><u>\$ 19</u></b>

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**16. Commitments and contingencies**

**Commitments**

***Contract for the sales of energy***

For the year ended December 31, 2020, revenues associated with contracts with distribution companies consist of sales of energy and capacity, EDE Este of \$54.6 million (2019: \$55 million and 2018: \$69.1 million), EDE Norte of \$52.7 million (2019: \$54.4 million and 2018: \$52.4 million), and EDE Sur of \$71.6 million (2019: \$80.8 million and 2018: \$77.1 million), related to the following contracts:

**EDE Este / EDE Sur / EDE Norte PPA** - In February 2017, as a result of the bidding process carried out by CDEEE, Andres signed 3 PPAs that entered into force as of April 2017 for a period of 5 years. These contracts were signed with the three electricity distribution companies in the country, EDE Norte, EDE Sur and EDE Este. With EDE Norte it signed a contract for 82.5MW, with EDE Sur a contract for 110MW and with EDE Este a contract for 82.5MW. Andres will be remunerated for the contracted capacity and the energy supplied, which is subject to the demand of EDE Norte, EDE Sur and EDE Este.

***Envirogold Limited (“Las Lagunas”) PPA*** – The Company signed an addendum to the contract of energy and capacity sales with Las Lagunas in order to agree on a new term for the contract, and also to agree on new amounts and price. This contract expired in January 2020.

***Gas Purchase and Natural Gas Transportation Contracts***

- As described in Note 5, the Company has natural gas purchase and natural gas transportation contracts with DPP.
- On November 29, 2016, the Company entered into a one-year LNG supply contract with Transcontinental Capital Corporation (Bermuda), Ltd. (Seaboard), for the purpose of establishing the terms and conditions under which the Company will provide LNG to Seaboard. The Agreement was effective from January to December 2017 and was extended by mutual agreement between the parties.

The Company signed new contracts through for the sale of Regasified Natural Gas with the following clients: Soluciones en Gas Natural and Línea Clave International until December 2021. In addition, the Company signed contracts to supply LNG to Soluciones en Gas Natural, Línea Clave International, Tropigas Dominicana, S.R.L., Propanos y Derivados, S.A. and Platter Investment, S.A., all with maturity in December 2021. The price for these contracts is variable.

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**16. Commitments and contingencies (contingencies)**

***Contract for the sale of LNG (various)***

The Company signed a contract for the supply of LNG with Consorcio Energético Punta Cana-Macao, S.A. dated May 7, 2018, for a period of 4 years, beginning as of January 2019. Through this contract, Andres undertook to deliver an amount of 3.3 TBTU per contract year with a minimum of 90% and a maximum of 110% of that amount.

The Company signed an agreement to supply LNG with Empresa Generadora de Electricidad Haina, S.A., on November 14, 2019, for a term of 10 years, since the beginning of the commercial operations of the plant Quisqueya II actually converting to natural gas. With this contract, Andres promised to deliver a quantity not greater than 12 TBTU per contract year.

The Company signed an agreement to supply LNG to Pueblo Viejo Dominicana Corporation (“Barrick”), in May 2018, for a term of 10 years, since the beginning of the commercial operations. With this contract, Andres promised to deliver a quantity between 9 and 12 TBTU per contract year.

***Purchase Obligation***

On November 29, 2016, the Company in conjunction with ABS signed an agreement with ENGIE, S.A. (ENGIE), where ENGIE is responsible for the supply of LNG and its maritime transport and Andres buys LNG for its own use, as well as for the resale of LNG and regasified LNG to third parties, with maturity until December 31, 2023. The contractual amounts for the term of this contract will be established by annual confirmation notices.

The Company maintains a contract to purchase LNG until the year 2023, through AES Andres (BVI) LTD., which in turn has a contract with ABS and ABS with BP Gas Marketing Limited (“BP”). The probability of incurring a net loss related to the take-or-pay obligation is considered remote. AES Andres DR, S.A. has guaranteed a total of \$100 million under the LNG Contract and it is valid for the duration of the contract (Note 5).

The amounts set forth in the following table represent the total contract amounts through 2023 (undiscounted) for the term of the LNG Contract based on the NYMEX price on December 31, 2020.

<b><u>Year</u></b>	<b><u>Commitment</u></b> <b><u>(in 000's)</u></b>
2021	\$ 147,442
2022	146,646
2023	36,373
<b>Total</b>	<b><u><u>\$ 330,461</u></u></b>

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**16. Commitments and contingencies (contingencies)**

***Maintenance Agreement***

In 2018, AES Andres DR, S.A. and Mitsubishi Hitachi Power Systems Americas, Inc. entered into a maintenance agreement for the periods between 2018 to 2031. The total amount to be paid for this contract amounts to \$34.6 million during its term. As of December 31, 2020, the Company has received spare parts totaling \$2.2 million related to this contract, and the accounts payable amounted \$7.1 million (\$1.3 million current and \$5.8 million non-current) as of December 31, 2020.

***Contract for the construction of solar plant***

On September 9, 2019, the Company signed a turnkey agreement with contractors TSK Electrónica y Electricidad S.A and TSK República Dominicana S.R.L, for the construction and start up the project Bayasol by an amount of \$39.8 million including a photovoltaic energy plant of 50MW. The project, which is expected begin operations on March 2021, was reduced in February 2020 to the amount of \$38.9 million.

***Letters of Credit***

In May 2020, Andres DR negotiated a standby letter of credit in favor of BP Gas Marketing Limited with Banco Latinoamericano de Comercio Exterior to guarantee the import of natural gas for the amount of \$16.5 million with an expiration on May 18, 2021.

***Guarantees***

Since May 11, 2016, the Company has given unconditional and irrevocable guarantor (the due and punctual payment of the principal and interest) of the international bonds issued by Dominican Power Partners (DPP) in the amount of \$50 million, with maturity date of May 2026. As of December 31, 2020, the Company was not requested to execute this guarantee.

Since December 13, 2016, the Company is joint guarantor (the due and punctual payment of the principal and interest) of a program of corporate bonds issued in the Dominican Republic in favor of its related party DPP for up to \$300 million. As of December 31, 2019, DPP has placed \$260 million. As of December 31, 2020, the Company was not requested to execute this guarantee.

***Lines of credit***

The Company maintains a pre-approved credit facility, for an amount of up to \$60 million with Scotiabank. As of December 31, 2020, \$30 million was available under the credit facility.

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**16. Commitments and contingencies (contingencies)**

***Litigation and Claims***

The Company is involved in one civil lawsuit seeking repair of damages. The total claim amount is \$107. The Company after consultation with its legal adviser, as of December 31, 2020 recorded a reserve of \$17 (2019: \$19) in the consolidated statements of financial position (see Note 15).

**17. Net income per share**

The net income per share was calculated for the years ended December 31, as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net income	\$ 44,866	\$ 127,123	\$ 37,435
Total weighted average shares	182	182	182
<b>Net income per share</b>	<b><u>\$ 247</u></b>	<b><u>\$ 698</u></b>	<b><u>\$ 206</u></b>

**18. Revenues**

The revenues for the years ended December 31, 2020, 2019 and 2018 are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Electricity sales - contracts	\$ 222,192	\$ 237,495	\$ 266,105
Electricity sales - spot market	7,567	19,487	50,675
Natural gas sales	297,678	243,420	225,117
Natural gas transportation	8,598	8,561	8,444
Other sales (non-electricity)	3,861	3,382	1,104
<b>Total revenues</b>	<b><u>\$ 539,896</u></b>	<b><u>\$ 512,345</u></b>	<b><u>\$ 551,445</u></b>



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**19. Costs of revenues**

The costs of revenues for the years ended December 31, 2020, 2019 and 2018 are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Fuel purchased for resale and related costs	\$ 248,528	\$ 196,391	\$ 190,097
Fuel and related costs used for generation	65,159	113,035	92,892
Transmission charges	12,989	13,006	14,372
Electricity purchases	64,527	13,759	131,152
(Gain) loss on derivative financial instruments	(572)	223	1,298
<b>Total costs of revenue</b>	<b><u>\$ 390,631</u></b>	<b><u>\$ 336,414</u></b>	<b><u>\$ 429,811</u></b>

**20. Operating, general and maintenance expense**

The operating, general and maintenance expense for the years ended December 31, 2020, 2019 and 2018 are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Depreciation and amortization	\$ 25,866	\$ 22,499	\$ 23,579
Maintenance expenses	8,090	8,529	7,328
Contracted services	3,778	7,833	5,950
Salaries, wages and benefits	7,129	5,712	5,782
Insurance	12,562	8,309	5,758
Consultants and legal fees	5,399	2,229	2,691
Tax on assets	2,832	3,222	2,080
Facilities management expenses	992	970	968
Safety and vigilance services	291	238	484
Supplies and consumables used in generation	337	280	298
Amortization of right-of-use assets	143	139	—
Property rental	—	—	209
Travel and transportation	77	287	184
Other taxes	11	29	147
Management fees	120	120	120
Expenses related to leases of low value and short-term contracts	1,661	70	—
Others	726	3,146	1,870
<b>Total</b>	<b><u>\$ 70,014</u></b>	<b><u>\$ 63,612</u></b>	<b><u>\$ 57,448</u></b>

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**21. Interest expense, net**

The interest expense, net for the years ended December 31, 2020, 2019 and 2018 is as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Interest expense - financial	\$ (22,033)	\$ (15,098)	\$ (17,291)
Interest expense - commercial	(164)	(717)	(168)
Subtotal	<u>(22,197)</u>	<u>(15,815)</u>	<u>(17,459)</u>
Amortization of deferred financing costs	(744)	(666)	(469)
Write off of deferred financing costs due to early debt repayment	—	(1,415)	—
Interest income - commercial	1,135	2,361	3,946
Interest income - financial	277	1,092	792
Subtotal	<u>1,412</u>	<u>3,453</u>	<u>4,738</u>
<b>Total interest expense, net</b>	<b><u><u>\$ (21,529)</u></u></b>	<b><u><u>\$ (14,443)</u></u></b>	<b><u><u>\$ (13,190)</u></u></b>

Accounts receivable and accounts payable within the electricity sector spot market, denominated in Dominican Pesos, are subject to the local active interest rate for domestic currency plus a penalty of eighteen percent (18%) as established in Article 355 of the General Law of Electricity Sector. The average interest rate applied to spot market accounts receivable and payables in US dollars as of December 31, 2020 was 4.82% (2019: 5.77% and 2018: 6.08%) and in Dominican pesos as of December 31, 2020 was 9.85% (2019: 12.44% and 2018: 12.06%).

**22. Income tax**

Andres B.V. was a private limited liability company registered in the Netherlands. In January 2016, AES Andres B.V. changed its residence to Madrid, Spain and became a resident for statutory purposes in Spain, and subject to Spanish income tax. In general, the worldwide taxable profits, including income and losses in foreign branches, is subject to the Corporate Income Tax of Spain; however, the offsetting of taxes paid abroad as well as the exclusion of foreign source income are allowed in accordance with applicable tax laws.

AES Andres DR, S. A. is also subject to the tax regime applicable to Dominican business activities, as provided in the Tax Code of the Dominican Republic, Law 11-92 of May 31, 1992 and its amendments.

In 2019, the Company acquired the company Parque Eólico Beata, S.R.L., which is active for tax purposes in Dominican Republic and reporting informatively without operations in its tax compliance.

**AES Andres B.V. and Subsidiaries**  
**Notes to Consolidate Financial Statements**  
**As of December 31, 2020 and 2019**

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

**22. Income tax (continued)**

*Current income tax*

Current income tax for the fiscal years ended December 31, 2019 and 2018 at AES Andres B.V. was determined considering the Law 27/2014 of the Corporate Income Tax and its regulations in Spain. The applicable tax rate at December 31, 2020, 2019 and 2018 was 25% of the net taxable income.

Current income tax at AES Andres DR, S.A. is calculated based on what is established in Law 11-92, Tax Code of the Dominican Republic, its regulations and its modifications. The tax rate used to determine the income tax at December 31, 2020, 2019 and 2018 was 27% of the net taxable income.

*Tax on assets*

The tax on assets corresponds to 1% of the taxable assets according to Tax Code of the Dominican Republic. For electricity companies, taxable assets correspond to the total fixed assets, net of accumulated depreciation. This tax may be used as a credit against the income tax as follows: if the income tax is greater than the tax on assets, there is no obligation to pay the latter; otherwise, the difference between the income tax due and the tax on assets must be paid. The Company records the tax on assets expense in the consolidated statements of income in operating, general and maintenance expense.

*Dividends*

Dividends are subject to a 10% withholding tax. This tax is established to the branches and permanent establishments when they remit profits to their Head Office or Main Offices. As a result of the application of the Agreement between the Dominican Republic and the Kingdom of Spain to avoid double taxation and to prevent tax evasion in respect of income taxes, the dividends paid by AES Andres DR, S.A. to its parent company AES Andres B.V. are not subject to withholding tax of 10% because the latter is the beneficial owner with more than 75% of the share capital of the subsidiary paying the dividends.

**AES Andres B.V. and Subsidiaries**  
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**22. Income tax (continued)**

*Loss carryforward*

According to Article I of Law No. 557-05, which modifies letter K or Article No. 287 of the Tax Code of the Dominican Republic, applicable as of January 1, 2006, losses incurred by corporations in their economic activities may be compensated during the following fiscal periods, without exceeding five (5) years. However, only 20% may be compensated per year. In the fourth year, this 20% may not exceed 80% of the net taxable income, and in the fifth year it must not exceed 70%. The portion not used each year cannot be used in the following periods. As of December 31, 2020 and 2019, Andres DR does not have loss carryforwards.

As of December 31, 2020 and 2019, the following summarizes the income tax receivable (payable):

	<u>2020</u>	<u>2019</u>
Income tax advances	\$ 20,626	\$ 19,059
Tax on assets	(2,832)	(3,222)
Current income tax expense	(9,526)	(51,281)
<b>Income tax receivable (payable)</b>	<b><u>\$ 8,268</u></b>	<b><u>\$ (35,444)</u></b>

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

	<u>2020</u>	<u>2019</u>
Assets:		
Accruals	\$ 190	\$ 129
<b>Total deferred tax asset</b>	<b><u>190</u></b>	<b><u>129</u></b>
Liabilities:		
Accelerated tax depreciation, asset revaluation and inflationary effects	(53,573)	(45,616)
Derivative financial instruments	(1,184)	(156)
Other temporary differences	(777)	(1,218)
<b>Total deferred tax liability</b>	<b><u>(55,534)</u></b>	<b><u>(46,990)</u></b>
<b>Net non-current deferred income tax liability</b>	<b><u>\$ (55,344)</u></b>	<b><u>\$ (46,861)</u></b>

**AES Andres B.V. and Subsidiaries**  
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*(Expressed in thousands of dollars of the United States of America, except for the stock information)*

**22. Income tax (continued)**

The reconciliation between the statutory income tax rate with the effective income tax rate of the Company as a percentage of profit before tax for the years ended December 31, 2020 and 2019, detailed below:

	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Statutory income tax rate	25 %	25 %	25 %
Permanent differences:			
Difference between statutory rate (Spain-Dominican Republic)	2 %	2 %	2 %
Retention of remittance to Main Office	3 %	1 %	5 %
Foreign exchange effect	(7)%	(1)%	(4)%
Other temporary differences	10 %	4 %	(7)%
<b>Effective income tax rate</b>	<b><u>33 %</u></b>	<b><u>31 %</u></b>	<b><u>21 %</u></b>

The income tax returns of the subsidiary AES Andres DR, S.A. are subject to review by the tax authorities for the past three years including the year ended December 31, 2020, according to the current tax regulations.

The income tax expense for the years ended December 31, 2020, 2019 and 2018 is comprised as follows:

	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Current	9,526	51,281	\$ 13,319
Deferred	12,878	7,030	(3,730)
<b>Total income tax expense</b>	<b><u>\$ 22,404</u></b>	<b><u>\$ 58,311</u></b>	<b><u>\$ 9,589</u></b>

In 2009, with the first time adoption of IFRS, the Company's applied the fair value or revaluation as deemed cost to certain buildings and electric generation assets and the adjustment was \$46.7 million corresponding to the increase in the fair value of these assets recorded against restricted retained earnings. As established by IAS 12, it is required to record a deferred income tax liability on property, plant and equipment carried at fair value. The deferred tax calculation for the period ended as of December 31, 2020 amounts to \$5.8 million (2019: \$6.7 million) and its impact is included in the component accelerated tax depreciation, asset revaluation and inflationary effects of deferred tax liabilities.

The application of the deferred income tax liability is made through the annual depreciation expense recorded in excess of the revalued assets, which is recorded in the consolidated statements of income.

**AES Andres B.V. and Subsidiaries**  
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**22. Income tax (continued)**

The Company adjusts its depreciable assets for inflation to determine the tax base, as allowed by the current tax code. Additionally, the Company uses a tax benefit through the application of accelerated depreciation, according to the method established in current legislation, for tax purposes. Therefore, the difference between the tax and accounting base of depreciable property, plant and equipment, according to IFRS includes both effects.

**23. Other income (expense), net**

Other income (expense), net for the years ended December 31, 2020, 2019 and 2018 is comprised as follow:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Gain (loss) on retirement of property, plant and equipment	\$ 1,779	\$ (6,645)	\$ (22,324)
Reimbursement for disposal of fixed assets	—	2,718	17,974
Insurance claims	—	89,218	—
Loss on early extinguishment of debt	—	(240)	—
Others	383	1,582	210
<b>Total</b>	<u><u>\$ 2,162</u></u>	<u><u>\$ 86,633</u></u>	<u><u>\$ (4,140)</u></u>

- Income for insurance claims of \$89.2 million are related to amounts received from the insurance company for recovery damages caused by the lightning event.
- Other income includes \$1.6 million related to transfer of project of Gasoducto del Este to Enadom in September 2019.

**24. Segments**

According to Management, the Company is organized into two business units or operating segments, as follows:

- Sale of energy, which produces and sells energy, capacity and other related services.
- Sale of LNG, whose purpose is to resell the LNG and to obtain profit from its transportation.

**AES Andres B.V. and Subsidiaries**  
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**24. Segments (continued)**

Management analyzes the operating results of the segments separately, so that it can make decisions on the application of resources and the assessment of its performance. The segments' performance is assessed in relation to its operating results and is measured consistently with the operating results included in the consolidated statements of income. However, the Company's financial costs and income, as well as its income tax, are assessed as a whole, that is, from the Company's point of view, and are not assigned to a particular segment.

The balances of operating income costs and expenses, as well as assets and liabilities per segment, consist of:

	<b>2020</b>		
	<b>Sale of energy</b>	<b>Sale of LNG</b>	<b>Total segments</b>
<b>Revenues</b>	\$ 233,620	\$ 306,276	\$ 539,896
<b>Operating costs and expenses</b>			
Costs of revenues	\$ (142,675)	\$ (248,528)	\$ (391,203)
<b>Operating income</b>	<b>\$ 90,945</b>	<b>\$ 57,748</b>	<b>\$ 148,693</b>
<b>Assets and Liabilities</b>			
<b>Contract assets</b>	<b>\$ 3,215</b>	<b>\$ —</b>	<b>\$ 3,215</b>
<b>Accounts receivable LNG</b>	<b>\$ —</b>	<b>\$ 126</b>	<b>\$ 126</b>
<b>Contract liabilities</b>	<b>\$ —</b>	<b>\$ (11,816)</b>	<b>\$ (11,816)</b>
	<b>2019</b>		
	<b>Sale of energy</b>	<b>Sale of LNG</b>	<b>Total segments</b>
<b>Revenues</b>	\$ 260,364	\$ 251,981	\$ 512,345
<b>Operating costs and expenses</b>			
Costs of revenues	\$ (139,800)	\$ (196,391)	\$ (336,191)
<b>Operating income</b>	<b>\$ 120,564</b>	<b>\$ 55,590</b>	<b>\$ 176,154</b>
<b>Assets and Liabilities</b>			
<b>Accounts receivable LNG</b>	<b>\$ —</b>	<b>\$ 682</b>	<b>\$ 682</b>
<b>Contract liabilities</b>	<b>\$ —</b>	<b>\$ (6,605)</b>	<b>\$ (6,605)</b>
<b>Client deposits</b>	<b>\$ (1,000)</b>	<b>\$ —</b>	<b>\$ (1,000)</b>

**AES Andres B.V. and Subsidiaries**  
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**24. Segments (continued)**

	<b>2018</b>		<b>Total segments</b>
	<b>Sale of energy</b>	<b>Sale of LNG</b>	
<b>Revenues</b>	\$ 316,780	\$ 233,561	\$ 550,341
<b>Operating costs and expenses</b>			
Costs of revenues	\$ (238,416)	\$ (190,097)	\$ (428,513)
<b>Operating income</b>	<b>\$ 78,364</b>	<b>\$ 43,464</b>	<b>\$ 121,828</b>
<b>Assets and Liabilities</b>			
Accounts receivable LNG	\$ —	\$ 177	\$ 177
Contract liabilities	\$ —	\$ (652)	\$ (652)
Client deposits	\$ (1,220)	\$ —	\$ (1,220)

Revenues from transactions with DPP related to the sale of natural gas and the transportation of natural gas for the year ended December 31, 2020 amounted to \$74.7 million (2019: \$100.9 million and 2018: \$104.1 million).

**25. Risk and capital management**

The Company's main financial liabilities, excluding derivatives, include bonds payable, loans payable, income tax payable, interests and accounts payable. The main objective of these financial liabilities is to finance the Group's operations and offer guarantees to back its operations. The Company has cash, cash equivalents and accounts receivable that are the direct result of its operations. The Company is exposed to market risk, fuel price risk, interest rate risk, credit risk, liquidity risk and exchange rate risk.

The Company's senior management oversees the management of these risks with the support of the Financial Risk Committee, which assesses financial risks and the management framework used, guaranteeing that the identification, measurement and administration of financial risk is based on the policies and procedures established by the Company. All of the activities with derivative instruments with risk management purposes are carried out by specialists' teams that have the knowledge, experience and adequate supervision. The Company has a policy not to trade derivative financial instruments with speculative purposes.



**AES Andres B.V. and Subsidiaries**  
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*(Expressed in thousands of dollars of the United States of America, except for the stock information)*

**25. Risk and capital management (continued)**

Top Management reviews and agrees on policies for managing each of these risks, which are summarized below.

*Market risk*

Market risk is the risk that the fair value or future cash flows for financial instruments fluctuate due to changes in market prices. For the Company, market risk is affected mainly by: fuel price risk, interest rate risk, credit risk, liquidity risk and exchange rate risk.

The pandemic COVID-19 has severely affected global economic activity, including electricity and energy consumption, causing significant volatility and negative pressure on financial markets. For the year ended December 31, 2020, the pandemic COVID-19 has had an impact on the demand for electric power and, as a result, on the Company's financial results and operations. The magnitude and duration of the pandemic COVID-19 is unknown at this time and may have material and adverse effects on our results of operations, financial condition and cash flows in future periods. In response to the pandemic COVID-19, Company's Management implemented changes that was determined in the best interest of our employees, as well as the communities in which we operate. This includes employees working from home to the extent possible, while additional security measures are in place for employees continuing critical work on site. Likewise, the Company carried out the formalities timely in order to minimize the impact, considering that it is a conjunctural situation that, according to the most current estimates and the position treasury to date, does not compromise the financial situation and operations of the Company.

*Fuel price risk*

The Company maintains contracts for the sale of energy and capacity with related companies, distribution companies and large clients, in order to minimize the exposure to the risk of changes in the spot market prices.

With regard to the development of the natural gas market, the Dominican government declared in 2008 the use of natural gas as a national priority. AES Andres has a competitive advantage over the rest of the market, since it has the only reception dock capable of receiving and storing this type of fuel. AES Andres is actively working to develop a natural gas market, therefore on January 17, 2010, the Company began to operate the first LNG distribution terminal. For the year ended December 31, 2020, sales of LNG to third parties unrelated to AES Andres amounted to \$229.9 million (2019: \$139.3 million and 2019: \$129.5 million), the above mentioned amounts do not included taxes. The Company's Management monitors the risk through proper planning of fuel purchases with suppliers in the short term.

**AES Andres B.V. and Subsidiaries**  
**Notes to Consolidate Financial Statements**  
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*(Expressed in thousands of dollars of the United States of America, except for the stock information)*

**25. Risk and capital management (continued)**

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuate due to changes in market interest rates.

The Company issued bonds for \$220.1 million in May 2016. These bonds were issued in the international market with a maturity in May 2026 at a fixed annual interest rate of 7.950%, with only one payment upon maturity of the capital and semi-annual interest payments. The Company's profits and losses are not exposed to significant risk of interest rate fluctuations because 100% of its bonds have fixed interest rates.

The lines of credit and loans are exposed to fluctuations in the LIBOR rate as, this is an international reference rate that fluctuates based on interbank market conditions. The Company does not expect significant impacts on its consolidated financial statements as a result of the volatility of the LIBOR rate on the cash flows associated with this financing. (see Note 11.2).

*Credit risk*

This is the risk that a debtor or issuer of a financial asset owned by the Company does not fulfill a payment, fully and on time, in conformity with the terms and conditions agreed at the time the Company acquired or originated the financial asset.

Distribution companies owned by the Government of the Dominican Republic (distros), and DPP (related company) are the main clients of the Company. Sales contracts to DPP represented the 14% of total revenues during the year ended December 31, 2020 (2019: 20% and 2018: 19%) and sales contracts to distros represented 81% of total revenues during the year ended December 31, 2020 (2019: 80% and 2018: 75%). The balance of current accounts receivable from the distros represents 8% of total current assets as of December 31, 2020 (2019: 14% and 2018: 16%), and DPP represents 5% of total current assets as of December 31, 2020 (2019: 29% and 2018: 98%).

Additionally, DPP, Pueblo Viejo Dominicana Corporation and Empresa Generadora de Electricidad Haina, S.A. are the Company's main clients, for the LNG sales segment, and sales of LNG under contracts represented 31% of the total revenues during the year ended December 31, 2020 (2019: 25% and 2018: 23%).

Company's Management has financial instruments with a moderate risk, since it concentrates its sales in one distributor and a related company that in turn concentrates its sales on the same distributor, which depends on a subsidy granted by the Dominican government to cover its cash shortages. The Government is currently focused on seeking self-sustainability for the electricity sector and attempting to achieve governmental efficiency, therefore to date accounts receivable have not been penalized.

**AES Andres B.V. and Subsidiaries**  
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*(Expressed in thousands of dollars of the United States of America, except for the stock information*

**25. Risk and capital management (continued)**

Financial instruments and cash deposits: the credit risk of balances with banks and financial institutions is managed by the treasury department in conformity with the Company's policy. Investments of fund surpluses are only conducted with authorized parties and within the credit limits assigned to each entity. Top management reviews these limits annually, and these may be updated during the year, subject to approval by the Finance Committee. These limits are established to minimize the concentration of risk and to mitigate potential financial losses from a counterpart's non-compliance.

The maximum exposure of the credit risk components of the consolidated statement of financial position as of December 31, 2020 and 2019 is the carrying amount.

*Liquidity risk*

This is the risk that the Company will be unable to fulfill all of its obligations due to impairment in the quality of the client portfolio, excessive concentration of liabilities, lack of liquidity of assets, or the financing of long-term assets with short-term liabilities, among others. Historically in the Dominican Republic, distributors have presented weak operating performance related to their levels of energy losses and collection from clients, problems that affect their payment capacity to generators, thus the electric sector is highly dependent on the government subsidy and decisions regarding its regulation.

To mitigate the risk of liquidity and credit concentration, the Company may make sales of accounts receivable due or near maturity. These sales are mainly made on the government portfolio at par value or with premium, with the purpose of covering the commitments generated by the operations and reducing the use of cash provided by financing activities. During the year ended December 31, 2019, the Company sold accounts receivable amounting to \$4.2 million (2018:\$34.5 million). During 2020, the Company did not sell accounts receivable.

The Company monitors liquidity risk by planning cash flows and constant follow-up on the accounts receivable to ensure compliance with the commitments.

As of December 31, 2020, Andres had a balance of cash and cash equivalents in the amount of \$50.1 million (2019: \$64.3 million). This balance includes cash and certificates of deposit with maturities of less than three months.

**AES Andres B.V. and Subsidiaries**  
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*(Expressed in thousands of dollars of the United States of America, except for the stock information)*

**25. Risk and capital management (continued)**

*Liquidity risk (continued)*

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

	<i>Less than 3 months</i>	<i>From 3 to 12 months</i>	<i>From 1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
<b>As of December 31, 2020</b>					
Accounts payable - related parties	\$ 79	\$ 92,651	\$ —	\$ —	\$ 92,730
Accounts payable - suppliers and other liabilities	5,749	36,284	—	—	42,033
Line of credit	—	30,000	—	—	30,000
Loans payable	—	45,984	—	37,016	83,000
Lease liabilities	—	216	169	3,894	4,279
Bonds payable	—	—	—	220,100	220,100
Other financial liabilities	—	107	5,763	—	5,870
<b>Total</b>	<b>\$ 5,828</b>	<b>\$ 205,242</b>	<b>\$ 5,932</b>	<b>\$ 261,010</b>	<b>\$ 478,012</b>

	<i>Less than 3 months</i>	<i>From 3 to 12 months</i>	<i>From 1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
<b>As of December 31, 2019</b>					
Accounts payable - related parties	\$ 1,933	\$ 133,622	\$ —	\$ —	\$ 135,555
Accounts payable - suppliers and other liabilities	8,584	54,943	—	—	63,527
Loans payable	—	—	—	50,000	50,000
Lease liabilities	—	80	40	3,700	3,820
Bonds payable	—	—	—	220,100	220,100
Other financial liabilities	—	—	363	—	363
<b>Total</b>	<b>\$ 10,517</b>	<b>\$ 169,612</b>	<b>\$ 4,052</b>	<b>\$ 230,522</b>	<b>\$ 473,365</b>

*Exchange rate risk*

Exchange rate risk is the risk that the fair value or future cash flows of financial instruments fluctuates as a result of variation in exchange rates. The Company's exposure to exchange risk is mainly related to the operating activities (when revenues and expenses are denominated in a currency different from the functional currency). However, given that the Company's functional currency is the dollar, and that its revenues, costs and investments in property, plant and equipment are determined mainly in US dollars.

**AES Andres B.V. and Subsidiaries**  
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*(Expressed in thousands of dollars of the United States of America, except for the stock information)*

**25. Risk and capital management (continued)**

*Exchange risk (continued)*

The main balance denominated in Dominican pesos corresponds to accounts receivable from the spot market. For the year ended December 31, 2020, approximately 97% (2019: 96% and 2018: 91%) of the Company's revenues were denominated in dollars.

The following table presents a sensitivity analysis of the effect of a reasonable variation in the exchange rate of the Dominican peso on the Company's consolidated financial statements:

	Exchange rate variation	Effect on income before income tax expense	Effect on total stockholders' equity
<b>As of and for the year ended December 31, 2020</b>	5%	\$ 64	\$ 224
	(5)%	\$ (71)	\$ (232)
<b>As of and for the year ended December 31, 2019</b>	5%	\$ 182	\$ 227
	(5)%	\$ (190)	\$ (235)

***Capital management***

The main objective of the Company's capital management is to ensure that it maintains a solid credit rating and capital indicators to support the business and maximize value to the shareholders. The Company manages its capital structure and makes adjustments in light of the changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the payment of dividends to shareholders, capital returns to shareholders or issue new shares. No changes were made to the objectives, policies, and procedures during the year ended December 31, 2020.

**26. Subsequent events**

Subsequent events were evaluated by Management until April 25, 2021, date on which the consolidated financial statements were authorized by Management for issuance.

*Insurance claim*

On January 15, 2021, the Company received \$19.5 million related to the event of March 2020 of the steam turbine.

*Loan payable*

On February 26, 2021, the Company received \$4.0 million related to the loan acquired to finance the construction of the Bayasol solar energy project. On March 10, 2021, the Company received \$3.0 million further related to the same loan.

**AES Andres B.V. and Subsidiaries**  
**Notes to Consolidate Financial Statements**  
**As of December 31, 2020 and 2019**

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

**26. Subsequent events**

*Line of credit*

In March and April 2021, the Company paid \$30 million to reduce the amount outstanding on the line of credit.

*Derivative instrument*

In March, 2021, the Company, entered into three rate swap transactions, with Citibank, N.A. and The Bank of Nova Scotia, 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 1.990% for notional amount of \$100 million; 1.925% for notional amount of \$100 million and 1.965% for notional amount of \$100 million. The commencement date of the rate swap transactions is from June 30, 2022, 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 consolidated financial statements as other accumulated comprehensive income.

*Change of name*

On April 2, 2021, according to ordinary general stockholders' meeting, the company Parque Eólico Beata, S.R.L change its name as AES Dominicana Renewable Energy, S.R.L.

*International bonds*

On April 19, 2021, the Company commenced an offer to purchase for cash any and all of the \$220.1 million outstanding international bonds pursuant to the terms of, and subject to the conditions set forth in, an offer to purchase dated as of April 19, 2021 and related documents. The Tender Offer is conditional upon our receiving the financing necessary for the payment of the purchase price offered thereby and accrued interest to tendering holders of the international bonds, plus fees and expenses, and other general conditions set forth in the Tender Offer Documents. The Company expects to finance the Tender Offer with the proceeds from the issuance of the Notes and may waive any of these conditions at its sole discretion. The Company cannot assure you that the Tender Offer will be consummated.

*Santanazol project*

On April 7, 2021, the Company issued a note to proceed related to the developing a 50 MWh photovoltaic farm in the Dominican Republic. The total cost of the Santanasol project is expected to be approximately \$45.0 million. On or around May 2021, Andres DR expects to enter into a credit facility with a commercial bank to finance the project.

Financial Statements

# **Dominican Power Partners**

*As of December 31, 2020 and 2019 and for the three years then ended  
with Independent Auditor's Report*

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## **Independent Auditor's Report**

To the Shareholders of  
Dominican Power Partners

### **Opinion**

We have audited the financial statements of Dominican Power Partners (the Company), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of income, statements of changes in stockholders' equity and statements of cash flows for each of the three years in the period ended December 31, 2020, 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, 2020 and 2019 and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020 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), the Code of Ethics issued by the Institute of Certified Public Accountants of the Dominican Republic (ICPARD Code), together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code and the ICPARD Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

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

*Accounts Receivables Trade:*

Accounts receivable trade as of December 31, 2020 amounted to \$71 million and is detailed in Note 6 to the financial statements and represents 9% of the Company's total assets as of December 31, 2020. The accounts receivable trade is mainly concentrated in Corporación Dominicana de Empresas Eléctricas Estatales, which represents 61% of total accounts receivable invoiced as of December 31, 2020. The assessment of the recoverability of these accounts receivable includes, to a certain extent, a level of judgment from the Administration.

**How We Addressed the Matter in Our Audit:**

- We sent and obtained the confirmation of balances from the distribution companies, which were reconciled with the Company's accounting records.
- We analyzed the contracts and agreements reached with the distribution companies.
- We evaluated the integrity of the data and the assumptions used by the Administration to calculate the impairment estimate for doubtful accounts.
- We evaluated 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.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Rubén Tejeda.

Santo Domingo, Dominican Republic  
April 25, 2021

A handwritten signature in black ink that reads "Ernst & Young". The signature is written in a cursive, flowing style.

**Dominican Power Partners**  
**Statements of Financial Position**  
**As of December 31, 2020 and 2019**

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

<i>Notes</i>		<u>2020</u>	<u>2019</u>
	<b>ASSETS</b>		
	<b>Current Assets</b>		
4	Cash and cash equivalents	\$ 16,934	\$ 11,258
	Short term investments	92	95
	Accounts receivables:		
5	Related parties	92,985	128,602
6	Trade, net	71,457	137,345
	Inventories, net	2,406	4,311
9	Other non-financial assets	291	926
	<b>Total current assets</b>	<u>184,165</u>	<u>282,537</u>
	<b>Non-current assets</b>		
7	Property, plant and equipment, net	278,181	284,773
8	Intangible assets, net	834	1,789
11	Right-of-use-assets, net	628	171
9	Other financial assets	598	510
	<b>Total non-current assets</b>	<u>280,241</u>	<u>287,243</u>
	<b>TOTAL ASSETS</b>	<u><u>\$ 464,406</u></u>	<u><u>\$ 569,780</u></u>

**Dominican Power Partners**  
**Statements of Financial Position (continued)**

**As of December 31, 2020 and 2019**

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

	<u>2020</u>	<u>2019</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<i>Notes</i> <b>Current liabilities</b>		
Accounts payable:		
12 Suppliers and other liabilities	\$ 20,027	\$ 16,876
5 Related parties	9,941	76,504
13 Line of credit	—	5,000
11 Lease liabilities	452	177
19 Income tax payable	2,716	6,471
<b>Total current liabilities</b>	<u>33,136</u>	<u>105,028</u>
<b>Non-current liabilities</b>		
13 Bonds payable, net	306,374	305,901
19 Deferred income tax, net	31,641	31,320
11 Lease liabilities	367	—
Other non-financial liabilities	73	36
<b>Total non-current liabilities</b>	<u>338,455</u>	<u>337,257</u>
<b>Total liabilities</b>	<u>371,591</u>	<u>442,285</u>
<b>STOCKHOLDERS' EQUITY</b>		
Authorized capital	15,000	15,000
Contributed capital	104,976	104,976
Additional paid-in-capital	1,072	1,029
Accumulated deficit	(38,847)	(4,892)
Restricted retained earnings	10,614	11,382
<b>Total stockholders' equity</b>	<u>92,815</u>	<u>127,495</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 464,406</u>	<u>\$ 569,780</u>

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

# Dominican Power Partners

## Statements of Income

For the years ended December 31, 2020, 2019 and 2018

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

Notes	2020	2019	2018
<b>Revenue</b>			
	\$ 247,108	\$ 262,586	\$ 205,959
5	Electricity sales - contracts		
	Electricity sales- intercompany and spot market		
	15,741	32,175	107,352
	<b>Total revenues</b>	<b>262,849</b>	<b>313,311</b>
<b>Operating costs and expenses</b>			
5	Cost of revenues - electricity purchases	(36,674)	(37,546)
5	Cost of revenues - fuel and fuel related costs	(74,764)	(100,861)
16	Operating, general and maintenance expense	(42,372)	(40,792)
	<b>Total operating costs and expenses</b>	<b>(153,810)</b>	<b>(182,412)</b>
	<b>Operating income</b>	<b>109,039</b>	<b>130,899</b>
<b>Other expenses (income)</b>			
17	Interest expense, net	(16,592)	(16,335)
13	Debt discount amortization	(99)	(71)
18	Other expense, net	(516)	(1,234)
	Exchange gain (loss), net	3,456	(402)
	<b>Income before income tax expense</b>	<b>95,288</b>	<b>112,857</b>
19	Income tax expense	(32,880)	(38,030)
	<b>Net income</b>	<b>\$ 62,408</b>	<b>\$ 74,827</b>
15	Net income per share	<b>\$ 4.16</b>	<b>\$ 4.99</b>

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

**Dominican Power Partners**  
**Statements of Changes in Stockholders' Equity**  
**For the years ended December 31, 2020, 2019 and 2018**

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

	Notes	Number of shares	Authorized capital	Contributed capital	Additional paid-in- capital	Accumulated deficit	Restricted retained earnings	Total stockholders' equity
Balance as of January 1, 2018		15,000,100	\$ 15,000	\$ 104,976	\$ 963	\$ (61,328)	\$ 13,478	\$ 73,089
Revaluation effect	3	—	—	—	—	1,298	(1,298)	—
Net income		—	—	—	—	74,827	—	74,827
Dividends declared	5	—	—	—	—	(59,669)	—	(59,669)
Share based compensation		—	—	—	33	—	—	33
Balance as of December 31, 2018		15,000,100	15,000	104,976	996	(44,872)	12,180	88,280
Revaluation effect	3	—	—	—	—	798	(798)	—
Net income		—	—	—	—	67,982	—	67,982
Dividends paid	5	—	—	—	—	(28,800)	—	(28,800)
Share based compensation		—	—	—	33	—	—	33
Balance as of December 31, 2019		15,000,100	15,000	104,976	1,029	(4,892)	11,382	127,495
Revaluation effect	3	—	—	—	—	768	(768)	—
Net income		—	—	—	—	62,408	—	62,408
Dividends paid	5	—	—	—	—	(97,131)	—	(97,131)
Share based compensation		—	—	—	43	—	—	43
<b>Balance as of December 31, 2020</b>		<b>15,000,100</b>	<b>\$ 15,000</b>	<b>\$ 104,976</b>	<b>\$ 1,072</b>	<b>\$ (38,847)</b>	<b>\$ 10,614</b>	<b>\$ 92,815</b>

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



# Dominican Power Partners

## Statements of Cash Flows

For the years ended December 31, 2020, 2019 and 2018

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

Notes	2020	2019	2018
<b>Cash flows from operating activities</b>			
Net income	\$ 62,408	\$ 67,982	\$ 74,827
Adjustments to reconcile net income to net cash provided by operating activities:			
7 Depreciation	19,567	20,436	21,244
8 Amortization of intangible assets	542	481	96
11 Right-of-use asset amortization	327	320	—
6 Allowance for doubtful accounts	24	18	4
19 Income tax expense	32,880	35,497	38,030
Share based compensation	91	64	63
Exchange (gain) loss, net	(3,456)	(1,448)	402
7, 18 Loss on retirement of property, plant and equipment	554	1,184	1,364
13 Amortization of deferred financing costs	379	367	325
13 Debt discount amortization	99	95	71
Interest expense (income), net	16,213	12,057	16,010
<b>Changes in operating assets and liabilities:</b>			
Decrease (increase) in accounts receivable trade, net	58,070	(36,017)	(47,745)
Decrease (increase) in accounts receivable related parties	35,617	20,696	(103,182)
Decrease (increase) in inventories	1,905	(1,865)	(380)
Decrease (increase) in non-financial assets	910	(690)	1,431
Increase in accounts payable suppliers and other liabilities	3,985	16,291	3,267
(Decrease) increase in accounts payable related parties	(67,271)	(6,151)	48,827
Increase (decrease) in other non-financial liabilities	37	(4)	(3)
Income tax paid	(34,688)	(44,730)	(16,959)
Interest received	7,794	4,181	2,581
Interest paid	(19,185)	(20,326)	(20,021)
<b>Net cash provided by operating activities</b>	<b>116,802</b>	<b>68,438</b>	<b>20,252</b>
<b>Carried forward.....</b>	<b>\$ 116,802</b>	<b>\$ 68,438</b>	<b>\$ 20,252</b>

**Dominican Power Partners**  
**Statements of Cash Flows (continued)**  
**For the years ended December 31, 2020, 2019 and 2018**

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

<i>Notes</i>	<b>Brought forward.....</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>\$ 116,802</b>	<b>\$ 68,438</b>	<b>\$ 20,252</b>	
<b>Cash flows from investing activities</b>				
7	Acquisition of property, plant and equipment	(8,497)	(2,780)	(7,022)
	Advance payments for the acquisition of property, plant and equipment	(360)	(510)	(197)
8	Acquisition of intangible assets	(38)	(993)	(697)
	Loan paid to related party	—	(4,210)	—
	Loan received from related party	—	4,210	—
	<b>Net cash used in investing activities</b>	<b>(8,895)</b>	<b>(4,283)</b>	<b>(7,916)</b>
<b>Cash flows from financing activities</b>				
	Dividends paid	(97,131)	(88,469)	—
	Payment of line of credit	(70,000)	(30,000)	—
	Proceeds from line of credit	65,000	35,000	—
	Payment of lease liabilities	(100)	(312)	—
	<b>Net cash used in financing activities</b>	<b>(102,231)</b>	<b>(83,781)</b>	<b>—</b>
	Net increase (decrease) in cash and cash equivalents	5,676	(19,626)	12,336
	Cash and cash equivalents at the beginning of the year	11,258	30,884	18,548
	<b>Cash and cash equivalents at the end of the year</b>	<b>\$ 16,934</b>	<b>\$ 11,258</b>	<b>\$ 30,884</b>
<b>Supplementary disclosure</b>				
	Property, plant and equipment purchases not paid at year end	\$ 7,558	\$ 3,036	\$ 1,756
	Acquisition of intangible assets not paid at year end	\$ 5	\$ —	\$ 1,060

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

# **Dominican Power Partners**

## **Notes to Financial Statements**

### **As of December 31, 2020 and 2019**

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

#### **1. Organization and Nature of Operations**

Dominican Power Partners (“the Company” or “DPP”) is an indirectly owned subsidiary of The AES Corporation (“the Parent Company” or “AES”). The Company was organized under the laws of the Cayman Islands and was incorporated on November 14, 1995. On September 8, 2016, the Board of Directors relocated its place of effective management to Madrid, Spain.

DPP has a branch in Santo Domingo, Dominican Republic that owns the generation units Los Mina V and VI and a 10 megawatts (“MW”) battery energy storage solution. The plants have a gross generating capacity of 368 megawatts and consist of two simple cycle turbo gas turbines and the energy storage solution and related electricity generating equipment. The plants began commercial operations on May 4, 1996.

In 2002 and 2003, the plants received an upgrade with the installation of a wet compression system and an evaporative cooler. In March 2003, the Company implemented its conversion to natural gas-fired operations resulting in a cleaner generating facility. In June 2017, the Company completed the combined cycle and the energy storage solution projects.

The plants were originally developed by Destec under a Build-Operate-Transfer (“BOT”) arrangement with Corporación Dominicana de Empresas Eléctricas Estatales (“CDEEE”), the state-owned electricity company (formerly known as “Corporación Dominicana de Electricidad” or “CDE”), whereby the Company operated the plant to generate and sell electricity to CDEEE under a capacity sales agreement for fifteen years. On June 30, 1997, DPP was acquired by the Parent Company through several owned subsidiaries of AES. Until September 2001, DPP operated the plants following the BOT arrangement. In early 2002, DPP signed an agreement with CDEEE and the Government of the Dominican Republic (“the Termination Agreement”) which, retroactive to September 2001, ended the BOT and transferred ownership of the plant and land to DPP. On June 18, 2014, the Company signed a sales contract agreement for the supply of energy and capacity to CDEEE. This contract began on August 31, 2016 and will end on December 31, 2022.

During 2020, some contracts were signed with clients in the market for large entities, which are allowed to generate their own electricity or contract directly with generators, or the unregulated market (normally known as “Non-Regulated Users”). As of December 31, 2020, the Company has a total of 14 contracts with non-regulated users (2019: 18) with a total of 52 MW in 2020 (2019: 53 MW) of contracted capacity.

The administrative offices of the Company are located at Rafael Augusto Sanchez Street No.86, corporate building Robles Corporate Center, 5th floor, Ensanche Piantini, Santo Domingo, Dominican Republic.

**Dominican Power Partners**  
**Notes to Financial Statements**  
**As of December 31, 2020 and 2019**

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

**2. Basis of Preparation**

The financial statements of Dominican Power Partners 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 25, 2021.

**Basis for measurement**

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

**Functional currency**

The functional and reporting 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. Transactions denominated in other currencies (mainly Dominican Pesos, RD\$, local currency of the Dominican Republic) are recorded at the rate of exchange in effect at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted into the Company's functional currency at the rate of exchange in effect at the statements of financial position dates; the effect of changes in exchange rates is recognized in the statements of income. As of December 31, 2020, the exchange rate for the U.S. dollar was RD\$58.33 (2019: RD\$52.96) and the annual average exchange rate was RD\$56.52 (2019: RD\$51.29).

**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.

**Dominican Power Partners**  
**Notes to Financial Statements**  
**As of December 31, 2020 and 2019**

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

**3. Summary of Accounting Policies**

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

**Financial instruments**

***Initial recognition and measurement***

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

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

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

**Dominican Power Partners**  
**Notes to Financial Statements**  
**As of December 31, 2020 and 2019**

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

**3. Summary of Accounting Policies (continued)**

**Financial instruments (continued)**

***Classification and measurement (continued)***

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

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

Investments in debt instruments recognized at fair value through OCI are subsequently measured at fair value. Interest income, calculated using the effective interest method, exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. When the assets are derecognized, the gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

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

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

***Evaluation of the business model***

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

The levels of 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.

**Dominican Power Partners**  
**Notes to Financial Statements**  
**As of December 31, 2020 and 2019**

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

**3. Summary of Accounting Policies (continued)**

**Financial instruments (continued)**

*Evaluation of the business model (continued)*

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

*Impairment of financial assets*

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

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

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

The Company 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, 2020 and 2019, the Company maintains allowance of doubtful accounts as disclosed in Note 6.

**Dominican Power Partners**  
**Notes to Financial Statements**  
**As of December 31, 2020 and 2019**

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

**3. Summary of Accounting Policies (continued)**

***Financial asset derecognition***

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; or when the Company has transferred 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 arrangement 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 pass-through 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. Part of the cash and cash equivalents includes certificates of deposit used as collateral for employees financing, on which there is no restriction and are granted according to the established benefit policy.

**Short-term investments**

The Company's short term investments are primarily certificates of deposit with original maturities in excess of three months with remaining maturities of less than one year.

**Inventory**

Inventories, which mainly consist of materials and spare parts, used for the maintenance of generation equipment, are recorded at the lower of their cost or net realizable value. Cost is determined using the average cost method. The value of spare parts inventory is reduced when an obsolescence loss is identified.



**Dominican Power Partners**  
**Notes to Financial Statements**  
**As of December 31, 2020 and 2019**

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

**3. Summary of Accounting Policies (continued)**

**Property, plant and equipment**

Property, plant, and equipment is initially stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. When assets are sold or written off, the corresponding cost and accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is reflected in the statements of income. When 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:

	<u>Useful lives</u>
Buildings	30 to 65 years
Generation equipment	8 to 40 years
Office equipment and others	4 to 7 years
Vehicles	4 to 8 years

Replacement parts, including rotatable replacement parts, are presented as generation assets. If these parts are considered components, they are depreciated over their useful life when they are put into service.

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 income of the period in which the transaction occurs.

**Major and minor maintenance**

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

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**Notes to Financial Statements**  
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*(Expressed in thousands of dollars of the United States of America, except for the stock information)*

**3. Summary of Accounting Policies (continued)**

**Construction in progress**

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

**Intangible Assets**

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

The estimated useful lives for licenses and software is 3 years.

**Computer Applications Contracts hosted in the cloud**

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

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

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

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

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**3. Summary of Accounting Policies (continued)**

**Computer Applications Contracts hosted in the cloud (continued)**

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

**Impairment of non-financial assets**

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

If such indication exists and the carrying amount exceeds the recoverable amount, the Company values the assets or cash generating 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 income of the period.

**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 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.

# Dominican Power Partners

## Notes to Financial Statements

### As of December 31, 2020 and 2019

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### 3. Summary of Accounting Policies (continued)

#### Leases (continued)

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:

	<u>Useful lives</u>
Land	1 year
Building	5 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 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.

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**3. Summary of Accounting Policies (continued)**

**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 \$379, \$367 and \$325, net of capitalization, for the years ended December 31, 2020, 2019 and 2018, 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 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 income over the period of the loans using the effective interest method. The Company recognizes gains or losses in the statements of 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 income.

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**3. Summary of Accounting Policies (continued)**

**Provisions**

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

**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 shares outstanding during the year. The issued and outstanding shares is 150,000,100 for the years 2020, 2019 and 2018.

**Revenue recognition**

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, non-regulated users and other spot market agents.

The Company's generation contracts, based on specific facts and circumstances, can have one or more performance obligations as the promise to transfer energy, capacity and other services may or may not be distinct depending on the nature of the market and terms of the contract. As the performance obligations are generally satisfied over time and use the same method to measure progress, the performance obligations meet the criteria to be considered a series.

In measuring progress toward satisfaction of a performance obligation, the Company applies the "right to invoice" practical expedient when available and recognizes revenue in the amount to which the Company has a right to consideration from a customer that corresponds directly with the value of the performance completed to date.

For contracts determined to have multiple performance obligations, we allocate revenue to each performance obligation based on its relative standalone selling price using a market or expected cost plus margin approach.

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**3. Summary of Accounting Policies (continued)**

**Revenue recognition (continued)**

Additionally, the Company allocates variable consideration to one or more, but not all, distinct goods or services that form part of a single performance obligation when (1) the variable consideration relates specifically to the efforts to transfer the distinct good or service and (2) the variable consideration depicts the amount to which the Company expects to be entitled in exchange for transferring the promised good or service to the customer.

Revenue from generation contracts is recognized using an output method, as energy and capacity delivered best depicts the transfer of goods or services to the customer. Performance obligations including energy or ancillary services are generally measured by the MWhs delivered; the capacity is measured using MWhs.

When energy or capacity is sold or purchased in the spot market, the Company assesses the facts and circumstances to determine gross versus net presentation of spot revenues and purchases. Generally, the nature of the performance obligation is to sell surplus energy or capacity above contractual commitments, or to purchase energy or capacity to satisfy deficits. Generally, on an hourly basis, a generator is either a net seller or a net buyer in terms of the amount of energy or capacity transacted in the spot market. In these situations, the Company recognizes revenue for the hours where the generator is a net seller and cost of sales for the hours where the generator is a net buyer.

As a practical expedient, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised goods or service to the customer and when the customer pays for that goods or service will be one year or less.

**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.

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**3. Summary of Accounting Policies (continued)**

**Income tax expense**

Income tax expense for the year includes both current tax and deferred tax. The income tax expense is recognized in the statements of income of the current year or in equity, as appropriate. The current income tax expense refers to the estimated tax payable on the taxable profit of the year, using the income tax 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.

**Severance benefits**

The Dominican Republic Labor Code requires severance benefits be paid to employees terminated without justified cause. The Company recognizes the expense for these severance benefits as incurred.

**Fair value of financial instruments**

The fair value of the current financial assets and current financial liabilities are estimated to be equal to their reported carrying amounts due to the short-term maturities of these instruments. The fair value of affiliate receivables and payables is not practicable to estimate due to the related party nature.



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**3. Summary of Accounting Policies (continued)**

**Restricted retained earnings**

In 2009, with the first time adoption of IFRS, the Company applied the fair value or revaluation as deemed cost to certain buildings and electric generation assets. As of December 31, 2020, the amount for this concept is \$10,614 (2019: \$11,382), net of effects of depreciation expense, asset disposals and deferred income tax transferred to retained earnings in 2020 by \$768 (2019: \$798).

**New and amended standards and interpretations**

The Company didn't have any impact associated with the new and amended standards and interpretations.

**Standards issued but not yet effective**

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

**4. Cash and cash equivalents**

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

	<u>2020</u>	<u>2019</u>
Cash in US dollars	\$ 14,845	\$ 7,434
Cash in Dominican Pesos	2,015	3,744
Cash equivalents:		
Term deposits in Dominican Pesos, average annual rate of 4.2% as of December 31, 2020 (2019: 6.8%)	75	80
Total	<u>\$ 16,934</u>	<u>\$ 11,258</u>

Cash equivalents represent financial certificates maturing in less than three months from the original maturity, of which \$0.1 million (2019: \$0.1 million) is used as collateral for loans to employees, on which there are no restrictions.

## **Dominican Power Partners**

### **Notes to Financial Statements**

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#### **5. Balances and transactions with related parties**

##### *Natural gas purchase and sale agreements*

DPP has agreements for the sale and purchase of natural gas ("The Gas Purchase Agreement") and the Natural Gas Transportation Agreement with its affiliate AES Andres DR, S.A ("Andres"), which began with the completion of construction in Andres of the Liquefied Natural Gas (LNG) facility and the gas pipeline in March 2003. Both contracts expire in 2023.

As of December 31, 2020, the costs associated with these contracts are presented in the statements of income as part of cost of revenues - fuel and fuel-related costs in the amount of \$74.8 million, (2019: \$98.8 million and 2018: \$104.1 million).

On May 10, 2017, DPP signed a new contract for the supply of capacity and associated energy with Andres. This contract began on June 1, 2017 and remains in effect indefinitely unless both parties agree to suspend it. The revenues associated with this contract consist of energy sales which are presented as part of the revenues in the statements of income amounted to \$13.7 million for the year ended December 31, 2020 (2019: \$31.1 million and 2018: \$107.5 million).

During 2020 the Company purchased energy from Andres in the spot market totaling \$0.1 million (2019:\$0.01 million); during 2018, the Company did not sell or purchase energy in spot market.

During the year ended December 31, 2020, the Company purchased energy and frequency regulation from its related company Empresa Generadora de Electricidad Itabo, S.A. of \$0.6 million (2019: \$0.4 million and 2018: \$0.6 million).

##### ***Others***

The Company has a comprehensive insurance contract with AES Global Insurance Corporation (AGIC), a related company owned by The AES Corporation, which covers certain operating risks including damage to machinery and business interruption. For the year ended December 31, 2020 for this contract, the Company has recognized in operating, general and maintenance expense in the statements of income, insurance cost of \$5.3 million (2019: \$3.6 million and 2018 \$3.0 million).

On February 1, 2019, the combined cycle unit suffered a damage in one of the blades of the wheel nine. For this damage, the Company received a compensation for businesses interruption of \$12.8 million and it is presented in cost of revenues - electricity purchases.

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**5. Balances and transactions with affiliates and related parties (continued)**

***Others (continued)***

On April 7, 2017, the Company obtained a guarantee contract with AES Andres B. V., an affiliate company, which acts as guarantor of the Corporate Bonds Issuance Program approved by and registered with the Superintendence of Securities of the Dominican Republic obtained by the Company on December 13, 2016 (note 13). The Company agreed to pay a guarantee charge equivalent to 0.15% of the total bonds issued on the last day of the corresponding calendar year. For the year ended December 31, 2020, the Company recorded guarantee charges of \$0.4 million (2019: \$0.4 million and 2018: \$0.4 million), which are included in the statements of income under operating, general and maintenance expense as management fees.

The Company entered into a management agreement (the "Services Agreement") on December 17, 2009 with AES Solutions, LLC. ("Solutions"), a related company owned by The AES Corporation, through which Solutions is responsible for provide technical assistance and transfer technology necessary to ensure its competitiveness in the Dominican energy market. The contract has a validity of 3 years and after this period it is expected to be renewed annually. DPP will have to pay for this contract, the actual cost assumed by Solutions plus 4% of said cost. Fees incurred related to this contract are presented in the statements of income under operating, general and maintenance expense totaling \$1.9 million for the year ended December 31, 2019 (2018: \$3.3 million). On July 1, 2019, this agreement was assigned to AES Latin América, S. de R.L., a related company owned by subsidiaries of AES. The expenses for fees related to this contract from July 1, 2019, to December 31, 2019 totaled \$3.1 million and a balance payable due of \$1.0 million at December 31, 2019. For the year ended December 31, 2020, the total expenses totaled \$2.5 million and a balance payable due of \$0.1 million.

On June 1, 2017, the Company entered into a service agreement with Fluence Energy, LLC, a related company owned by The AES Corporation, through which Fluence shall temporarily provide technical services that are detailed in said contract, to work on a project developed by the Company. The term of this agreement is one year and will be renewed annually unless terminated by any of the parties. The total expense related to this contract is \$0.1 million for years ended December 31, 2020, 2019 and 2018 and is included in the statements of income as operating, general and maintenance expense.

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**5. Balances and transactions with affiliates and related parties (continued)**

***Lease***

The Company signed a contract with Empresa Generadora de Electricidad Itabo, S. A., an affiliate company, on September 10, 2014 for the lease of land, buildings and structures located in the old energy complex Los Mina, effective from October 1, 2014 and automatically renewed under the same conditions. This agreement will remain in effect until the Company exercises its purchase option right as established in the Option Agreement. The contract states an annual lease of \$0.1 million, to be adjusted annually according to the consumer price index of the United States of America. As of December 31, 2018, the Company has registered \$0.2 million for this concept and for 2019, the Company recorded the contract as lease under the new accounting principle (note 11).

***Dividends***

The Company declared dividends for \$59.7 million during 2018, which were paid in 2019. The Company declared dividends in 2020 for \$97.1 million (2019: \$28.8 million), which were totally paid. The distribution of dividends is based on fiscal accounting.

***Global service agreement***

The Company signed a Corporate Global Services agreement on January 1, 2020 with AES Big Sky, LLC, a related company owned by AES subsidiaries through which Big Sky is responsible for providing assistance in technology services, human resources, operations and commercial necessary to ensure DPP competitiveness in the Dominican energy market, the services will be provided by AES Big Sky directly or through AES Big Sky affiliates or subcontractors. The contract is valid for 5 years and will be automatically renewed for successive periods of one (1) year, unless one of the Parties notifies at least ninety (90) days before the expiration of the period current at that time. DPP will have to pay for this contract the real cost assumed by AES Big Sky plus taxes. Fees incurred related to this contract are presented in the statements of income under operating, maintenance and general expenses, included in consultancies and legal fees totaling \$0.6 million for the year ended December 31, 2020, and a balance receivable of \$ 0.4 million for credit notes received at the end of 2020.

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**5. Balances and transactions with affiliates and related parties (continued)**

As a result of the operations and contracts mentioned above and other less significant transactions carried out with affiliates, related party accounts receivable and payable as of December 31, 2020 and 2019 are as follows:

	<b><u>2020</u></b>	<b><u>2019</u></b>
<i>Accounts receivable:</i>		
AES Andres DR, S. A.	\$ 91,831	\$ 127,965
AES Big Sky, L.L.C.	441	—
Others	273	176
Parque Eólico Beata, S.R.L.	250	250
AES Argentina Generación, S. A.	179	179
Empresa Generadora de Electricidad Itabo, S. A.	11	32
<b>Total accounts receivables related parties</b>	<b><u>\$ 92,985</u></b>	<b><u>\$ 128,602</u></b>

	<b><u>2020</u></b>	<b><u>2019</u></b>
<i>Accounts payable:</i>		
AES Andres DR, S. A.	\$ 9,030	\$ 74,484
Empresas Generadora de Electricidad Itabo, S. A.	430	254
AES Engineering, LLC	235	235
AES Andres B.V.	98	390
AES Latin América S. de R.L.	79	1,030
New Caribbean Investment, S. R. L.	49	48
Others	17	13
AES Corporation, Inc.	3	47
<b>Total accounts payable related parties</b>	<b><u>\$ 9,941</u></b>	<b><u>\$ 76,504</u></b>

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**5. Balances and transactions with affiliates and related parties (continued)**

The transactions with related parties during 2020 , 2019 and 2018, are summarized below:

<u>Affiliate</u>	<u>Transaction type</u>	<u>Revenues</u>			<u>Costs and Expenses</u>		
		<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
AES Andres DR, S. A.	Purchase of LNG, energy and capacity	\$ 13,669	\$ 31,088	\$ 107,540	\$ (74,802)	\$ (98,756)	\$ (104,278)
Empresa Generadora de Electricidad Itabo, S. A.	Energy, firm capacity and frequency regulation	51	—	—	(622)	(416)	(614)
AES Solutions, LLC.	Other services	—	—	—	—	(1,935)	(3,343)
AES Global Insurance Corporation	Other services	—	—	—	(5,254)	(3,576)	(3,348)
AES Andres B.V	Other services	—	—	—	(390)	(390)	(390)
AES Latin América S. de R.L.	Other services	—	—	—	(2,486)	(3,083)	—
AES Big Sky, LLC	Other services	—	—	—	(613)	—	—
Fluence Energy, LLC	Other services	—	—	—	(120)	(120)	(120)
Others	Other services	—	—	—	—	—	(69)
<b>Total</b>		<b>\$ 13,720</b>	<b>\$ 31,088</b>	<b>\$ 107,540</b>	<b>\$ (84,287)</b>	<b>\$ (108,276)</b>	<b>\$ (112,162)</b>

**Remuneration of key personnel:**

The compensation of the Company's executives during the years ended December 31, 2020, 2019 and 2018, amounted to \$768 (2019: \$630 and 2018: \$618). These amounts include fixed monthly compensation, variable bonuses according to performance, long-term compensation and other compensation.

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**6. Accounts receivable - trade, net**

The accounts receivable trade, net balances as of December 31, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
Corporación Dominicana de Empresas Eléctricas Estatales (CDEEE)	\$ 43,902	\$ 112,793
Others receivables	27,601	24,574
Allowance for doubtful accounts	(46)	(22)
<b>Total</b>	<b><u>\$ 71,457</u></b>	<b><u>\$ 137,345</u></b>
<i>Allowance for doubtful accounts</i>		
Beginning balance	\$ (22)	\$ (4)
Increase	(24)	(18)
<b>Total allowance for doubtful accounts</b>	<b><u>\$ (46)</u></b>	<b><u>\$ (22)</u></b>

Accounts receivable generate interest according to regulations in the electric sector and according to the terms established in the energy sale contracts. Other receivables includes unbilled revenue.

A detail of the age of accounts receivable, including those with a delay in their recovery but not impaired and including an impairment estimate for doubtful accounts for a part of those with an age of 91 days or more after December 31 of each period, are presented below:

	<u>2020</u>	<u>2019</u>
Current	\$ 50,819	\$ 41,968
31 to 60 days	2,727	18,634
61 to 90 days	12,181	17,718
91 days and more, net of allowance for doubtful accounts	5,730	59,025
<b>Total</b>	<b><u>\$ 71,457</u></b>	<b><u>\$ 137,345</u></b>

***Sector Agreements***

On March 15, and August 19, 2019, the Company entered into contracts for the sale and assignment of credits and rights with the CDEEE, the distribution companies owned by the Government of the Dominican Republic and the the Banco de Reservas ("Bank"), in which the Bank committed and paid \$83.7 million for 100% of the accounts receivable that the Company had with the distribution companies at that date. This transaction was a sale without recourse for the Company.

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**7. Property, plant and equipment, net**

Property, plant and equipment, net, is detailed as follows:

<b>As of December 31, 2020</b>								
	<b>Land</b>	<b>Buildings</b>	<b>Generation plant</b>	<b>Office equipment and others</b>	<b>Vehicles</b>	<b>Spare parts</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost:</b>								
Beginning balance	\$ 9,256	\$ 5,503	\$ 424,941	\$ 1,791	\$ 467	\$ 7,583	\$ 3,346	\$452,887
Additions	—	—	—	55	—	34	13,440	13,529
Reductions	—	(507)	(4,401)	(46)	—	—	—	(4,954)
Reclassifications	—	1,959	7,540	678	40	2,958	(13,175)	—
<b>Ending balance</b>	<b>9,256</b>	<b>6,954</b>	<b>428,080</b>	<b>2,479</b>	<b>507</b>	<b>10,575</b>	<b>3,611</b>	<b>461,462</b>
<b>Accumulated depreciation:</b>								
Beginning balance	—	2,256	159,470	1,348	387	4,653	—	168,114
Additions	—	199	19,121	213	34	—	—	19,567
Reductions	—	(291)	(4,063)	(46)	—	—	—	(4,400)
Reclassifications	—	—	(3,631)	—	—	3,631	—	—
<b>Ending balance</b>	<b>—</b>	<b>2,164</b>	<b>170,897</b>	<b>1,515</b>	<b>421</b>	<b>8,284</b>	<b>—</b>	<b>183,281</b>
<b>Net balance</b>	<b>\$ 9,256</b>	<b>\$ 4,790</b>	<b>\$ 257,183</b>	<b>\$ 964</b>	<b>\$ 86</b>	<b>\$ 2,291</b>	<b>\$ 3,611</b>	<b>\$278,181</b>
<b>As of December 31, 2019</b>								
	<b>Land</b>	<b>Buildings</b>	<b>Generation plant</b>	<b>Office equipment and others</b>	<b>Vehicles</b>	<b>Spare parts</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost:</b>								
Beginning balance	\$ 9,256	\$ 4,530	\$ 426,198	\$ 1,553	\$ 467	\$ 9,686	\$ 2,570	\$454,260
Additions	—	—	32	31	—	835	3,359	4,257
Reductions	—	(359)	(5,126)	(3)	—	(142)	—	(5,630)
Reclassifications	—	1,332	3,837	210	—	(2,796)	(2,583)	—
<b>Ending balance</b>	<b>9,256</b>	<b>5,503</b>	<b>424,941</b>	<b>1,791</b>	<b>467</b>	<b>7,583</b>	<b>3,346</b>	<b>452,887</b>
<b>Accumulated depreciation:</b>								
Beginning balance	—	2,505	141,744	1,213	355	6,307	—	152,124
Additions	—	110	20,156	138	32	—	—	20,436
Reductions	—	(359)	(4,004)	(3)	—	(80)	—	(4,446)
Reclassifications	—	—	1,574	—	—	(1,574)	—	—
<b>Ending balance</b>	<b>—</b>	<b>2,256</b>	<b>159,470</b>	<b>1,348</b>	<b>387</b>	<b>4,653</b>	<b>—</b>	<b>168,114</b>
<b>Net balance</b>	<b>\$ 9,256</b>	<b>\$ 3,247</b>	<b>\$ 265,471</b>	<b>\$ 443</b>	<b>\$ 80</b>	<b>\$ 2,930</b>	<b>\$ 3,346</b>	<b>\$284,773</b>



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**7. Property, plant and equipment, net (continued)**

	As of December 31, 2018							
	Land	Buildings	Generation plant	Office equipment and others	Vehicles	Spare parts	Construction in progress	Total
<b>Cost:</b>								
Beginning balance	\$ 8,527	\$ 4,388	\$ 427,202	\$ 1,358	\$ 421	\$ 8,026	\$ 1,115	\$ 451,037
Additions	—	—	8	25	—	1,778	6,389	8,200
Reductions	—	—	(4,973)	(4)	—	—	—	(4,977)
Reclassifications	729	142	3,961	174	46	(118)	(4,934)	—
<b>Ending balance</b>	<b>9,256</b>	<b>4,530</b>	<b>426,198</b>	<b>1,553</b>	<b>467</b>	<b>9,686</b>	<b>2,570</b>	<b>454,260</b>
<b>Accumulated depreciation:</b>								
Beginning balance	—	2,421	124,128	1,089	321	6,534	—	134,493
Additions	—	84	20,998	128	34	—	—	21,244
Reductions	—	—	(3,609)	(4)	—	—	—	(3,613)
Reclassifications	—	—	227	—	—	(227)	—	—
<b>Ending balance</b>	<b>—</b>	<b>2,505</b>	<b>141,744</b>	<b>1,213</b>	<b>355</b>	<b>6,307</b>	<b>—</b>	<b>152,124</b>
<b>Net balance</b>	<b>\$ 9,256</b>	<b>\$ 2,025</b>	<b>\$ 284,454</b>	<b>\$ 340</b>	<b>\$ 112</b>	<b>\$ 3,379</b>	<b>\$ 2,570</b>	<b>\$ 302,136</b>

The costs of interest capitalized during the year ended December 31, 2020 amounted to \$0.2 million (2019: \$0.2 million and 2018: \$0.1 million). The interest rate used to determine the amount of finance costs that were eligible to capitalize as of December 31, 2020 was 0.5% (2019: 0.0% and 2018: 0.6%), which is the average annual financing rate.

As of December 31, 2020, the Company had construction in progress for \$3.6 million (2019: \$3.3 million and 2018: \$2.6 million). The main construction in progress correspond to the major maintenance, water treatment plant and various projects of the operation.

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**8. Intangible assets, net**

The following table summarizes the balances comprising of intangible assets in the accompanying statements of financial position as of the end of the years indicated:

	<b>2020</b>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Carrying amount</u>
Licenses and internal use software	<u>\$ 2,574</u>	<u>\$ (1,740)</u>	<u>\$ 834</u>
	<b>2019</b>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Carrying amount</u>
Licenses and internal use software	<u>\$ 3,138</u>	<u>\$ (1,349)</u>	<u>\$ 1,789</u>
	<b>2018</b>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Carrying amount</u>
Licenses and internal use software	<u>\$ 2,762</u>	<u>\$ (868)</u>	<u>\$ 1,894</u>

The movement of intangible assets is as follows:

	<b>Licenses and internal use software</b>
Balance as of January 1, 2018	\$ 233
Additions	1,757
Amortization	(96)
Balance as of December 31, 2018	<u>1,894</u>
Additions	376
Amortization	(481)
<b>Balance as of December 31, 2019</b>	<b>1,789</b>
Additions	43
Reclassification	(456)
Amortization	(542)
<b>Balance as of December 31, 2020</b>	<b><u>\$ 834</u></b>

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**8. Intangible assets, net (continued)**

The following table summarizes the estimated amortization expense for 2021 through 2024:

2021	\$	499
2022		191
2023		72
2024		72
<b>Total</b>	<b>\$</b>	<b>834</b>

**9. Other non-financial assets**

Other non-financial assets balances as of December 31, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
<b>Current:</b>		
Prepaid insurance	\$ 14	\$ 8
Other prepayments	70	838
Prepayments to vendors	93	80
Prepaid assets	114	—
<b>Total current other non-financial assets</b>	<b>\$ 291</b>	<b>\$ 926</b>
<b>Non-current:</b>		
Advance payments for the acquisition of property, plant and equipment	\$ 360	\$ 510
Prepaid assets	238	—
<b>Total non-current other non-financial assets</b>	<b>\$ 598</b>	<b>\$ 510</b>

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**10. Other financial assets and financial liabilities**

**10.1 Fair Value**

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.

	<u>Book Value</u>		<u>Fair Value</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Line of credit	\$ —	\$ 5,000	\$ —	\$ 5,000
Local bonds	\$ 260,000	\$ 260,000	\$ 283,713	\$ 258,335
International bonds	\$ 50,000	\$ 50,000	\$ 52,501	\$ 51,339

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

- The carrying amount of certain financial assets, including cash and equivalents, restricted cash, short term investment in time deposit, accounts receivable, and certain financial liabilities including accounts payable to suppliers and related parties and other current liabilities, 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.

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**11. Leases**

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 (land and buildings) used in its operations.

*Land:*

- The Company has a contract with Empresa Generadora de Electricidad Itabo, S. A., for the lease of land, buildings and structures located in the old energy complex Los Mina, effective from October 1, 2014 and automatically renewed under the same conditions. This agreement will remain in effect until the Company exercises its purchase option right as established in the Option Agreement.

*Buildings:*

- The Company had a lease contract for its corporate office with a term until June 1, 2021. The Company had the option to apply an early termination clause providing a notice six months in advance. In April 2020, the Company decided to apply the early termination clause. The lease expense under this contract was \$217 in 2018, which are presented as part of operating, general and maintenance expense in the statement of income.
- In March 2020, the Company began a new lease for corporate office and parking with a term until September 30, 2024.

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

	<u>Land</u>	<u>Building</u>	<u>Total</u>
As of January 1, 2019	\$ 316	\$ 175	\$ 491
Amortization expense	(181)	(139)	(320)
As of December 31, 2019	135	36	171
Additions	184	600	784
Amortization expense	(184)	(143)	(327)
<b>As of December 31, 2020</b>	<b><u>\$ 135</u></b>	<b><u>\$ 493</u></b>	<b><u>\$ 628</u></b>

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**11. Leases (continued)**

Below are the carrying amounts of lease liabilities current and non-current:

	<b><u>2020</u></b>	<b><u>2019</u></b>
As of January 1	\$ 177	\$ 488
Additions	749	—
Accretion of interest	19	6
Rent concession payments	(26)	—
Payments	(100)	(317)
<b>As of December 31</b>	<b><u>\$ 819</u></b>	<b><u>\$ 177</u></b>
Current	<b><u>\$ (452)</u></b>	<b><u>\$ (177)</u></b>
Non-current	<b><u>\$ (367)</u></b>	<b><u>\$ —</u></b>

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

The following are the amounts recognized in 2020 and 2019 statements of income:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Amortization expense of right-of-uses assets (including in operating, general and maintenance expense)	\$ 327	\$ 320
Interest expense on lease liabilities (including in interest expense, net)	19	6
Expense relating to leases of low-value assets (including in operating, general and maintenance expense)	74	43
<b>Total amount recognized in statements of income</b>	<b><u>\$ 420</u></b>	<b><u>\$ 369</u></b>

**12. Accounts payable suppliers and other liabilities**

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

	<b><u>2020</u></b>	<b><u>2019</u></b>
Suppliers	\$ 17,236	\$ 14,313
Accrued interest	1,901	1,902
Other accrued liabilities	890	661
<b>Total</b>	<b><u>\$ 20,027</u></b>	<b><u>\$ 16,876</u></b>

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**12. Accounts payable suppliers and other liabilities (continued)**

Accounts payable to suppliers are due for up to 45 days from the date of issue of the respective documents or invoices, are not subject to any discount for prompt payment and most of them are payable in the currency of issue of the invoice. Electricity purchases payable generate interest if they are not paid at maturity.

**13. Financial debt, net**

***Line of credit***

On December 6, 2019, the Company borrowed an amount of \$10 million with an interest rate of LIBOR plus 1.5% . The Company repaid \$5 million in December 2019 and keep an amount of \$5 million pending to pay, which are presented in the statement of financial position as a current liability under the account line of credit. During 2019, the Company requested \$25 million from the line of credit and repaid it during the year. In 2020, the Company requested \$65 million with an interest of LIBOR plus a spread and repaid \$70 million. As of December 31, 2020, all of the \$55 million line of credit was available, and no amount was outstanding.

***International bonds - bonds payable, net***

On May 11, 2016, the Company issued international bonds under Rule 144A and Regulation S totaling \$50 million, with a single installment payment due in May 2026, bearing an annual interest of 7.950%. Interest is payable semiannually from November 2016 and the Company paid issuance costs of \$2.1 million.

As of December 31, 2020 and 2019, the Company has balances related to the international bonds totaling \$48.7 million and \$48.5 million, respectively, net of deferred financing costs and unamortized discount, which are amortized under the effective interest method over the life of the debt, as detailed below:

	<u>2020</u>	<u>2019</u>
International Bonds	\$ 50,000	\$ 50,000
Unamortized discount	(650)	(740)
Deferred financing cost, net	(693)	(789)
<b>Total bonds payable, net</b>	<b><u>\$ 48,657</u></b>	<b><u>\$ 48,471</u></b>

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**13. Financial debt, net (continued)**

***International bonds - bonds payable, net (continued)***

The unamortized discount as of December 31, 2020 and 2019 consists of:

	<u>2020</u>	<u>2019</u>
Unamortized discount at the beginning of the year	\$ 740	\$ 836
Amortization of discount during the year	(90)	(96)
<b>Total unamortized discount at the end of the year</b>	<b><u>\$ 650</u></b>	<b><u>\$ 740</u></b>

The deferred financing cost, net as of December 31, 2020 and 2019 consists of:

	<u>2020</u>	<u>2019</u>
Deferred financing costs at the beginning of the year	\$ 789	\$ 892
Amortization of deferred financing costs during the year	(96)	(103)
<b>Total deferred financing costs, net at the end of the year</b>	<b><u>\$ 693</u></b>	<b><u>\$ 789</u></b>

As a consequence of the aforementioned issuance of financing agreements, the Company must comply with certain obligations and limitations in order to carry out certain transactions, including the incurrence of additional debt or to make dividend payments. Before executing the aforementioned transactions, the Company must validate and verify that all contract covenants are being complied with including:

- Financial Ratios to Incur Additional Debt: refers to ratios that the Company must comply with in order to incur in additional debt, except for the exceptions stipulated in the relevant financing agreement.
- Financial Ratios to Pay Dividends: refers to ratios that the Company must comply with in order to make a dividend payment, except for the exceptions stipulated in the relevant financing agreement.
- Debt Service Coverage Ratio: has to be greater than 2.5x and Debt to EBITDA ratio has to be less than 3.5x.

As of December 31, 2020, the Company is in compliance with all of its commitments and restrictions in relation to such financing arrangements.



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**13. Financial debt, net (continued)**

***Local bonds - bonds payable, net***

The Company maintains a Corporate Bonds Issuance Program approved by and registered with the Securities Superintendency of the Dominican Republic on December 13, 2016. The issuance program was for a maximum amount of \$300 million of which the Company executed \$260 million which were distributed in tranches throughout 2017. The use of the funds defined for this issue was the payment of the syndicated loan signed in 2014 to finance the construction of the combined cycle. AES Andres B.V. acts as guarantor of this program of issuance of corporate bonds.

The distribution of tranches related to this local bond program was as follows:

<b>Local bonds payable</b>	<b>Rate</b> <b>%</b>	<b>Maturity</b>	<b>Amounts</b>
Tranche 1	6.25	February 2027	\$ 50,000
Tranche 2	6.25	April 2027	50,000
Tranche 3	6.25	May 2027	50,000
Tranche 4	6.25	June 2027	50,000
Tranche 5	6.00	August 2027	35,000
Tranche 6	5.90	November 2027	25,000
			<b><u>\$ 260,000</u></b>

The interest payments are due quarterly with a single and definitive principal payment on each due date of each tranche.

The Company incurred costs for the issuance of this bonds of \$3.3 million, which were deferred and amortized under the effective interest method during the term of the debt contract.

As of December 31, 2020, the balance of the these local bonds payable totals \$257.7 million (2019: \$257.4 million), net of deferred financing costs, as detailed below:

	<b>2020</b>	<b>2019</b>
Local Bonds	\$ 260,000	\$ 260,000
Deferred financing cost, net	(2,283)	(2,570)
<b>Total bonds payable, net</b>	<b><u>\$ 257,717</u></b>	<b><u>\$ 257,430</u></b>

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**13. Financial debt, net (continued)**

***Local bonds - bonds payable, net (continued)***

The deferred financing cost, net as of December 31, 2020 and 2019 consists of:

	<u>2020</u>	<u>2019</u>
Deferred financing costs at the beginning of the year	\$ 2,570	\$ 2,838
Capitalized financing cost	(4)	(4)
Amortization of deferred financing costs during the year	(283)	(264)
<b>Total deferred financing cost, net at the end of the year</b>	<b><u>\$ 2,283</u></b>	<b><u>\$ 2,570</u></b>

As a consequence of the issuance of local bonds, the Company must comply with certain obligations established by the Securities Market Law No.19-00 and Application Regulation No. 664-12, specifically article 49 (Issuer Obligations); Article 212 (Financial information) and Article 50 (Activities not authorized to the issuer).

As of December 31, 2020, the Company is in compliance with all of its commitments and restrictions in relation to such financing arrangements.

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

	<u>Balance as of January 1, 2020</u>	<u>Cash flows-received</u>	<u>Cash flows-payments</u>	<u>Amortization of deferred financing costs</u>	<u>Early extinguishment of debt</u>	<u>Other adjustments</u>	<u>Balance as of December 31, 2020</u>
Line of credit	\$ 5,000	\$ 65,000	\$ (70,000)	\$ —	\$ —	\$ —	\$ —
Local bonds payable, net	257,432	—	—	281	—	6	257,719
International bonds payable, net	48,469	—	—	186	—	—	48,655
Lease liabilities	177	—	(100)	—	—	742	819
<b>Total</b>	<b><u>\$ 311,078</u></b>	<b><u>\$ 65,000</u></b>	<b><u>\$ (70,100)</u></b>	<b><u>\$ 467</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 748</u></b>	<b><u>\$ 307,193</u></b>

	<u>Balance as of January 1, 2018</u>	<u>Cash flows-received</u>	<u>Cash flows-payments</u>	<u>Amortization of deferred financing costs</u>	<u>Early extinguishment of debt</u>	<u>Other adjustments</u>	<u>Balance as of December 31, 2019</u>
Line of credit	\$ —	\$ 35,000	\$ (30,000)	\$ —	\$ —	\$ —	\$ 5,000
Local bonds payable, net	257,162	—	—	268	—	2	257,432
International bonds payable, net	48,272	—	—	197	—	—	48,469
Lease liabilities	—	—	(317)	—	—	494	177
<b>Total</b>	<b><u>\$ 305,434</u></b>	<b><u>\$ 35,000</u></b>	<b><u>\$ (30,317)</u></b>	<b><u>\$ 465</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 496</u></b>	<b><u>\$ 311,078</u></b>

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**14. Commitments and contingencies**

***Commitments***

As of December 31, 2020, the main commitments of the Company are the following:

***Energy sales contract with CDEEE***

On June 18, 2014, the Company signed a sales contract agreement for the supply of energy and capacity to CDEEE. This contract began on August 1, 2016 and will end on December 31, 2022. After the completion of the construction of the combined cycle, the Company is committed to provide to the customer 270MW of capacity. For the year ended December 31, 2020, the revenues associated with this contract consist of energy and capacity sales that are presented in the statements of income as electricity-sales of \$208.6 million (2019: \$196.1 million and 2018: \$205.7 million).

***Energy sales contract with Non-regulated Users***

The Company entered into some contracts for the sale of energy with new large customers in the market of large entities, which are allowed to generate their own electricity or contract directly with generators, or the non-regulated market (normally known as "Non-regulated Users"). As of December 31, 2020 the Company has a total of 14 contracts (2019: 18 and 2018: 1) with Non-regulated Users with a total of 52 MW, 53 MW and 0.8 MW of contracted capacity each years.

***Maintenance Agreement***

In the year 2018, the Company and Siemens Power Generation Services Company LTD signed a maintenance agreement for the periods between 2018 to 2031. The total amount to be paid for this contract amounts to \$57.6 million during its term. As of December 31, 2020, the Company has received spare parts totaling \$6.7 million (2019: \$2.6 million) related to this contract and the accounts payable amounted \$8.8 million.

***Guarantees***

Since November 5, 2019, the Company became the unconditional and irrevocable guarantor in conjunction with its related party AES Andres DR. S.A. and AES Andres B.V., of a loan agreement of their related party Parque Eólico Beata S.R.L. in the amount up to \$50 million. As of December 31, 2020, the Company was not requested to execute this guarantee.

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**14. Commitments and contingencies (continued)**

***Guarantees (continued)***

Since September 26, 2016, the Company became the unconditional and irrevocable guarantor in conjunction with its related party AES Andres DR. S.A., of a bond issued by their related party AES Andres B.V. in the amount up to \$45 million. As of December 31, 2020, the Company was not requested to execute this guarantee.

Since May 11, 2016, the Company became the unconditional and irrevocable guarantor (the due and punctual payment of the principal and interest) of the international bonds issued by AES Andres B.V. in the amount of \$220.1 million, with maturity date of May 2026. As of December 31, 2020, the Company was not requested to execute this guarantee.

**15. Net Income per Share**

The net income per share was calculated as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net income	\$ 62,408	\$ 67,982	\$ 74,829
Total weighted average shares	15,000,100	15,000,100	15,000,100
<b>Net income per share</b>	<u><u>\$ 4.16</u></u>	<u><u>\$ 4.53</u></u>	<u><u>\$ 4.99</u></u>

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**16. Operating, general and maintenance expense**

The operating, general and maintenance expense for the years ended December 31, 2020, 2019 and 2018 are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Depreciation and amortization	\$ 20,109	\$ 20,917	\$ 21,340
Maintenance expenses	5,972	5,927	3,787
Salaries, wages and benefits	3,063	2,480	2,761
Insurance	5,299	3,619	3,397
Tax on assets	1,989	2,239	2,428
Contracted services	3,262	5,214	3,757
Consultants and legal fees	725	802	702
Managements fees	511	510	540
Amortization of right-of-use assets	327	320	—
Property rental	—	—	217
Expenses related to leases of low value and short- term contracts	74	43	—
Others	1,041	853	1,863
<b>Total</b>	<b><u>\$ 42,372</u></b>	<b><u>\$ 42,924</u></b>	<b><u>\$ 40,792</u></b>

**17. Interest expense, net**

The interest expense, net for the years ended December 31, 2020, 2019 and 2018 is as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Interest income - commercial	\$ 6,902	\$ 8,242	\$ 3,924
Interest income - financial	230	521	492
Subtotal	<u>7,132</u>	<u>8,763</u>	<u>4,416</u>
Amortization of deferred financing costs	<u>(379)</u>	<u>(367)</u>	<u>(325)</u>
Interest expense - commercial	(2,407)	(318)	(76)
Interest expense - financial	(20,938)	(20,502)	(20,350)
<b>Subtotal</b>	<b><u>(23,345)</u></b>	<b><u>(20,820)</u></b>	<b><u>(20,426)</u></b>
<b>Total interest expense, net</b>	<b><u>\$ (16,592)</u></b>	<b><u>\$ (12,424)</u></b>	<b><u>\$ (16,335)</u></b>

Accounts receivable and accounts payable within the electricity sector spot market, denominated in Dominican Pesos, are subject to the local active interest rate for domestic currency plus a penalty of eighteen percent (18%) as established in Article 355 of the General Law of Electricity Sector. The average interest rate applied to spot market accounts receivable and payables in US dollars as of December 31, 2020 was 4.82% (2019: 5.77% and 2018: 6.08%) and in Dominican pesos as of December 31, 2020 was 9.85% (2019: 12.44% and 2018: 12.06%).

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**18. Other expense, net**

Other expense, net for the years ended December 31, 2020, 2019 and 2018 is comprised as follow:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Loss on retirement of property, plant and equipment	\$ (554)	\$ (1,184)	\$ (1,364)
Others	38	21	130
<b>Total</b>	<b><u>\$ (516)</u></b>	<b><u>\$ (1,163)</u></b>	<b><u>\$ (1,234)</u></b>

**19. Income tax**

DPP is a company incorporated with limited liability in the Cayman Islands which operates in the Dominican Republic through a Branch office and, therefore, is not subject to the payment of income taxes in the Cayman Islands. For Dominican tax purposes, DPP's Branch is considered a foreign entity, therefore subject to the Dominican tax regime applicable to business activities established by Law 11-92 of May 31, 1992, plus its subsequent amendments. Even though the Branch has the US dollar as its functional currency, income tax calculations are determined in local currency, the Dominican peso.

*Current income tax*

The current income tax is calculated based on Law 11-92, Tax Code of the Dominican Republic, its regulations and its modifications. The tax used to determine the income tax at December 31, 2020, 2019 and 2018 was 27% of the net taxable income.

*Tax on assets*

The tax on assets corresponds to 1% of the taxable assets. For electricity companies, taxable assets correspond to the total fixed assets, net of accumulated depreciation. This tax may be used as a credit against the income tax as follows: if the income tax is greater than the tax on assets, there is no obligation to pay the latter; otherwise, the difference between the income tax paid and the tax on assets must be paid. The Company records the tax on assets expense in the statements of income in operating, general and maintenance expense.

*Dividends*

Dividends are subject to a 10% withholding tax. This tax is established to the branches and permanent establishments when they remit profits to their Head Office or Main Offices.

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**19. Income tax (continued)**

*Loss carryforward*

According to Article I of Law No. 557-05, which modifies letter K or Article No. 287 of the Tax Code, applicable as of January 1, 2006, losses incurred by corporations in their economic activities may be compensated during the following fiscal periods, without exceeding five (5) years. However, only 20% may be compensated per year. In the fourth year, this 20% may not exceed 80% of the net taxable income, and in the fifth year it must not exceed 70%. The portion not used each year cannot be used in the following periods. As of December 31, 2020, DPP Branch had a loss carryforward of \$3,030 million (2019: \$6,354 million and 2018: \$9,684 million), that expires in 2021.

As of December 31, 2020 and 2019, the following summarizes the income tax payable:

	<u>2020</u>	<u>2019</u>
Income tax advances	\$ 29,419	\$ 20,525
Tax on assets	(1,989)	(2,239)
Current income tax expense	<u>(30,146)</u>	<u>(24,757)</u>
<b>Income tax payable</b>	<b><u><u>\$ (2,716)</u></u></b>	<b><u><u>\$ (6,471)</u></u></b>

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

	<u>2020</u>	<u>2019</u>
Assets:		
Loss carryforward	\$ 818	\$ 1,715
Other temporary differences	90	65
<b>Total deferred tax asset</b>	<b><u><u>908</u></u></b>	<b><u><u>1,780</u></u></b>
Liabilities:		
Accelerated tax depreciation, asset revaluation and inflationary effects	(31,739)	(27,037)
Financial instruments	(810)	(6,063)
<b>Total deferred tax liability</b>	<b><u><u>(32,549)</u></u></b>	<b><u><u>(33,100)</u></u></b>
<b>Total non-current deferred income tax liability</b>	<b><u><u>\$ (31,641)</u></u></b>	<b><u><u>\$ (31,320)</u></u></b>

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**19. Income tax (continued)**

The reconciliation between the statutory tax rate with the effective tax rate of the Company as a percentage of profit before tax for the year ended December 31, 2020 and 2019, detailed below:

	<u>2020</u>	<u>2019</u>
Statutory income tax rate	27 %	27 %
Permanent differences		
Retention of remittance to Main Office	11 %	3 %
Result from change in foreign currency	(2)%	(3)%
Loss carryforward	(1)%	(1)%
Other temporary differences	(1)%	7 %
<b>Effective income tax rate</b>	<u><b>34 %</b></u>	<u><b>33 %</b></u>

The income tax returns of the Company are subject to review by the tax authorities for the past three years including the year ended December 31, 2020, according to the current tax regulations.

The income tax expense for the years ended December 31, 2020, 2019 and 2018 is comprised as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current	\$ 30,146	\$ 24,757	\$ 28,080
Deferred	2,734	10,740	9,950
<b>Total income tax expense</b>	<u><b>\$ 32,880</b></u>	<u><b>\$ 35,497</b></u>	<u><b>\$ 38,030</b></u>

In 2009, with the first time adoption of IFRS, the Company's applied the fair value or revaluation as deemed cost to certain buildings and electric generation assets and the adjustment was \$37.8 million corresponding to the increase in the fair value of these assets recorded against restricted retained earnings. As established by IAS 12, it is required to record a deferred income tax liability on property, plant and equipment carried at fair value. The deferred tax calculation for the period ended as of December 31, 2020 amounts to \$3.6 million (2019: \$3.9 million) and its impact is included in the component accelerated tax depreciation, asset revaluation and inflationary effects of deferred tax liabilities.

The application of the deferred income tax liability is made through the annual depreciation expense recorded in excess of the revalued assets, which is recorded in the statement of income.

The Company adjusts its depreciable assets for inflation to determine the tax base, as allowed by the current tax code. Additionally, the Company uses a tax benefit through the application of accelerated depreciation, according to the method established in current legislation, for tax purposes. Therefore, the difference between the tax and accounting base of depreciable property, plant and equipment, according to IFRS includes both effects.



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**20. Risk and capital management**

The Company's main financial liabilities include bonds payable, lease liability, income tax payable, interests and accounts payable. The main objective of these financial liabilities is to finance the Group's operations and offer guarantees to back its operations. The Company has cash, cash equivalents and accounts receivable that are the direct result of its operations. The Company is exposed to market risk, fuel price risk, exchange rate risk, credit risk and liquidity risk.

The Company's senior management oversees the management of these risks with the support of the Financial Risk Committee, which assesses financial risks and the management framework used, guaranteeing that the identification, measurement and administration of financial risk is based on the policies and procedures established by the Company. All of the activities with derivative instruments with risk management purposes are carried out by specialists teams that have the knowledge, experience and adequate supervision. The Company has a policy not to trade derivative financial instruments with speculative purposes.

Top Management reviews and agrees on policies for managing each of these risks, which are summarized below.

*Market risk*

Market risk is the risk that the fair value or future cash flows for financial instruments fluctuate due to changes in market prices. For the Company, market risk is affected mainly by: fuel price risk, exchange rate risk, interest risk, credit risk and liquidity risk.

The pandemic COVID-19 has severely affected global economic activity, including electricity and energy consumption, causing significant volatility and negative pressure on financial markets. For the year ended December 31, 2020, the pandemic COVID-19 has had an impact on the demand for electric power and, as a result, on the Company's financial results and operations. The magnitude and duration of the pandemic COVID-19 is unknown at this time and may have material and adverse effects on our results of operations, financial condition and cash flows in future periods. In response to the pandemic COVID-19, Company's Management implemented changes that was determined in the best interest of our employees, as well as the communities in which we operate. This includes employees working from home to the extent possible, while additional security measures are in place for employees continuing critical work on site. Likewise, the Company carried out the formalities timely in order to minimize the impact, considering that it is a conjunctural situation that, according to the most current estimates and the position treasury to date, does not compromise the financial situation and operations of the Company.

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**20. Risk and capital management (continued)**

*Fuel price risk*

In the Dominican Republic there are no sources of fuel for generation, therefore the country is a net importer that covers 85% of the generation with fossil fuels. The fuel used by DPP's generating units is natural gas, which it obtains through contract with AES Andres (related party). The high prices of fuel can increase generation costs, thus affecting financial condition and operating results. Price fluctuations are transferred to the sales price of energy through the PPA, given that this contract includes indexation mechanisms that adjust the price based on increases or decreases in fuel prices.

*Interest rate risk*

On May 11, 2016, the Company issued international bonds under Rule 144A and Regulation S totaling \$50 million, with a single installment payment due in May 2026, bearing an annual interest of 7.950%, therefore, the Company is not exposed to the risk of fair value interest rates.

The Company maintains a Corporate Bonds Issuance Program approved by and registered with the Securities Superintendency of the Dominican Republic on December 13, 2016. The issuance program was for a maximum amount of \$300 million of which the Company executed \$260 million which were distributed in tranches throughout 2017. The use of the funds defined for this issue was the payment of the syndicated loan signed in 2014 to finance the construction of the combined cycle. AES Andres B.V. acts as guarantor of this program of issuance of corporate bonds. The distribution of tranches related to this program of local bonds bearing a fixed annual interest of 6.25, 6% and 5.90%, therefore, the Company is not exposed to the risk of fair value interest rates.

*Credit risk*

This is the risk that a debtor or issuer of a financial asset owned by the Company does not fulfill a payment, fully and on time, in conformity with the terms and conditions agreed at the time the Company acquired or originated the financial asset.

Contract revenues from CDEEE represented approximately 79% of the total revenues for the year ended December 31, 2020 (2019: 67% and 2018: 66%), and the accounts receivable balance from CDEEE represented approximately 24% of the total current assets as of December 31, 2020 (2019: 40%). Consequently, DPP's accounts receivable are exposed to potential credit loss from this entity.

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**20. Risk and capital management (continued)**

*Credit risk (continued)*

Company's Management has financial instruments with a moderate risk, since it concentrates its sales in one distributor and a related company that in turn concentrates its sales on the same distributor, which depends on a subsidy granted by the Dominican government to cover its cash shortages. The Government is currently focused on seeking self-sustainability for the electricity sector and attempting to achieve governmental efficiency, therefore to date accounts receivable have not been penalized.

Financial instruments and cash deposits: the credit risk of balances with banks and financial institutions is managed by the treasury department in conformity with the Company's policy. Investments of fund surpluses are only conducted with authorized parties and within the credit limits assigned to each entity. Top management reviews these limits annually, and these may be updated during the year, subject to approval by the Finance Committee. These limits are established to minimize the concentration of risk and to mitigate potential financial losses from a counterpart's non-compliance. The maximum exposure of the credit risk components of the statement of financial position as of December 31, 2020 and 2019 is the carrying amount.

*Liquidity risk*

This is the risk that the Company will be unable to fulfill all of its obligations due to impairment in the quality of the client portfolio, excessive concentration of liabilities, lack of liquidity of assets, or the financing of long-term assets with short-term liabilities, among other. Historically in the Dominican Republic distributors have presented weak operating performance related to their levels of energy losses and collection from clients, problems that affect their payment capacity to generators, thus the electric sector is highly dependent on the government subsidy and decisions regarding its regulation.

To mitigate the risk of liquidity and credit concentration, the Company may make sales of accounts receivable due or near maturity. These sales are mainly made on the government portfolio at par value or with premium, with the purpose of covering the commitments generated by the operations and reducing the use of cash provided by financing activities. During the year ended December 31, 2020, the Company sold accounts receivable amounting to \$45.4 million and, during 2019, the Company did not sell accounts receivable and 2018 \$71.4 million.

The Company monitors liquidity risk by planning cash flows and constant follow-up on the accounts receivable to ensure compliance with the commitments.

As of December 31, 2020, DPP had a balance of cash and cash equivalents in the amount of \$16.9 million (2019:\$11.3 million). This balance includes cash and certificates of deposit with maturities of less than three months.

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**20. Risk and capital management (continued)**

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

	<i>Less than 3 months</i>	<i>From 3 to 12 months</i>	<i>From 1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
<b>As of December 31, 2020</b>					
Accounts payable - suppliers and other liabilities	\$ 19,737	\$ 290	\$ —	\$ —	\$ 20,027
Accounts payable - related parties	—	9,941	—	—	9,941
Bonds payable	—	—	—	310,000	310,000
Lease liabilities	—	452	367	—	819
	<u>\$ 19,737</u>	<u>\$ 10,683</u>	<u>\$ 367</u>	<u>310,000</u>	<u>\$ 340,787</u>
	<i>Less than 3 months</i>	<i>From 3 to 12 months</i>	<i>From 1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
<b>As of December 31, 2019</b>					
Accounts payable - suppliers and other liabilities	\$ 16,700	\$ 176	\$ —	\$ —	\$ 16,876
Accounts payable - related parties	—	76,504	—	—	76,504
Line of credit	—	5,000	—	—	5,000
Bonds payable	—	—	—	310,000	310,000
Lease liabilities	177	—	—	—	177
	<u>\$ 16,877</u>	<u>\$ 81,680</u>	<u>\$ —</u>	<u>310,000</u>	<u>\$ 408,557</u>

*Exchange risk*

Exchange rate risk is the risk that the fair value or future cash flows of financial instruments fluctuates as a result of variation in exchange rates. The Company's exposure to exchange risk is mainly related to the operating activities (when revenues and expenses are denominated in a currency different from the functional currency). However, given that the Company's functional currency is the dollar, and that its revenues, costs and investments in property, plant and equipment are determined mainly in US dollars, there is no significant exposure to exchange risk.

The main balance denominated in Dominican pesos corresponds to accounts receivable from the spot market. For the year ended December 31, 2020, approximately 97% (2019: 96% and 2018: 100%) of the Company's revenues were denominated in dollars.

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**20. Risk and capital management (continued)**

*Exchange risk (continued)*

The following table presents a sensitivity analysis of the effect of a reasonable variation in the exchange rate of the Dominican peso on the Company's financial statements:

	<u>Exchange rate variation</u>	<u>Effect on income before income tax expense</u>	<u>Effect on total stockholders' equity</u>
As of and for the year ended December 31, 2020	+5%	\$ 1,460	\$ 1,460
	-5%	\$ (1,389)	\$ (1,389)
As of and for the year ended December 31, 2019	+5%	\$ 2,778	\$ 2,778
	-5%	\$ (1,538)	\$ (1,538)

***Capital management***

The main objective of the Company's capital management is to ensure that it maintains a solid credit rating and capital indicators to support the business and maximize value to the shareholders. The Company manages its capital structure and makes adjustments in light of the changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the payment of dividends to shareholders, capital returns to shareholders or issue new shares. No changes were made to the objectives, policies, and procedures during the year ended December 31, 2020.

**21. Subsequent events**

Subsequent events were evaluated by Management until April 25, 2021, date on which the financial statements were authorized by Management for issuance.

***Account receivable***

In January, February and April 2021, the Company entered into a sale and credit assignment agreement, in which the Company received \$7.6 million for 100% of the accounts receivable and interest that the Company has with the distribution company CDEEE. This transaction was a sale without recourse for the Company.

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**21. Subsequent events (continued)**

*International bonds*

On April 19, 2021, the Company commenced an offer to purchase for cash any and all of the \$50.0 million outstanding international bonds pursuant to the terms of, and subject to the conditions set forth in, an offer to purchase dated as of April 19, 2021 and related documents. The Tender Offer is conditional upon our receiving the financing necessary for the payment of the purchase price offered thereby and accrued interest to tendering holders of the international bonds, plus fees and expenses, and other general conditions set forth in the Tender Offer Documents. The Company expects to finance the Tender Offer with the proceeds from the issuance of the Notes and may waive any of these conditions at its sole discretion. The Company cannot assure you that the Tender Offer will be consummated.

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