AES Andres B.V. and Subsidiaries

(An indirectly owned subsidiary of The AES Corporation)

Independent Auditor's Report
Consolidated Financial Statements
For the year ended December 31, 2022

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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 statement of financial position as at December 31, 2022, and the consolidated statement of income, consolidated statement of changes in stockholders´ equity and consolidated statement of cash flows for the year then ended, 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 at December 31, 2022 and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate 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 Accountant 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 the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor 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.

Key audit matters (continued)

Accounts Receivables Trade

Accounts receivables trade as of December 31, 2022 amount to US$138.3 million are detailed in Note 7 to the consolidated financial statements and represent 12% of the Company's total assets as of December 31, 2022. The accounts receivables trade are 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 represent 48% of total accounts receivable as of December 31, 2022. 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 analyze the contracts and agreements reached with the distribution companies.
- We evaluate the integrity of the data and the assumptions used by the Administration to calculate the impairment estimate for doubtful accounts.
- We evaluate 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.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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 group 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.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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 partner in charge of the audit resulting in this independent auditor's report is Maylen A. Guerrero Pimentel (CPA No.5296).

Ernst + Young

April 21, 2023
Santo Domingo,
Dominican Republic

AES Andres B.V. and Subsidiaries

(An indirectly owned subsidiary of The AES Corporation)

Consolidated Statements of Financial Position

As of December 31, 2022 and 2021

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

Notes		2022	2021
	ASSETS		
	Current Assets:		
5	Cash and cash equivalents	$ 70,328	$ 42,805
7	Account receivable trade, net	138,357	63,290
6	Account receivable from related parties	57,771	121,212
6	Interests receivable from related party	999	692
8	Inventories, net	44,043	30,943
15	Account receivables for financial lease	454	161
7	Contracts assets	1,692	179
11	Other non-financial assets	1,694	1,048
12.1	Other financial assets	33,183	241
	Total current assets	**348,521**	**260,571**
	Non-current assets:		
9	Property, plant and equipment, net	655,228	529,558
10	Intangible assets, net	48,081	3,715
7	Contract assets	15,306	10,337
15	Account receivables for financial lease	5,872	5,740
15	Right-of-use asset, net	8,961	7,007
11	Other non-financial assets	2,534	256
12.1	Other financial assets	1,705	1,800
13	Investment in affiliate	63,586	49,883
6	Loan receivable from related party	51,988	51,988
	Total non-current assets	**853,261**	**660,284**
	Total assets	**$ 1,201,782**	**$ 920,855**

AES Andres B.V. and Subsidiaries

(An indirectly owned subsidiary of The AES Corporation)

Consolidated Statements of Financial Position

As of December 31, 2022 and 2021

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

Notes	LIABILITIES AND STOCKHOLDERS' EQUITY	2022	2021
	Current liabilities:		
14	Account payable suppliers and other liabilities	$ 90,232	$ 50,628
6	Account payable to related parties	102,940	156,963
6	Loans and interests payable to related party	31,229	30,403
12.2	Line of credit payable	75,000	—
12.2	Loans payable current, net	16,012	11,647
24	Income tax payable	16,046	6,111
15	Lease liabilities	852	423
12.2	Other financial liabilities	—	648
	Total current liabilities	**332,311**	**256,823**
	Non-current liabilities:		
12.2	Bonds payable, net	295,967	295,838
12.2	Loans payable non-current, net	221,558	74,348
24	Deferred income tax	64,247	51,333
15	Lease liabilities	8,603	6,659
12.2	Other financial liabilities	349	507
16	Other long-term liabilities	8,539	4,923
	Total non-current liabilities	**599,263**	**433,608**
	Total liabilities	**931,574**	**690,431**
	Stockholders' equity		
18	Authorized capital	18	18
18	Additional paid-in-capital	271,651	271,646
	Accumulated deficit	(22,120)	(55,434)
18	Restricted retained earnings	13,399	14,767
12.3	Other comprehensive income	7,198	(622)
	Subtotal	**270,146**	**230,375**
	Non-controlling interest	62	49
	Total stockholders' equity	**270,208**	**230,424**
	Total liabilities and stockholders' equity	**$ 1,201,782**	**$ 920,855**

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

AES Andres B.V. and Subsidiaries

(An indirectly owned subsidiary of The AES Corporation)

Consolidated Statements of Income

For the years ended December 31, 2022 and 2021

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

Notes		**2022**	**2021**
6, 20	**Revenues**	**$ 1,428,315**	**$ 874,972**
	Operating costs and expenses		
6, 21	Cost of fuel, electricity purchases, transmission costs and others	(1,108,872)	(676,772)
22	Operating, general and maintenance expense	(71,790)	(50,986)
9, 10, 15	Depreciation and amortization	(43,653)	(26,856)
	Total operating costs and expenses	**(1,224,315)**	**(754,614)**
	Operating income	**204,000**	**120,358**
	Other (expenses) income		
23	Interest expense, net	(22,895)	(23,251)
13	Equity participation in investment in affiliate	5,843	5,027
12.2	Debt discount amortization	—	(105)
25	Other (expense) income, net	(2,308)	(10,457)
	Exchange (loss) gain, net	(817)	(1,176)
	Income before income tax expense	**183,823**	**90,396**
24	Income tax expense	(50,197)	(33,948)
	Net income	**$ 133,626**	**$ 56,448**
	Other comprehensive income items that will be reclassified to results in subsequent years		
	Related party derivative instruments	7,860	—
	Total comprehensive income	**$ 7,860**	**$ —**
	Attributable to:		
	Non-controlling interest	13	6
	Attributable to shareholders of the parent company	133,613	56,442
		$ 133,626	**$ 56,448**
19	Net income per share (expressed in dollars of the United States of America)	**$ 734**	**$ 310**

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

AES Andres B.V. and Subsidiaries

(An indirectly owned subsidiary of The AES Corporation)

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2022 and 2021

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

	Note	Number of shares	Authorized capital	Additional paid-in capital	Accumulated deficit	Restricted retaining earnings	Other comprehensive incomes	Subtotal	Non-controlling interest	Total stockholders' equity
Balance as of January 1, 2021		182	$ 18	$ 271,628	$ (60,273)	$ 16,163	$ —	$227,536	$ 43	$ 227,579
Net income		—	—	—	56,442	—	—	56,442	6	56,448
Effect of revaluation due to deemed cost	18	—	—	—	1,396	(1,396)	—	—	—	—
Dividends paid	6	—	—	—	(52,999)	—	—	(52,999)	—	(52,999)
Changes in the fair value of derivative instruments	12.3	—	—	—	—	—	(622)	(622)	—	(622)
Capital increase		—	—	18	—	—	—	18	—	18
Balance as of December 31, 2021		182	18	271,646	(55,434)	14,767	(622)	230,375	49	230,424
Net income		—	—	—	133,613	—	—	133,613	13	133,626
Effect of revaluation due to deemed cost	18	—	—	—	1,368	(1,368)	—	—	—	—
Dividends paid	6	—	—	—	(101,667)	—	—	(101,667)	—	(101,667)
Changes in the fair value of derivative instruments	12.3	—	—	—	—	—	(40)	(40)	—	(40)
Derivative instruments in affiliate	13	—	—	—	—	—	7,860	7,860	—	7,860
Capital increase		—	—	5	—	—	—	5	—	5
Balance as of December 31, 2022		**182**	**$ 18**	**$ 271,651**	**$ (22,120)**	**$ 13,399**	**$ 7,198**	**$270,146**	**$ 62**	**$ 270,208**

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

AES Andres B.V. and Subsidiaries

(An indirectly owned subsidiary of The AES Corporation)

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

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

Notes		2022	2021
	Cash flows from operating activities:		
	Net income	$ 133,626	$ 56,448
	Adjustments to reconcile net income to net cash provided by operating activities:		
9	Depreciation	30,493	25,937
10	Amortization of intangible assets	1,769	701
15	Amortization of right-of-use assets	11,391	218
15	Interest expense on lease liabilities	427	329
7	Allowance for doubtful accounts	(65)	172
8	Allowance for inventory obsolescence	645	181
24	Income tax expense	50,197	33,948
	Stock-based compensation	407	13
	Exchange loss (gain), net	817	1,176
9, 25	Loss on retirement of property, plant and equipment	2,713	1,843
25	Gain on sale of disposals of property, plant and equipment	(342)	(72)
12.3	Loss (gain) on derivative financial instruments	(33,453)	341
13	Equity participation in investment in affiliate	(5,843)	(5,027)
12.2	Debt discount amortization	—	105
23	Amortization of deferred financing costs	1,669	1,208
23, 25	Loss of early extinguishment of debt	401	14,364
23	Interest expense, net	20,398	16,469
		215,250	**148,354**
	Changes in operating assets and liabilities:		
	Increase in accounts receivable trade, net	(71,890)	(24,470)
	Decrease (increase) in accounts receivable from related parties	14,882	(87,509)
	Decrease in other accounts receivable from related parties	—	28,043
	Increase in inventories	(13,344)	(7,086)
	Decrease in other assets	6,246	8,363
	Increase in contracts assets	(6,482)	(7,301)
	Increase in accounts payable suppliers and other liabilities	78,300	11,607
	(Decrease) increase in accounts payable to related parties	(48,953)	64,636
	Increase in other liabilities	220	384
	Cash provided by operating activities	**174,229**	**135,021**
	Carried forward.....	**$ 174,229**	**$ 135,021**

AES Andres B.V. and Subsidiaries
(An indirectly owned subsidiary of The AES Corporation)
Consolidated Statements of Cash Flows (continued)
For the years ended December 31, 2022 and 2021
(Expressed in thousands of dollars of the United States of America)

Notes		2022	2021
	Brought forward….	**$ 174,229**	**$ 135,021**
	Income tax paid	(31,499)	(27,528)
	Interest received	1,016	543
	Interest paid	(23,573)	(20,271)
	Net cash provided by operating activities	**120,173**	**87,765**
	Cash flows from investing activities:		
9	Acquisition of property, plant and equipment	(41,065)	(59,130)
11	Advance payments for the acquisition of property, plant and equipment	(2,331)	(30)
10	Acquisition of intangible assets	(1,036)	(337)
6	Loan to related party	—	(51,988)
9, 10	Assets acquisition, net of cash received	(85,666)	—
	Net cash used in investing activities	**(130,098)**	**(111,485)**
	Cash flows from financing activities:		
12.2	Proceeds from line of credit	251,500	30,000
12.2	Proceeds from new loans	165,000	353,500
6	Proceeds from intercompany loan	—	30,000
12.2	Payment of line of credit	(176,500)	(60,000)
12.2	Payment of loans	(82,786)	(269,724)
12.2	Payments of deferred financing costs	(2,654)	(5,086)
12.2, 25	Penalty payment on early extinguishment of debt	—	(8,790)
15	Payment of lease liabilities	(13,965)	(471)
6	Dividends paid	(101,667)	(52,999)
9	Paid by acquisition of property, plant and equipment	(1,480)	—
	Net cash used in financing activities	**37,448**	**16,430**
	Increase (decrease) in cash and cash equivalents	27,523	(7,290)
	Cash and cash equivalents at the beginning of the year	42,805	50,095
	Cash and cash equivalents at the end of the year	**$ 70,328**	**$ 42,805**
	Supplementary disclosure of non-cash operating activities:		
	Property, plant and equipment purchases not paid at year end	**$ 16,682**	**$ 4,278**
	Acquisition of intangible assets not paid at year end	**$ —**	**$ 753**

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

1. Organization and nature of operation

AES Andres B.V. and its subsidiaries (referred to in these consolidated financial statements as "the Company" or "Andres") are a group of companies an indirect owned subsidiary of The AES Corporation (the Parent Company or AES). AES Andres B.V. was formed and incorporated in 1999 in accordance with the laws of The Netherlands, as a private limited liability company with a branch registered in the Dominican Republic. 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. As of December 31, 2022 and 2021, AES Andres B.V. owns 99.99% of the shares of the entity AES Andres DR, S.A.

Andres consists of a 319 megawatts ("MWh") gas fired combined cycle generation plant ("power plant"). During the year 2022 an investment was made to operate with diesel, so the plant currently generates with gas as well as diesel. Additionally Andres has a 10MWh 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. These assets were 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"). During the year 2018, Andres began the construction of the gas pipeline of its LNG terminal located in San Pedro de Macoris, which 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 has an operating license until December 31, 2043.

Andres is currently the only entry point for liquefied natural gas 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, as well as 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).

During the year ended as of December 31, 2022, new contracts were signed with customers in the large entities market, which are allowed to generate their own electricity or contract directly with generators, or the unregulated market (commonly known as "Non-Regulated Users"). As of December 31, 2022, the Company has a total of 33 contracts with Non-Regulated Users (2021: 30 contracts), with a total of 111 MWh in 2022 (2021: 84 MWh) of contracted capacity.

1. Organization and nature of operations (continued)

In November 2019, the Company acquired AES Dominicana Renewable Energy, S.A. (formerly Parque Eólico Beata, S. R. L.), through a purchase agreement that included a payment of $2.3 million for the concession rights recognized as an intangible asset in the consolidated statement of financial position (see note 10). On April 2, 2021, in accordance with the ordinary general meeting of partners, Parque Eólico Beata, S.R.L. changes its name to AES Dominicana Renewable Energy, S.A.

The main objective of AES Dominicana Renewable Energy, S.A. is the operation and administration of energy generation assets from renewable primary energy sources, for which it has the following projects:

- The Bayasol project is a solar plant with an installed capacity of 50MWh built on the basis of turnkey engineering, procurement and construction contracts located in the Matanzas section, Bani municipality, Peravia province, Dominican Republic. This project was completed in March 2021 and partially capitalized in April 2021 and by July 2021 the capitalization of the project was completed.

- The Santanasol project is a photovoltaic power plant with a capacity of 65MWh, located in Peravia , Dominican Republic. This plant started operations in June 2022.

- The "Agua Clara Wind Farm" project is a 50MWh capacity wind power generation plant located in Montecristi, Dominican Republic. These assets come from the purchase of all the shares of Agua Clara, S.A.S, and three renewable projects in the development stage, IE DR Projects I S.R.L., IE DR Projects II S.R.L. and IE DR Projects III S.R.L. The acquisition became effective as of July 2022. (see note 10).

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.

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 Paseo de la Castellana street 216, floor 8, 28046 Madrid, Spain.

1. Organization and nature of operations (continued)

The administrative offices of the subsidiary AES Andres DR, S.A. and AES Dominicana Renewable Energy, S.A. are located at Rafael Augusto Sanchez Street No.86, corporate building Roble Corporate Center, 5th floor, Ensanche Piantini, Santo Domingo, Dominican Republic.

The consolidated financial statements of the Company as of December 31, 2022 were authorized by the Management for issuance on April 21, 2023.

2. Basis of preparation

(a) Basis of preparation

The consolidated financial statements of AES Andres B.V. and Subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") based on historical cost, except for certain items that have been valued as indicated in the accounting policies detailed in Note 3.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of AES Andres B.V. and its subsidiaries, AES Andres DR, S. A. (99.99% owned) and AES Dominicana Renewable Energy, S.A. and subsidiaries Agua Clara, S.A.S., IE DR Projects I S.R.L., IE DR Projects II S.R.L. y IE DR Projects III S.R.L (100% owned). The financial statements of the Company´s subsidiaries are prepared for the same reporting period as AES Andres, B.V., using consistent accounting policies. Consolidation of the subsidiaries begin when the Company obtains control over the subsidiaries and ceases when the Company loses control of the subsidiaries. Intercompany balances and transactions have been eliminated in these consolidated financial statements.

(c) Functional currency

The monetary unit of the Dominican Republic is the dominican pesos; nevertheless, the Company adopted the dollar of the United Stated of America as functional currency as well as prepare the consolidated financial statement in the dollar of the United States of America, which is the currency that reflect all the activities and transaction of the Company. The adoption of the dollar of the United Sated of America as the functional currency was mainly based on the fact that this currency is the one used for the sale prices of energy and services, main purchases of goods and services and the Company's financing activities.

2. Basis of preparation (continued)

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 in the line exchange gain, net. As of December 31, 2022, the exchange rate for dollar of the United Sates of America (US$) against to the dominican pesos (RD$) was RD$56.41 (2021: RD$57.55) and the annual average exchange rate for the year ended December 31, 2022 was RD$55.15 (2021: RD$57.22).

(d) Classification of assets and liabilities in current and non-current

The Companies present assets and liabilities in the consolidated statement of financial position based on current or non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when the Company:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classify all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(e) Use of estimates and assumptions

The preparation of the consolidated financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these judgments, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

2. Basis of preparation (continued)

(e) Use of estimates and assumptions (continued)

The main judgments, estimates and assumptions made by the Company are: expected credit losses, allowance for obsolete inventory, useful lives of property, plant and equipment and intangible assets, impairment of non-financial assets, valuation of deferred income tax assets, contingent liabilities, and unbilled estimated income.

3. Summary of significant accounting policies

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

(a) 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, as: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The Companies do not choose to irrevocably designate the measurement of financial assets at fair value through profit or loss or other comprehensive income.

Financial liabilities are initially recognized at fair value plus the costs directly attributable to the transaction. In the case of maintaining a financial liability for trading, it would be measured at fair value through profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

3. Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Classification and measurement

Financial assets:

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

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

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

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

A financial asset is measured at fair value through other comprehensive income 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 other comprehensive income 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 other comprehensive income. When the assets are derecognized, the gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

3. Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Investments in equity instruments recognized at fair value through other comprehensive income 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 other comprehensive income, as described above, are measured at fair value through profit or loss. This measurement category includes all derivative financial instruments.

Financial asset: 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 and other accounts receivable.

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

Financial assets: Solely Payments of Principle and Interest test ("SPPI")

As part of the classification process, the Companies evaluate the contractual terms to identify whether or not it meets the SPPI test.

- Principal: The purpose of this test is to define whether the fair value of the financial assets recognized at the beginning has changed over the estimated life of the financial asset.

3. Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Financial assets: Solely Payments of Principle and Interest test ("SPPI") (continued)

- Interests: the most significant elements for the evaluation of the SPPI test are typically the value of money over time and credit risk, the Companies apply estimates and other factors that they consider relevant in the test such as: the currency in which the financial asset is denominated and the period for which the interest rate is defined.

In the realization of this test, it is evaluated whether the financial asset contains any contractual term that could change the terms or the amount of the cash flows in a way that does not comply with the test, such as: Contingent events, terms that can adjust the rate, payment and extension features; and convertibility.

A prepaid feature is consistent with the characteristics of solely principal and interest payments if the prepayment amount substantially represents the amounts of the principal and interest pending payment, which could include reasonable additional compensation for early termination of the contract.

Financial asset derecognition

The Company derecognizes financial assets only when the contractual rights to receive through cash flows have expired; or when the Company has transferred the financial assets and substantially all the risks and rewards inherent in ownership of the asset. If the Company does not transfer and retain substantially all the risks and rewards of ownership of the transferred financial assets, the Company continues to recognize the financial asset and also recognizes a liability according to a criterion that reflects the rights and obligations that it 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 three months. Cash and cash equivalents are managed under a business model of held to maturity to recover the contractual cash flows and are measured at its amortized cost.

Restricted cash

Restricted cash included accounts that has limited disposal due to restrictions imposed by local authorities (see note 12.1).

3. Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Account receivable

Accounts receivable are non-derivative financial assets with fixed or determined payments that are not quoted in an active market and are initially recognized at the amount of the respective documents or invoices. Accounts receivable are subsequently valued at their amortized cost less an estimate for the valuation of these accounts receivable. The allowance for uncollectibility, if any, is estimated considering the customer's collection history, the age of the balances owed, as well as specific evaluations of individual balances. Accounts receivable are subject to commercial interests, which are determined in accordance with the regulations of the electricity sector and in accordance with the terms established in the energy sales contracts.

The book value of accounts receivable is reduced for impairment through the use of the allowance account for possible uncollectible accounts, if any. When the account receivable is considered irrecoverable, it is written off against the allowance for possible uncollectible accounts. Changes in the book value of the allowance account for possible uncollectible accounts are recognized in the income statement.

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 case of accounts receivable from related parties, non-compliance will be from 365 days, however, some balances may be excluded when there is evidence of conditions that could reasonably justify their exclusion, such as payment agreements or settlements of new guarantees, among others.

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

3. Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Impairment of financial assets (continued)

With the objective of incorporating prospective information, 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.

(b) Financial liabilities: Recognition and measurement

Financial liabilities are initially recognized at fair value plus costs directly attributable to the transaction. 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.

The effective interest rate method is a method of calculating the amortized cost of a financial instrument (or group of instruments) and of allocating interest income and expense over the relevant period.

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.

3. Summary of significant accounting policies (continued)

(c) 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.

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.

(d) Fair value of financial instruments

The value of current financial assets and current financial liabilities is estimated to be equal to the their reported carrying amounts due to the short-term maturity of these instruments. Long-term financial debt has a fixed interest rate and its fair value is not estimated to be equal to its book value. For those financial instruments for which there is no active financial market, the fair value is determined using valuation techniques.

3. Summary of significant accounting policies (continued)

(e) Inventory

Inventories, which consist mainly of fuel, materials and spare parts, are valued at the lower of their cost or net realizable value. The cost is determined using the average cost method. Net realizable value is the estimated sales price in the normal course of business, less applicable costs of sale. The Company carries out periodic physical inventories and any difference is adjusted and recognized in the income statement.

(f) Property, plant and equipment

Property, plant and equipment were recorded at their fair values for the only time in the initial adoption of IFRS made in 2009 applying the fair value or revaluation as cost attributed to certain buildings and electricity generation assets net of deferred income tax corresponding to the increase in the fair value of these assets. The adjustment was recorded against the initial balance of restricted retained earnings for the 2009 fiscal period.

Property, plant, and equipment is initially stated at acquisition cost. The value of property, plant and equipment is presented net of accumulated depreciation and accumulated impairment losses, if any. The cost includes important investments for the improvement and replacement of critical parts for the generation units that extend the useful life or increase the capacity and meet the conditions for its recognition.

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 useful life is reviewed annually.

The ranges of years of useful life used to calculate annual depreciation are as follows:

Description	**Estimated Useful Lives**
Buildings and structure	5 to 65 years
Generation plant	5 to 40 years
LNG facility, pier and pipeline	6 to 50 years
Office equipment and other	4 to 10 years

3. Summary of significant accounting policies (continued)

(f) Property, plant and equipment (continued)

Depreciation (continued)

Capital spare parts, including rotable spare parts, are included in generation plant and are depreciated over their estimated useful life after the part is placed in service.

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 the consolidated statements of income.

Construction in progress

Construction costs of the projects include costs of salaries, engineering costs, insurance, interest and other costs. Construction in progress balances are stated at cost and transferred to electricity generation assets when an asset group is ready for its intended use.

(g) 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 are as follow:

Licenses	3 years
Software	3 years
Concession	25 years
Contracts	17 years

(h) Impairment of non-financial assets

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

3. Summary of significant accounting policies (continued)

(h) Impairment of non-financial assets (continued)

Assets subject to amortization or depreciation are reviewed at the end of each accounting period. Impairment exists when circumstances or changes indicate that the book value cannot be recovered. An impairment loss is recognized for the amount of excess book value compared to its recoverable amount, which represents the higher of fair value less costs to sell and value in use.

To assess impairment, assets are grouped at their lowest level for which there are separately identifiable cash flows. Any loss due to permanent impairment of an asset is recorded in the consolidated income statement.

(i) 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.

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.

3. Summary of significant accounting policies (continued)

(j) 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.

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.

(k) 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 (the date the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liability and adjusted by the amount of recognized lease liabilities, the initial direct costs incurred and the lease payments made to any remeasurement of lease liabilities.

3. Summary of significant accounting policies (continued)

(k) Leases (continued)

The cost of the right-of-use assets before the start date less the lease incentives received are depreciated on a straight-line basis over the shorter of the lease term, the estimated useful life of the assets is as follows:

	Useful lives
Land	25- 35 years
Corporate office and parking	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.

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.

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 applies the short-term lease recognition exemption to its short-term asset and equipment leases (that is, those leases that have a lease term of 12 months or less from the commencement date and do not contain a Purchase option).

3. Summary of significant accounting policies (continued)

(k) Leases (continued)

The low-value asset recognition exemption also applies to office equipment leases that are considered low-value.

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.

(l) 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.

(m) Deferred financing costs

Financing costs, that meet certain criteria are capitalized and amortized using the effective interest method over the term of such financings and the amortization are recorded in the consolidated income statement. During the construction, the amortization of the deferred financing costs is capitalize as part of the cost of the construction in progress. The total net balance of deferred financing costs is presented as a direct reduction from the face amount of the related debt in the consolidated statement of financial position.

(n) 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.

3. Summary of significant accounting policies (continued)

(n) Provisions (continued)

The amount of the provisions recorded are assessed periodically and the necessary adjustments are recorded in the results of the year.

(o) Severance benefits

The Dominican Republic Labor Code requires severance benefits be paid to employees terminated without justified cause. The amount of this compensation depends on the time the employee has worked and other factors. The Company recognizes the expense for these severance benefits as incurred.

(p) 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.

(q) 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.

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.

3. Summary of significant accounting policies (continued)

(q) Revenue recognition (continued)

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 MWh delivered; the capacity is measured using MWh.

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.

(r) Interest expense

Interest and other costs incurred related to financing received are recognized as interest expenses when incurred, using the effective interest rate method. Interest costs related to financing of construction projects are capitalized.

3. Summary of significant accounting policies (continued)

(s) Income tax expense

Income tax expense for the year includes both current tax and deferred tax. 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 and any adjustment related to previous years. The deferred income tax is calculated based on the liability method, considering the temporary differences between the carrying amount of the assets and liabilities.

The Company offset the deferred tax asset with deferred tax liability and is reviewed as of the date of each consolidated statement of financial position.

The carrying amount of a deferred tax asset is subject to review at the date of each statement of financial position.

The Companies reduce the amount of the balance of the deferred tax asset, to the extent that it is considered likely that it will not have sufficient taxable profits in the future to allow charging against it a part or the entire benefits from the deferred tax assets. Furthermore, as of each financial period close, the Companies reconsider the deferred tax assets to include those that have not been recognized previously.

(t) Net income per share

Net income per share measures the performance of an entity over the reported period and it is calculated by dividing the earnings for common shareholders by the weighted average number of common shares outstanding during the year. Outstanding shares for the years 2022 and 2021 were 182 and there is no difference between basic and diluted profit.

(u) 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 26.

4. Changes in accounting policies

The accounting policies adopted by the Company to prepare their consolidated financial statements as of December 31, 2022 are consistent with those used to prepare the consolidated financial statements as of December 31, 2021.

(I) Changes in new standard and interpretation year 2022

Modifications to International Financial Reporting Standards and interpretations were applied in 2022, but did not have a significant impact on the consolidated financial statements of the Companies. The modifications and interpretations are:

- Amendments to IFRS 3 - Business combinations:Reference to the Conceptual Framework
- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract
- IFRS 9 Financial Instruments - Fees in the ’10 per cent’ test for derecognition of financial liabilities

(II) Changes in new standard and interpretation

The International Financial Reporting Standards or their interpretations and modifications issued, but not yet in force, up to the date of issuance of the Company's financial statements, are described below. The standards or interpretations and modifications described are only those that, in the judgment of Management, may have a material effect on the disclosures, position or financial performance of the Company when applied at a future date. The Company intends to adopt these new and modified standards and interpretations, if any, when they become effective.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

4. Changes in accounting policies (continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

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

5. Cash and cash equivalents

As of December 31, cash and cash equivalents are composed are detail as follow:

	2022	2021
Cash in US dollars	$ 63,791	$ 31,856
Cash in Dominican pesos	6,248	10,914
Cash in Euro	289	35
Total	**$ 70,328**	**$ 42,805**

The balances of cash and cash equivalents include overnight that generated interest at rates between 1.25% - 3.75% for the period 2022 and 2021.

6. Balances and transactions with related parties

The main contracts with related parties are as follows:

Liquefied Natural Gas sale and purchase agreements ("LNG")

The Company has an LNG purchase agreement with the related company AES Andres (BVI) Ltd., which in turn has a fuel purchase agreement with the related company Atlantic Basin Services, Ltd. (ABS), and the latter acquires the fuel through BP Gas Marketing Ltd (BP), and sells it to the Company at cost, plus a fixed monthly fee of $15,000. On August 1, 2022, this contract was transferred to its related company Atlantic Basin services, Ltd. to sell the gas directly to AES Andres DR, S.A. plus a fixed monthly fee of $10,000. The contract fees with Andres (BVI) Ltd. incurred to the period January 1 to July 31, 2022 were $0.1 million (2021**:** $0.2 millones), and are presented under operating, general and maintenance expenses as contracted services (see note 22). Likewise, the fuel purchases of the contract with Andres (BVI) Ltd occurred from January 1 to July 31, 2022 were recorded as part of the cost of fuel purchases in the consolidated statement of income for $475.4 million (2021**:** $471.4 million), (see note 21).

AES Andres DR, S. A. granted a guarantee (effective until 2023) for a maximum amount of $100 million to BP in reference to the LNG Purchase Agreement signed between ABS and BP, with the purpose of guaranteeing timely payments of all debts and obligations payable under this contract. During the year ended December 31, 2021, the Company invoiced to AES Andres (BVI) Ltd. $27.3 million for compensation the cancellation of a shipment by BP, when exercising the contractual option to deliver diesel fuel for natural gas, based on the agreement signed between AES Andres (BVI) Ltd. and BP. This amount is presented in the consolidated statement of income as income of natural gas.

6. Balances and transactions with related parties (continued)

Liquefied Natural Gas sale and purchase agreements ("LNG") (continued)

The Company maintains contracts for the sale and purchase of LNG and transportation of LNG with the related Dominican Power Partner ("DPP"), which expire in the year 2023. For the year ended December 31, 2022, the revenues associated with the sale of natural gas presented in the income statement amounted to$144.5 million (2021: $97.6 million) and revenues corresponding to the transportation of natural gas were $8.7 million (2021: $8.6 million) (see note 20).

In September 2021, the Company signed two new agreements for the purchase and sale of LNG with Gas Natural Atlántico S.de R.L, where the parties agree to sell and purchase LNG between them at prices and quantities agreed in individual contractual notifications detailing the terms and particular conditions of each transaction. The contracts are effective date for one year from their signature and will be automatically renewed for similar periods until the parties decide otherwise. For the year ended December 31, 2022, the Company recognized revenue for natural gas of $32.4 million (2021: $26.6 million) and made natural gas purchases of $200.5 million (2021: $60.8 million) included in the cost of fuel in the consolidated statement of income. (see notes 20 and 21).

Purchase Power Agreement (PPA)

The Company maintains an energy purchase power agreement with DPP through which the Company purchases energy and assigned firm capacity. This contract began on June 1, 2017 and remains in force indefinitely unless both parties agree to its suspension. For the year ended December 31, 2022, energy purchases related to this contract amounted to $31.8 million (2021: $11.4 million) (see note 21).

During the year ended December 31, 2022, the Company sold energy in the spot market to DPP for $0.1 million (2021: $0.7 million) and purchased energy from it on the spot market for $0.05 million (2021: $0.01 million).

For the period from January 1 to April 8, 2021, the Company sold energy in the spot market to Empresa Generadora de Electricidad Itabo, S. A. ("ITABO") for $0.6 million. Likewise, during the period from January 1 to April 8, 2021, there were no energy purchases in the spot market.

6. Balances and transactions with related parties (continued)

Natural gas operations agreement - Atlantic Basin Services, Ltd.

On April 1, 2018, the Company signed an expense reimbursement agreement with the related Atlantic Basin Services, Ltd. for costs incurred in the use of tugboats in the unloading operations of LNG ships at the terminal, valid until on December 31, 2023. For the year ended December 31, 2022, costs related to this agreement recognized as part of cost of sales in the income statement were $3.7 million (2021:$2.8 million).

On April 11, 2021, the Company signed with the related company Atlantic Basin Services, Ltd. an agreement to reimburse expenses incurred in the storage and freight operations of natural gas on a temporary basis in a floating unit, this agreement expired in November 2021. For the year ended December 31, 2021, the costs related to this agreement recognized as part of cost of sales in the income statement were $7.6 million.

On August 1, 2022, the Company transferred the contract from it´s related company AES Andres (BVI) Ltd. to Atlantic Basin Services, Ltd. to sell the gas directly to AES Andres DR, S.A. plus a fixed monthly fee of $10,000. For the period from August 1 to December 31, 2022, the costs for fees amounted to $0.05 million included in the statements of income in operating, general and maintenance expenses as contracted services (see note 22), Likewise, the costs related to the purchase of gas were $271.3 million and were recorded as part of the cost of fuel purchases in the consolidated statement of income in the indicated period. (see note 21)

Management Agreement- AES Latin America S. de R.L.

The Company maintains a management agreement with AES Latin America S. de R.L., to provide general assistance in the processes of operation, finance, business planning, human resources, insurance, information technology, among others to ensure competitiveness. For the year ended December 31, 2022, expenses related to this contract amounted to $7.2 million (2021: $5.2 million) included in the statements of income in operating, general and maintenance expenses as contracted services (see note 22). Additionally, this agreement establishes that the Company invoices as other income, certain costs incurred by local personnel, which amounted to $0.6 million for the year ended December 31, 2022 (2021: $0.5 million).

Insurance agreement - AES Global Insurance Corporation

The Company maintains an insurance against all risks with the related AES Global Insurance Corporation, which covers all operational risks including machinery breakdown and business interruption. The expense for this concept for the year ended December 31, 2022 was $17.4 million (2021: $15.8 million) included in the line of insurance under operating, general and maintenance expenses of the income statement (see note 22).

6. Balances and transactions with related parties (continued)

Construction Management Agreement - ENADOM

On October 7, 2020, the Company signed an amendment to the construction management agreement with ENADOM dated September 23, 2019, to provide assistance in the construction of the second natural gas storage tank project in the amount of $5.1 million. For the year ended December 31, 2022, the Company recovered expenses incurred related to this contract by $1.8 million (2021: $0.7 million).

Management Agreement - ENADOM

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 processes of operation, finance, human resources, insurance, information technology and others in order to ensure ENADOM competitiveness in the Dominican market.

The contract is for a term of ten years and it will be automatically renewed for five more years and 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, this amount will be adjusted for inflation each year. For the year ended December 31, 2022, the Company recognized revenue related to this contract of $0.4 million (2021: $0.4 million included as others operating income in the revenue line item in the income statement. (see note 20).

Operation and maintenance agreement - ENADOM

On September 23, 2019, Andres DR 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 and the annual amount will be $0.7 million adjusted for inflation annually. For the year ended December 31, 2022, the Company recognized revenue related to this contract of $0.8 million (2021: $0.7 million) included as other operating income under revenue in the consolidated statement of income. (see note 22)

6. Balances and transactions with related parties (continued)

Lease Agreement - ENADOM

On September 2, 2020, the Company signed a contract with ENADOM for the lease of a portion of land owned by the Company. The portion of the leased land will be used for the construction of the second LNG storage tank and for temporary construction only during the construction period. The land must be used exclusively for the construction and operation of a second LNG storage tank with an associated auxiliary system and additional bays for a LNG truck loading station, which will be interconnected. The term is 10 years with automatic renewal for additional periods throughout the commercial life of the second tank, which is expected to be fifty years.

The price established in the contract will be at the start of construction or signature of the NTP until commissioning (forecast for a period of 28 months from the NTP), $0.3 million per year, adjusted for inflation, (proportionally, $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 the construction period). After the date of commercial operation of the second tank, $0.6 million per year, adjusted for inflation (see note 15).

For the year ended December 31, 2022, the Company recognized income of $0.3 million (2021: $0.3 million) of which the amount $0.2 million (2021: $0.2 million) were reclassified to finance lease receivable.

Contracts for the Sale and Purchase and transportation of regasified natural gas - ENADOM

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 from February 2020, the date on which the commercial operation of eastern pipeline. This agreement is to execute the gas sales contract that the Company had with Compañía de Electricidad San Pedro de Macoris, S.A. (CESPM) and which was transferred to ENADOM as part of the joint business process with Domi Trading, S.L.

In October 2020, an amendment to the contract was signed where it is agreed that AES Andres DR, S.A will temporarily supply the gas to CESPM until ENADOM obtains the license for the sale of natural gas.

On September 23, 2019, the Company signed a contract with ENADOM, 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.

6. Balances and transactions with related parties (continued)

Contracts for the Sale and Purchase and transportation of regasified natural gas - ENADOM (continued)

For the year ended December 31, 2022 the costs related to this contracts recognized in the statements of income as costs of revenue were $33.4 million (2021:$27.6 million). (see note 21)

Lands sold - ENADOM

In October 2021, the Company sold 9 lands corresponding to valve stations of the Gasoducto del Este project for the amount of $0.6 million. On May 2022, the sale of additional land related to valve stations was executed for $0.3 million. (see note 9).

Global service agreement - AES Big Sky, L.L.C.

The Company signed a global corporate services agreement on January 1, 2020 with the related AES Big Sky, L.L.C., for technology, human resources, operations and commercial services necessary to ensure competitiveness in the Dominican energy market. The services will be provided by AES Big Sky directly or through its affiliates or subcontractors. The contract is valid for 5 years and will be automatically renewed for successive periods of one year, in agreement with the parties. The established payment is the actual cost assumed by AES Big Sky plus applicable taxes.

For the year ended December 31, 2022, fee expenses related to this contract included in the statements of income under operating, general and maintenance expenses as contracted services amount to $4.5 million (2021: $3.8 millions). (see note 22).

Guarantee agreement - DPP

On April 7, 2017, the Company obtained a guarantee contract with DPP, through which it acts as guarantor of the Corporate Bond Issuance Program approved by and registered with the Superintendence of Securities of the Dominican Republic obtained by DPP on December 13 2016. DPP agreed to pay a guarantee fee equivalent to 0.15% of the total bonds issued on the last day of the corresponding calendar year. For the year ended December 31, 2022, the Company recorded guarantee revenue of $0.4 million (2021: $0.4 million), which is included in the consolidated statements of income under revenues.

6. Balances and transactions with related parties (continued)

Loan and interest receivable - DPP

On May 4, 2021, the Company signed a loan agreement with its affiliate DPP for a maximum amount of $52.0 million, the rate is defined as the reference rates of the United States of America published by the Wall Street Journal plus the spread of the Emerging Bonds index for the Dominican Republic, at the end of 2022 this rate was 10.56% (2021: 6.52%). Interest will be received semi-annually, while the principal will be received at maturity on May 4, 2028.

As of December 31, 2022, interest receivable from this loan amounts to $0.9 million (2021: $0.6 million) and is recorded in the consolidated statements of financial position as part of current assets in the line item of interest receivable related party. For the year ended December 31, 2022, the interest income related to this loan amounts to $4.6 million (2021: $2.6 million) and is presented in the consolidated statements of income under interest expense, net. (see note 23).

Loans and interest payable - DPP

On June 14, 2021, the Company signed a loan agreement with its affiliate DPP for $16.8 million at a fixed rate of 2.5% and the principal will be paid at maturity on December 15, 2022. Afterwards, on June 29, 2021, the Company signed a loan agreement with its affiliate DPP for $13.2 million at a fixed rate of 2.5% and the principal will be paid at maturity on December 15, 2022.

On December 15, 2022, the Company signed a loan agreement with it's affiliate DPP, by $31.1 million, unifying both loans that matured on December 15, 2022 for $30.0 million plus the capitalization of outstanding interest for $1.1 million, the maturity of this the new agreement is June 15, 2023, with a rate SFOR + 2.10%.

As of December 31, 2022, the interest payable derived from these loans amounts to $0.1 million (2021: $0.4 million) and is recorded in the statements of financial position as part of current liabilities in the loans and interest payable related party.

As of December 31, 2022, the interest expense related to these loans amounts to $0.9 million (2021: $0.4 million) and is presented in the statements of income under interest expense, net. (see note 23).

6. Balances and transactions with related parties (continued)

Others - Fluence Energy, LLC

On May 1, 2017, the Company entered into a service agreement with Fluence Energy, LLC ("FLUENCE"), through which FLUENCE will temporarily provide technical services detailed in the contract, to work on Battery project development in the Company. The term of this agreement is one year and will be renewed annually unless terminated by any of the parties. The expense for these services for the year ended December 31, 2022 were $0.1 million (2021: $0.1 million) and are presented in the statements of income in the line item operating, general and maintenance expense as contracted services.

Otros - Fundación AES Dominicana

The Company made donations to Fundación AES Dominicana in 2022 for $0.3 million (2021: $0.5 million) which are presented in the statements of income under operating, general and maintenance expense as charitable contributions.

Otros - AES Distributed Energy Inc

During the year ended December 31, 2021, the Company received professional services for studies for the development of renewable projects from AES Distributed Energy Inc. The amount of the service was $0.1 million, presented as general, operating and maintenance expenses in the consolidated income statement (see note 16).

Dividends

During the year ended December 31, 2022, the Company through its subsidiary Andres DR declared and paid dividends of $101.7 million (2021: $53.0 million) representing $558,610 per share (2021: $291,203 per share). The distribution of dividends of Andres DR is based on tax accounting in Dominican pesos.

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

6. 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 related party accounts receivable and payable as of December 31, 2022 and 2021 are as follows:

	2022	2021
Accounts receivables from related parties:		
Dominican Power Partners	$ 44,911	$ 26,391
Gas Natural Atlántico S. de R.L.	10,566	18,458
Energía Natural Dominicana ENADOM, S.R.L.	918	913
Atlantic Basin Services, Ltd.	627	—
AES Africa Power Company B.V.	115	115
AES Hispanola Holdings II B.V.	12	58
AES Andres (BVI) Ltd.	—	74,707
Others	622	570
Total accounts receivables from related parties	**$ 57,771**	**$ 121,212**
Interests receivable from related party:		
Dominican Power Partners	$ 875	$ 568
AES Fonseca Energía Ltda	124	124
Total interests receivable from related party	**$ 999**	**$ 692**
Loan receivable from related party:		
Dominican Power Partners	$ 51,988	$ 51,988
Total loan receivable from related party	**$ 51,988**	**$ 51,988**
Accounts payable to related parties:		
Dominican Power Partners	$ 51,281	$ 107,342
Gas Natural Atlántico S. de R.L.	50,638	27,996
AES Big Sky, L.L.C	478	—
AES Latin América S. de R.L.	413	—
AES Distributed Energy Inc.	89	89
AES Andres (BVI) Ltd.	—	18,728
Atlantic Basin Services, Ltd.	—	2,796
Others	41	12
Total accounts payable to related parties	**$ 102,940**	**$ 156,963**
Loans and interests to payable related party:		
Dominican Power Partners - loans payable	$ 31,129	$ 30,000
Dominican Power Partners - interests payable	100	403
Total loans and interests payable to related party	**$ 31,229**	**$ 30,403**

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

6. Balances and transactions with related parties (continued)

The transactions with related parties during 2022, 2021, are summarized below:

Affiliates:	Transaction type	Revenues 2022	Revenues 2021	Costs and Expenses 2022	Costs and Expenses 2021
Dominican Power Partners	Energy, firm capacity, LNG, frequency regulation and interest on loans	$ 158,336	$ 109,939	$ (32,799)	$ (11,880)
Gas Natural Atlántico S. de R.L.	Sale of LNG, other services	32,449	26,635	(200,451)	(60,834)
Energía Natural Dominicana ENADOM, S.R.L.	Contract services	2,957	1,846	(33,355)	(27,579)
AES Latin America S. de R.L.	Other services	620	468	(7,220)	(5,203)
AES Andres (BVI) Ltd.	Purchase of LNG and others	—	27,250	(475,477)	(471,532)
Atlantic Basin Services, Ltd.	Other costs of LNG	—	—	(275,138)	(10,402)
Empresa Generadora de Electricidad Itabo, S. A.	Energy, firm capacity and frequency regulation	—	595	—	—
AES Distributed Energy Inc.	Other services	—	—	—	(89)
Fluence Energy, LLC	Other services	—	—	(120)	(120)
Fundación AES Dominicana	Charitable contributions	—	—	(257)	(504)
AES Global Insurance Corporation	Other services	—	—	(17,443)	(15,780)
AES Big Sky, L.L.C.	Other services	—	—	(4,521)	(3,842)
Total		**$ 194,362**	**$ 166,733**	**$(1,046,781)**	**$ (607,765)**

Transactions with Empresa Generadora de Electricidad Itabo, S.A. correspond from January 1 to April 8, 2021, date on which this entity was sold and is not part of the Group of companies related to AES.

Remuneration of key personnel:

The compensation of the Company's executives during the years ended December 31, 2022 and 2021, amounted to $2.4 million and $2.1 million, respectively. These amounts include fixed monthly compensation, variable bonuses according to performance, long-term compensation and other compensation.

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

7. Accounts receivable trade, net

As of December 31, 2022 and 2021 the accounts receivable trade, net balances consist of the following:

		2022		2021
Account receivable trade - net				
Spot and PPA electricity market agents	$	70,855	$	30,510
Non - regulated users		20,441		4,340
Other receivables		47,189		28,633
Sub-total		138,485		63,483
Allowance for doubtful accounts		(128)		(193)
Accounts receivable trade, net	**$**	**138,357**	**$**	**63,290**
Estimate of allowance for doubtful accounts				
Beginning balance at the year	$	193	$	21
(Decrease) increase		(65)		172
Ending balance at the year	**$**	**128**	**$**	**193**

Accounts receivable generate interest according to regulations in the electric sector and according to the terms established in the energy sale contracts.

Other accounts receivable include unbilled sales corresponding to the estimated income from power generation for the last days of December 2022, which is dispatched monthly and reconciled with the electricity market regulator in the Dominican Republic.

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:

		2022		2021
Current	$	138,115	$	58,950
31 to 60 days		57		4,282
61 to 90 days		48		2
91 days and more, net of allowance for doubtful accounts		137		56
Total	**$**	**138,357**	**$**	**63,290**

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

7. Accounts receivable trade, net (continued)

Contract Asset

The Company has contract assets related to:

- The Company signed a 10-year LNG supply contract with Pueblo Viejo Dominicana Coporation ("Barrick") (see note 17), 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.

- The Company signed a 10-years LNG supply contract with with Transcontinental Capital Corporation (Bermuda), Ltd. (Seabord) (see note 17), in which the the delivery of a compressor for the client's use in its facilities is established, the costs incurred in the purchase of this equipment will be recovered in the life of the contract as part of the LNG sales.

As of December 31, the balances of contract assets are detailed below:

	2021	2020
Current contract assets		
LNG supply agreement	$ 1,513	$ —
LNG supply agreement - compressor purchase	179	179
Total current contract assets	**$ 1,692**	**$ 179**
Non-current contract assets		
LNG supply agreement	$ 12,725	$ 8,726
LNG supply agreement - compressor purchase	2,581	1,611
Total non-current contract assets	**$ 15,306**	**$ 10,337**

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

8. Inventories, net

As of December 31, the inventory balance is detailed of the following:

	2022	2021
Liquefied natural gas	$ 21,713	$ 21,235
Spare parts and other materials	10,123	9,751
Inventory diesel	12,763	—
Inventory in transit	240	240
Subtotal	44,839	31,226
Allowance for obsolescence	(796)	(283)
Total	**$ 44,043**	**$ 30,943**

	2022	2021
Estimate for obsolete inventory		
Beginning balance at the year	$ (283)	$ (192)
Increase	(645)	(181)
Inventory discard	132	90
Subtotal	**$ (796)**	**$ (283)**

The cost associated with the consumption of liquefied natural gas ("LNG") during the year ended December 31, 2022 were $1,004 million (2021: $573 million), which is included as part of cost of sales in the consolidated statement of income. (see note 21).

The cost associated with the consumption of spare parts and other materials during the year ended December 31, 2022 were $1.2 million (2021: $0.8 million) which is included in the consolidated statement of income in operating, general and maintenance expenses in the maintenance expense category. (see note 22).

During the year ended December 31, 2022, adjustments by $0.6 million (2021: $0.2 million) were recorded corresponding to impairment of inventories, which is included in operating, general and maintenance expenses in the consolidated statement of income in the maintenance expense category. (see note 22).

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

9. Property, plant and equipment, net

The movement of property, plant and equipment, during the years ended as of December 31, 2022 and 2021 is as follows:

As of December 31, 2022

	Land	Buildings	Generation plant	Spare parts	Office equipment and others	Construction in progress	Total
Cost:							
At the beginning of the year	$ 36,957	$ 18,594	$ 679,077	$ 20,320	$ 6,326	$ 51,909	$ 813,183
Additions	—	—	83	—	408	54,488	54,979
Transfer of assets to related party	(304)	—	—	—	—	—	(304)
Reclassifications	—	5	86,449	350	1,399	(88,263)	(60)
Retirements	—	(1)	(6,052)	—	(87)	—	(6,140)
Acquisition of Agua Clara assets	162	1,742	99,576	952	533	1,295	104,260
At the end of the year	**$ 36,815**	**$ 20,340**	**$ 859,133**	**$ 21,622**	**$ 8,579**	**$ 19,429**	**$ 965,918**
Accumulated depreciation:							
At the beginning of the year	$ —	$ 6,225	$ 267,160	$ 5,125	$ 5,115	$ —	$ 283,625
Additions	—	675	26,302	—	641	—	27,618
Retirements	—	—	(3,339)	—	(88)	—	(3,427)
Reclassifications	—	(12)	(375)	343	43	—	(1)
Acquisition of Agua Clara assets	—	46	2,679	83	67	—	2,875
At the end of the year	**—**	**6,934**	**292,427**	**5,551**	**5,778**	**—**	**310,690**
Net balance	**$ 36,815**	**$ 13,406**	**$ 566,706**	**$ 16,071**	**$ 2,801**	**$ 19,429**	**$ 655,228**

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

9. Property, plant and equipment, net (continued)

	As of December 31, 2021						
	Land	**Buildings**	**Generation plant**	**Spare parts**	**Office equipment and others**	**Construction in progress**	**Total**
Cost:							
At the beginning of the year	$ 37,678	$ 16,876	$ 634,876	$ 19,302	$ 5,901	$ 46,418	$ 761,051
Additions	—	—	149	—	448	57,822	58,419
Retirements	(96)	(7)	(5,370)	—	(189)	—	(5,662)
Reclassifications	—	1,725	49,422	1,018	166	(52,331)	—
Transfer of assets to related party	(625)	—	—	—	—		(625)
At the end of the year	**36,957**	**18,594**	**679,077**	**20,320**	**6,326**	**51,909**	**813,183**
Accumulated depreciation:							
At the beginning of the year	$ —	$ 5,649	$ 245,675	$ 5,351	$ 4,832	$ —	$ 261,507
Additions	—	580	24,896	—	461	—	25,937
Retirements	—	(7)	(3,634)	—	(178)	—	(3,819)
Reclassifications	—	3	223	(226)	—	—	—
At the end of the year	**—**	**6,225**	**267,160**	**5,125**	**5,115**	**—**	**283,625**
Net balance	**$ 36,957**	**$ 12,369**	**$ 411,917**	**$ 15,195**	**$ 1,211**	**$ 51,909**	**$ 529,558**

- The costs of interest capitalized during the year ended December 31, 2022, amounted to $1.2 million (2021: $1.6 million). The interest rate used to determine the amount of financing costs that were eligible to be capitalized as of December 31, 2022 was 0.6% (2021: 0.4%), which is the average annual financing rate.

- The main construction in progress as of December 31, 2022 correspond to the project to convert the combined cycle to diesel and improvements to the LNG terminal of AES Andres DR, S.A.

9. Property, plant and equipment, net (continued)

- In June 2022, the Company acquired Agua Clara, S.A.S and three renewable projects in the development stage, IE DR Projects I S.R.L., IE DR Projects II S.R.L. and IE DR Projects III S.R.L, which represented an asset acquisition. The acquisition become effective as of July 2022 (see note 10).

- During the year ended December 31, 2022, a net cost of $0.059 million that was reclassified to intangible assets.

- The transfers of assets to related parties in the years 2022 and 2021 correspond to the land sold to ENADOM and recognized in accounts receivable from related parties. (see note 6).

10. Intangible assets, net

On June 17, 2022, as of the Agua Clara, S.A.S assets acquisitions and the projects under development, it was concluded that the transaction should be accounted for as the acquisition of an assets and not like the acquisition of a company. The assets acquired are mainly property, plant and equipment and the long-term energy sale contract, which considered as an intangible asset of Agua Clara, S.A.S.

Additionally, a second intangible asset derived from project permits and contracts was determined. Due to the fact that the projects are in the development stage, their balance will be amortized from the date of entry into operation during a period that lesser of the term of the potential energy sale contract and the term of the concession that is granted. for your operation.

The acquisition price were $97.7 million, this is presented in the consolidated statement of cash flows as the cash in banks that Agua Clara, S.A.S held at the acquisition date for $12.1 million, for a net total of $85.7 million presented as an asset acquisition net of cash received in investing activities.

The value of the intangible asset was determined based on the projected income model, its accountable value results as the surplus of flows of the energy sale price curve of the contract over market energy prices, projected from the date of acquisition of Agua Clara, S.A.S until May 2039, date of the expiration contract. The balance of the intangible asset are recognized in the non-current assets section of the consolidated statement of financial position, net of amortization. During the year 2022, the amortization expense of the intangible asset amounts by $1,418, this amount is shown within the depreciation and amortization item of the income statement.

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

10. Intangible assets, net (continued)

As of December 31, intangible assets are detailed of the following:

	2022		
	Cost	**Accumulated amortization**	**Carrying amount**
Licenses and software systems	$ 5,271	$ (3,835)	$ 1,436
Concession Bayasol project	2,332	(62)	2,270
Intangible acquired of Agua Clara	44,756	(1,418)	43,338
Intangible development project Agua Clara	1,037	—	1,037
Total intangible assets, net	**$ 53,396**	**$ (5,315)**	**$ 48,081**

	2021		
	Cost	**Accumulated amortization**	**Carrying amount**
Licenses and software systems	$ 4,929	$ (3,484)	$ 1,445
Concession Bayasol project	2,332	(62.00)	2,270
Total intangible assets, net	**$ 7,261**	**$ (3,546)**	**$ 3,715**

The movement of intangible assets is shown of the following:

	Licenses and software systems	**Concession Bayasol project**	**Intangibles of contract acquired of Agua Clara**	**Intangibles development project Agua Clara**	**Total**
Balance as of January 1, 2021	$ 994	$ 2,332	$ —	$ —	$ 3,326
Additions	1,090	—	—	—	1,090
Amortization of the year	(639)	(62)	—	—	(701)
Balance as of December 31, 2021	**1,445**	**2,270**	**—**	**—**	**3,715**
Additions	283	—	44,756	1,037	46,076
Reclassification (note 9)	59	—		—	59
Amortization of the year	(351)	—	(1,418)	—	(1,769)
Balance as of December 31, 2022	**$ 1,436**	**$ 2,270**	**$ 43,338**	**$ 1,037**	**$ 48,081**

The Concession of Bayasol project corresponds to the amount paid by the Company at the date of the acquisition of AES Dominicana Renewable Energy, S.A. (see note 6), which will be amortized over a period of 25 year.

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

10. Intangible assets, net (continued)

The following table summarizes the estimated amortization expense by category of intangible assets from 2022 to 2039:

2023	$	3113
2024		3894
2025		3405
2026		2,648
2027		2,648
2028 and forward		32,373
Total	**$**	**48,081**

11. Other non-financial assets

As of December 31, the balances of other non-financial assets are detailed of the following:

		2022		2021
Current:				
Other account receivable	$	1,040	$	—
Prepayments to vendors		321		664
Prepaid assets		204		204
Prepaid insurance		97		69
Advance to employees		32		66
Other receivable taxes		—		45
Total current other non-financial assets	**$**	**1,694**	**$**	**1,048**
Non-current:				
Advance payments for the acquisition of property, plant and equipment	$	2,331	$	30
Prepaid assets		183		206
Guarantee deposits		20		20
Total non-current other non-financial assets	**$**	**2,534**	**$**	**256**

Other accounts receivable by $1,040 correspond to the costs incurred in the construction of a 138KV transmission line and the substation of the Agua Clara Wind Farm. In accordance with article 41 of the General Electricity Law (125-01), this costs must be reimbursed by the Dominican Transmission Company - ETED.

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

11. Other non-financial assets (continued)

On November 21, 2022, ETED and Agua Clara, S.A.S., signed a contract agreeing on the terms, conditions, and amount to be reimbursed for the total amount to $2,140, which would be reimbursed in two equal payments, the first being made on 16th. December 2022 for $1,040, next due within one year of contract signing.

12. Other financial assets and financial liabilities

12.1 Other financial assets

As of December 31, the balances of other financial assets are detailed of the following:

		2022		2021
Current:				
Restricted cash	$	113	$	110
Deferred financing cost letter of credit		279		131
Derivative - customer volumes (notes 12.3 and 12.4)		32,791		—
Total current other financial assets	**$**	**33,183**	**$**	**241**
Non-current:				
Embedded derivative - Natural gas sales (notes 12.3 and 12.4)	$	1,600	$	1,697
Guarantee certificates		105		103
Total non-current other financial assets	**$**	**1,705**	**$**	**1,800**

The concept of prepaid assets corresponds to contracts for computer applications hosted in the cloud, reclassified from intangible assets, net.

Certificates on guarantee correspond of cash deposits, since they are used as collateral for loans to employees and these funds are not expected to be used in a 12-month period and generated interest at an annual rate between 9% and 6% (2021: 6% and 3.85%).

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

12.2 Financial liabilities

a) derivative instruments

As of December 31, the balances of derivatives are composed of the following:

	2022	2021
Current		
Derivative - price hedge	$ —	$ 648
Total current derivative	**$ —**	**$ 648**
Non-current		
Embedded derivative - BP	$ —	$ 139
Embedded derivative - Natural gas sales	349	368
Total derivatives	**$ 349**	**$ 507**

Financial instruments through profit and loss consist of two embedded derivatives, one for price hedging and one for interest hedging (see note 12.4 and 12.3).

b) Lines of revolving credit payable

The lines of revolving credit are summarized below:

Line of credit payable - AES Andres DR, S.A.

During the year ended December 31, 2022, the Company used two lines of credit for $50.0 million and $30.0 million in the months of April and June respectively, both with Scotiabank at LIBOR interest plus a margin between 0.85% - 2.00%. This lines of credit were paid.

As of December 31, 2022, the Company maintains a pre-approved credit facility with Scotiabank for up to $165.0 million. On December 1, 2022 the Company used $75.0 million at a rate of 2.10% + SOFR 3 months with a maturity date of May 30, 2023.

Line of credit payable - AES Andres B.V.

During the year ended December 31, 2022, the Company used two revolving credit lines with Scotiabank for an amount of $58.0 and $38.5 million respectively at LIBOR interest plus a margin between 0.85% - 2.00% which were paid by an amount of $96.5 million.

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

12. Other financial assets and financial liabilities

12.2 Financial liabilities

b) Lines of revolving credit payable (continued)

The movement of credit revolving lines payable for the years ended December 31, 2022 and 2021 are detailed below:

	2022	2021
At the beginning of the year	$ —	$ 30,000
News line of credit	251,500	30,000
Line of credit payments	(176,500)	(60,000)
Total line of credit	**$ 75,000**	**$ —**

c) Bonds payable

The bonds payable are summarized below:

International Bonds - 2016

On May 11, 2016, the Company issued $220.1 million in bonds in international markets under Rule 144A and Regulation S, with combined definitive payments due in May 2026 at an interest rate of 7.95% per annum. Interest payments were semi-annual from November 2016. The total debt issuance costs amounted to $8.5 million. On July 19, 2021 the Company repaid this international bonds with the funds received from the international bonds 2021.

As consequence of the repayment of this debt, the Company paid $8.8 million of penalty in 2021. This amount is presented in the consolidated statement of income in the line other (expense) income, net (see note 25).

International Bonds - 2021

On May 4, 2021, the Company issued $300.0 million in bonds in international markets under Rule 144A and SEC Regulation S , with definitive payment due on May 4, 2028 at an interest rate of 5.70% per annum. Interest payments is semi-annual from November 4, 2021. The total debt issuance costs amounted to $4.5 million.

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

12. Other financial assets and financial liabilities (continued)

12.2 Financial liabilities (continued)

c) Bonds payable (continued)

Bonds payable, net as of December 31, 2022 and 2021 are detailed of the following:

		2022		2021
International Bonds	$	300,000	$	300,000
Deferred financing cost		(4,033)		(4,162)
Bonds payable, net	**$**	**295,967**	**$**	**295,838**

The detail of the movement as of December 31, 2022 and 2021 of the bonds payable is shown below:

		2022		2021
At the beginning of the year	$	300,000	$	220,100
Disbursements		—		300,000
Bonds repayments		—		(220,100)
Bonds payable	**$**	**300,000**	**$**	**300,000**
Deferred financing costs		(4,033)		(4,162)
Bonds payable, net	**$**	**295,967**	**$**	**295,838**

The detail of the movement for the year of deferred financing costs is presented of the following:

		2022		2021
Deferred financing costs	$	4,162	$	2,925
Write off - early extinguishment of debt - international bond (note 23)		—		(2,818)
Payment of deferred financing costs		427		4,539
Amortization of deferred financing costs		(556)		(484)
Total deferred costs of international bonds - net, at the end of the year	**$**	**4,033**	**$**	**4,162**

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

12. Other financial assets and financial liabilities (continued)

12.2 Financial liabilities (continued)

c) Bonds payable (continued)

The detail of the movement of the discount of pending debt to be amortized is presented of the following:

	2022	2021
Unamortized bond discount	$ —	$ 2,861
Write off - early extinguishment of debt - international bond (note 23)	—	(2,756)
Amortization of discount	—	(105)
Total unamortized discount at the end of the year	**$ —**	**$ —**

d) Loans payable

The movement for the year of loans is shown following:

Loan payable - AES Dominicana Renewable Energy, S.A.

On November 5, 2019, AES Dominicana Renewable Energy, S.A. 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 90 days plus 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. At the end of 2021, disbursements of $45.0 million had been processed.

Loan payable - AES Andres DR, S.A.

On June 10, 2021, the Company signed a loan agreement of $36.0 million with Banco Scotiabank Dominican Republic with an annual fixed interest rate of 4.0% with a maturity of 5 years from the disbursement. This loan was acquired in order to finance the construction of the Santanasol solar energy project up to an installed capacity of 50 MWh. During the year ended December 31, 2022, disbursements of $25.0 million have been procesed (2021: $20.0 million). The capital payments are established in the contract based on percentages of the amounts owed, starting from the year 2022.

12. Other financial assets and financial liabilities (continued)

12.2 Financial liabilities (continued)

d) Loans payable (continued)

Loan payable - AES Andres DR, S.A.

On June 14, 2021, the Company signed a loan agreement of $13.3 million with Banco Scotiabank Dominican Republic and in July 28, 2021 signed a loan agreement of $13.3 million with Banco Múltiple BHD León S.A., both loans with an annual fixed interest rate of 4.0% with a maturity of 5 years from the disbursement. The use of the funds defined for the payment of debt and other expenses of expansion. The capital payments of both loans are established in the contract based on percentages of the amounts owed, starting from the year 2021 and the amounts to be paid in a period of one year are presented as part of current liabilities.

Loan payable - AES Andres B.V.

On June 22, 2022, the Company signed a loan agreement with BLADEX for $40.0 million at a rate of 3.4% plus 3-month SOFR, the loan has quarterly interest and principal payments until maturity on June 22, 2027.

Loan payable - AES Dominicana Renewable Energy, S.A.

On August 17, 2022, AES Dominicana Renewable Energy, S.A. signed a loan agreement for $120.0 million with Banco Popular Dominicano, S.A. and the Latin American Bank of Foreign Trade, S.A. (the Banks) at a 3-month SOFR interest rate plus a margin to increase from 3.0% to 3.75%. The term of the loan is February 22, 2025. The principal payment is required in a single payment on the term date of the loan. As collateral for the loan, AES Dominicana Renewable Energy, S.A. transferred the generation assets acquired from it's affiliate Agua Clara, S.A.S. and the cash flows that expects under its energy sale contract with Edenorte Dominicana, S.A.

Repayments of loan - Agua Clara, S.A.S.

As part of the acquisition of Agua Clara, S.A.S., in June 2022, AES Dominicana Renewable Energy, S.A. canceled the long-term debt predicted by Agua Clara, S.A.S., for a total to $71.1 million, which in 2022 the Company recognized $401 as a discount for deferred financing costs due to debt extinguishment (see note 23).

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

12. Other financial assets and financial liabilities (continued)

12.2 Financial liabilities (continued)

d) Loans payable (continued)

The balances as of December 31 are detailed below:

		2022		2021
BHD León Bank, S.A. - portion of $ 50.0M	$	39,416	$	43,834
Scotiabank - portion of $ 36.0M		25,000		20,000
Scotiabank - portion of $ 13.250M		7,982		10,250
BHD León Bank, S.A. - portion of $ 13.250M		11,750		12,750
BLADEX - portion of $ 40M		36,000		—
Popular Bank Dominicano/BLADEX - portion of $ 120M		120,000		—
Loans payable		**240,148**		**86,834**
Deferred financing costs		(2,578)		(839)
Total loans payable, net	**$**	**237,570**	**$**	**85,995**
Loans payable current, net	**$**	**16,012**	**$**	**11,647**
Loans payable non-current, net	**$**	**221,558**	**$**	**74,348**

The maturities of the loans payable for the following years are detailed below:

Year		Commitments
2023	$	16,012
2024		16,285
2025		150,044
2026		31,356
2027		13,077
2028		8,064
2029		5,310
Total	**$**	**240,148**

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

12. Other financial assets and financial liabilities (continued)

12.2 Financial liabilities (continued)

d) Loans payable (continued)

Deferred financing costs, net as of December 31, 2022 and 2021, are detailed below:

	2022	2021
Deferred financing costs	$ 839	$ 425
Payment of financing costs	2,227	547
Capitalized financing costs	(49)	(12)
Amortization of the year	(439)	(121)
Total deferred financing cost on loans, net at the end of the year	**$ 2,578**	**$ 839**

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.

- 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, 2022 and 2021, the Company is in compliance with these restrictions.

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

12. Other financial assets and financial liabilities (continued)

12.2 Financial liabilities (continued)

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

	Balance as of January 1, 2022	Cash flows-received	Cash flows-payments	Amortization of deferred financing costs	Early extinguishment of debt	Other adjustments	Balance as of December 31, 2022
Line of credit	$ —	$ 251,500	$ (176,500)	$ —	$ —	$ —	$ 75,000
Loan payable current, net	11,647	—	(11,686)	—	—	16,051	16,012
Bonds payable, net	295,838	—	—	556	—	(427)	295,967
Loans payable, net, non-current	74,348	165,000	—	439	—	(18,229)	221,558
Loan payable - Agua Clara (Citibank NA)			(71,100)		401	70,699	—
Lease liabilities	7,082	—	(13,965)	—	—	16,338	9,455
Total	**$ 388,915**	**$ 416,500**	**$ (273,251)**	**$ 995**	**$ 401**	**$ 84,432**	**$ 617,992**

	Balance as of January 1, 2021	Cash flows-received	Cash flows-payments	Amortization of deferred financing costs	Early extinguishment of debt	Other adjustments	Balance as of December 31, 2021
Line of credit	$ 30,000	$ 30,000	$ (60,000)	$ —	$ —	$ —	$ —
Loan payable current, net	45,951	—	(49,624)	—	—	15,320	11,647
Bonds payable, net	214,314	300,000	(220,100)	589	5,574	(4,539)	295,838
Loan payable, net	36,624	53,500	—	133	—	(15,909)	74,348
Lease liabilities	4,279	—	(471)	—	—	3,274	7,082
Total	**$ 331,168**	**$ 383,500**	**$ (330,195)**	**$ 722**	**$ 5,574**	**$ (1,854)**	**$ 388,915**

12. Other financial assets and financial liabilities (continued)

12.3 Hedging activities and derivatives

Embedded derivative

As a result of the price formulas included in the contracts for the purchase of Liquefied Natural Gas (LNG) and the sale of energy, the Company is exposed to embedded derivatives. The contracts that generate embedded derivatives are detailed below:

- *Contract with BP Gas Marketing Ltd (BP)*

The Company has an LNG purchase contract with AES Andres (BVI) Ltd., who in turn has a contract with Atlantic Basin Services, Ltd (ABS) and the latter with BP Gas Marketing Ltd (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. This contract has a termination date of March 31, 2023.

As of December 31, 2022, the Company recognized that the embedded derivative asset based on the contract with BP additionally as of December 31, 2022 presents an embedded derivative liability by $0.03 million (2021: $$0.1 million), a total gain by $0.1 million in 2022 (2021: a loss by $0.8 million) booked in the consolidated statement of income.

- *LNG Purchase and Sale Agreement with Atlantic Basin Services, Ltd*

On November 29, 2016, Atlantic Basin Services, Ltd and the Company, signed the LNG Purchase and Sale Agreement and a Joint Marketing Agreement with the LNG supplier, in which the general terms and conditions were agreed. The quantities and prices of LNG of each client are establish through additional Confirmation Agreements. In May 2018, a Confirmation Agreement for the purchase of LNG is issued to supply a Client, and in 2020 the delivery of the LNG agreed at the time of enter into operations begins. This agreement contains the consideration of an adjustment to the price of LNG subject to factors that are not intrinsically related, which an implicit derivative associated with Confirmation Agreement is generated.

As of December 31, 2022, the Company recognized an embedded derivative asset based on the LNG contract by $2.1 million (2021: $1.7 million) and an embedded derivative liability by $0.3 million (2021: $0.4 million), a total gain by $0.4 million in 2021 (2021: $0.8 million) recorded in the consolidated statement of income.

12. Other financial assets and financial liabilities (continued)

12.3 Hedging activities and derivatives (continued)

Derivative - price hedging

On September 2021, the Company signed a contract with Citibank, NA for a price of 600,000 MMbtu, 1,710,000 MMbtu, 1,560,000 MMbtu and 2,310,000 MMbtu that will be purchased between October 2021 and December 2022. The Company recognized for this derivative a gain by $5.9 million (2021: $0.4 millon as loss) recorded in the consolidated statement of income in the line cost of sales for the year ended as of December 31, 2022. As of December 31, 2022, the Company not maintains balance related to this derivative (2021: $0.6 million of current liability).

Derivative - interest hedge

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 $100.0 million; 1.925% for notional amount of $100.0 million and 1.965% for notional amount of $100.0 million. The commencement date of the rate swap transactions is from June 30, 2022, for a period of 10 years.

As a result of the 2021 bond issuance (note 12.2), the Company canceled the hedging instruments. The amount of liquidation of these instruments was $0.8 million, which are presented in the consolidated statement of financial position as other comprehensive losses net of taxes for $0.6 million, this balance will be amortized in a straight line in a term of 10 years, from from June 2022. As of December 31, 2022, $0.04 million is presented in the consolidated statement of changes in equity, corresponding to net amortization of the period less tax adjustment.

Derivative - customer volumes

During the year ended December 31, 2022, the Company signed some agreements with some customers to reduce their gas purchase nominations established in their contracts, with the propose of selling these volumes in the international market as a result of the increases of the prices that allowed obtaining a better sales margin to be distributed between the parties. As these agreements are not considered in the original contracts, as of December 31, 2022, it's generate an embedded derivative asset for $32.3 million that is presented as other current financial assets (see note 12.1). Additionally, it's generated a gain of $95.6 million recorded in the consolidated statements of income as cost of purchases of fuel, electricity, distribution cost and others (see note 21).

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

12. Other financial assets and financial liabilities (continued)

12.4 Fair Value

The fair value of financial assets and liabilities corresponds to the current amount at which they could be exchanged between interested parties, which does not correspond to a forced liquidation.

The estimated values for financial instruments, excluding those held with related parties, as of December 31, 2022 and 2021, are detailed below:

	Book Value		Fair Value	
	2022	2021	2022	2021
Financial assets				
Other financial asset current	$ 33,183	$ 241	$ 33,183	$ 241
Other financial asset non current	$ 1,705	$ 1,800	$ 1,705	$ 1,800
Trade receivables - lease	$ 6,326	$ 5,901	$ 6,326	$ 5,901
Financial liabilities				
Lease liabilities	$ 9,455	$ 7,082	$ 9,455	$ 7,082
Line of credit payable	$ 75,000	$ —	$ 76,452	$ —
Bonds payable	$ 300,000	$ 300,000	$ 247,377	$ 305,934
Loans payable	$ 240,148	$ 86,834	$ 258,679	$ 87,009

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.

12. Other financial assets and financial liabilities (continued)

12.4 Fair Value (continued)

- For the calculation of fair value of the embedded derivatives, 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 2 of the hierarchy as of December 31, 2022 and 2021.

12. Other financial assets and financial liabilities (continued)

12.4 Fair Value (continued)

Hierarchy of fair value of reasonable financial instruments

The Company has not made reclassifications of levels. Any difference between the balance as of December 31, 2021 and 2021, only represents changes in the fair value of the derivative 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. Derivative financial instruments recognized at fair value in the consolidated statement of financial position are classified according to the following hierarchies:

- Level 1: quoted 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 (as price) or indirectly (as derived from a price).

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

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

12. Other financial assets and financial liabilities (continued)

12.4 Fair Value (continued)

Hierarchy of fair value of reasonable financial instruments

The classification of the derivative is presented below:

		2022				2021			
		Derivative asset		Derivative liability		Derivative asset	Derivative liability		
Derivative instruments	Classification	Current	Non-current	Non-current	(Gain) loss	Non-current	Current	Non-current	(Gain) loss
Embedded derivative - LNG sales	Financial instrument asset and liability recognized in the consolidated statements of financial position - sale of contracted LNG	$ 468	$ 1,600	$ (321)	$ (371)	$ 1,697	$ —	$ (368)	$ (775)
Embedded derivative - BP	Financial instrument Asset and Liability recognized as fair value with change in earnings - cost of revenue	—	—	(28)	(112)	—	—	(139)	761
Derivative - price hedge	Financial assets and liabilities at fair value in the income statement. Cost of revenue	—	—	—	(5,859)	—	(648)	—	355
Derivative - customer volumes	Financial assets and liabilities at fair value in the income statement. Cost of revenues	32,323	—	—	(95,619)	—	—	—	—
	Total derivative Level 2	**$ 32,791**	**$ 1,600**	**$ (349)**	**$ (101,961)**	**$ 1,697**	**$ (648)**	**$ (507)**	**$ 341**

The variance in fair value as of December 31, 2022 is mainly due to the increase in the rate.

The gain in results as of December 31, 2022 $102.0 million includes a gain in unrealized derivative financial instruments of $33.5 million.

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

13. Investment in affiliate

Since 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, 2022 and 2021 the investment in affiliate is shown below:

Affiliate	Activity	% of equity participation 2022	% of equity participation 2021	December 31 2022	December 31 2021
Domi Trading S.L. and subsidiary	Natural gas commercialization	50.0%	50.0%	$ 63,586	$ 49,883

As of December 31, 2022

Affiliate	Assets	Liabilities	Equity	Revenues	Expenses	Net Gain	Other comprehensive	Equity Participation
Domi Trading S.L. and subsidiary	$312,043	$ 183,793	$128,250	$ 33,355	$ (21,669)	$ 11,686	$ 15,719	$ 5,843

As of December 31, 2021

Affiliate	Assets	Liabilities	Equity	Revenues	Expenses	Net Gain	Other comprehensive	Equity Participation
Domi Trading S.L. and subsidiary	$180,546	$ 80,288	$100,258	$ 27,579	$ (17,525)	$ 10,054	$ (587)	$ 5,027

Other comprehensive income

As of December 31, 2022, other comprehensive income includes $7,860 corresponding to changes in the fair value of a derivative instrument that the affiliate maintains to mitigate its exposure to economic risk associated with interest rate volatility.

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

14. Accounts payable suppliers and other liabilities

As of December 31, the balances of accounts payable suppliers and other liabilities are detailed below:

	2022	2021
Contract liabilities	$ 28,416	$ 23,678
Energy suppliers payable	17,494	5,762
Local suppliers payable	12,391	1,885
International suppliers payable	10,938	9,174
Short-term maintenance agreement (see note 17)	7,562	—
Accrued interest payable	4,184	3,004
Incentive compensation payable	1,891	1,776
Others liabilities	7,356	5,349
Total	**$ 90,232**	**$ 50,628**

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 generate interest if they are not paid at maturity.

Contract liabilities correspond to cash received in advance to short term gas sales and energy.

15. Leases

The Company maintains lease agreements as lessee and lessor.

Lessee

For the years ended December 31, 2022 and 2021, the Company maintains the following lease agreements:

Corporate offices and parking lots:

- The Company maintains a lease agreement for its corporate offices and parking lots from March 2020 with a term of validity until September 30, 2024. In 2022, the lease agreement for the parking lots was canceled early.

15. Leases (continued)

Lessee (continued)

Land:

- AES Dominicana Renewable Energy, S.A. maintains a lease that state of began in force in March 2021 for a portion of land for the construction of the Santanasol solar plant for a period of 15 years renewable for 20 years additional years. This contract was signed in June 2020 by the Company.
- Agua Clara, S.A.S. maintains land leases for 25 years with different lessors for the turbines installation . These contracts were signed in 2015 and began in 2010, the due date is in December 2043.
- Agua Clara, S.A.S. maintains land leases for 30 years, these correspond to 5 land contracts that will be used for the passage of antennas. These contracts were signed in 2010 and began in 2011 with the maturing in October 2043.
- AES Dominicana Renewable Energy, S.A. maintains a sub-lease contract for a 1,325,903 m2 of land with a term until October 31, 2054. The original term is 25 years, extendable for an additional 10 years.

LNG ship:

- On March 2022, Andres DR signed a contract for the lease at floating unit for the storage and transportation of natural gas for a period of 8 months until October 31, 2022.

Cranes:

- On January 2022, Andres DR signed a contract for the lease of cranes for maintenance of natural gas terminal, which expired on October 31, 2022.

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

15. Leases (continued)

Below are the carrying amounts of right-of-use assets recognized and the records during the year:

	Land	Corporate offices and parking lots	Ships, LNG and Cranes	Total
Balance as of January 1, 2021	$ 3,889	$ 492	$ —	$ 4,381
More - Additions	2,858	87	—	2,945
Less - Amortization expense	(77)	(141)	—	(218)
Less - Amortization expense capitalized	(101)	—	—	(101)
Balance as of December 31, 2021	6,569	438	—	7,007
More - Additions	234	21	13,483	13,738
More - Agua Clara Acquisition	2,235	—	—	2,235
Less - Retirements	—	(62)	—	(62)
Less - Amortization expense	(247)	(133)	(11,011)	(11,391)
Less - Amortization expense capitalized	(94)	—	(2,472)	(2,566)
Balance as of December 31, 2022	**$ 8,697**	**$ 264**	**$ —**	**$ 8,961**

The book amounts of the lease liabilities are shown below:

	2022	2021
Balance as of January 1	$ 7,082	$ 4,279
Additions	13,738	2,945
Agua Clara Acquisition	2,235	—
Accretion of interest	427	329
Retirements	(62)	—
Payments	(13,965)	(471)
Balance as of December 31	**$ 9,455**	**$ 7,082**
Leases liabilities - current	**$ 852**	**$ 423**
Leases liabilities - non-current	**$ 8,603**	**$ 6,659**

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

15. Leases (continued)

The maturity analysis of lease liabilities is disclosed in Note 27.

The amounts recognized in the consolidated statements of income for the year ended December 31 are detailed below:

	2022	2021
Amortization expense of right-of-uses assets. (included in depreciation and amortization expenses).	$ 13,957	$ 319
Interest expense on lease liabilities. (included in interest expense, net) (note 23).	427	329
Expense related to short-term leases. (included in operating, general and maintenance expense) (note 22).	2,084	—
Expense relating to leases of low-value assets and short-term lease. (included in operating, general and maintenance expense) (note 22).	59	87
Amortization expense of right-of-uses assets capitalized. (included in Construction in progress).	(2,566)	(101)
Total amount recognized in consolidated statements of income	**$ 13,961**	**$ 634**

The amortization of right-of-use assets for the year ended December 31, 2022 amounted to $13.9 million (2021: $0.3 million), of which $2.6 million (2021: $0.1 million) were capitalized, leaving a net amount in the statement of results for the year ended December 31, 2022 of $11.4 million (2021: $0.2 million).

Lessor

On September 2, 2020, the Company and ENADOM 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.

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

15. Leases (continued)

Lessor (continued)

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 sign 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 finance 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. For the year ended December 31, 2022, the Company recognized income of $0.3 million (2021: $0.3 million) of which the amount of $0.1 million (2021: $0.1 million) was reclassified to finance lease receivable.

The following table presents a maturity analysis of accounts receivable, showing undiscounted lease payments to be received after the reporting date.

	2022	2021
Less than one year	$ 454	$ 161
One to two years	600	454
Two to three years	600	600
Three to four years	600	600
From the fourth year	26,400	27,000
Total of undiscounted lease payments	28,654	28,815
Unearned income	(22,328)	(22,914)
Net investment as of December 31	**$ 6,326**	**$ 5,901**
Account receivables for finance lease - current	**$ 454**	**$ 161**
Account receivables for finance lease - non-current	**$ 5,872**	**$ 5,740**

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.

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

16. Other non-financial liabilities

As of December 31, the balance of other liabilities is detailed below:

		2022		2021
Long-term maintenance agreement (see note 17)	$	8,521	$	4,904
Long-term contingent legal reserves		—		17
Long-term compensation		18		2
Total	**$**	**8,539**	**$**	**4,923**

17. Commitments and contingencies

Commitments

Concession of the Dominican State - Agua Clara, S.A.S.

On May 25, 2017, a concession contract was signed between the Dominican Goverment and Agua Clara, S.A.S., related to construction, installation, operation and exploitation on behalf of and for the own benefit of Agua Clara, S.A.S., of a generation project electricity with renewable wind energy as its primary source, with an installed capacity of up to 50MWh in named Agua Clara Wind Farm, located in Montecristi, Dominican Republic, for a period of 25 years, counted from the date of signing this contract. The conditions under which this concession is granted are contemplated in Resolution no. SIE-007-2017-RCD, dated February 7, 2017, issued by the SIE; as well as Resolution no. CNE-CD-0003-2017, on April 4, 2017, issued by the CNE.

Energy Purchase - Sale Agreement (PPA) - EDE Este / EDE Sur / EDE Norte

In February 2017, as a result of the tender carried out by the Corporación Dominicana de Empresas Eléctricas Estatales (CDEEE), AES Andres DR, S.A. signed power purchase agreements (PPA) that came into force as of April 20, 2017 for a period of 5 years with the 3 electricity distribution companies in the country, EDE Norte (for 82.5 MWh), EDE Sur (for 110 MWh) and EDE Este (for 82.5 MWh). On January 27, 2023, three new contracts were signed with these distribution companies for a period of 24 months effective date as on February 10, 2023. The Company is remunerated for the contracted capacity and the energy supplied, which is subject to the demand of these electricity distributors.

On October 31, 2021, AES Dominicana Renewable Energy, S.A. signed a contract of energy with Edesur Dominicana S.A for a period of 15 years with an could be extended by 5 years and could be extended for an additional 5 years upon agreement between the parties. The contract is for all the energy generated by the Bayasol solar plant, the agreed start date is January 1, 2022.

17. Commitments and contingencies (continued)

Commitments (continued)

Energy Purchase - Sale Agreement (PPA) - EDE Este / EDE Sur / EDE Norte (continued)

On November 18, 2021, AES Dominicana Renewable Energy, S.A. signed an energy supply contract with Edesur Dominicana S.A, for a period of 15 years and could be extended by 5 years upon agreement between the parties, the contract is for all the energy generated by the Santanasol solar plant, the start date it was during 2022.

In August 2016, Agua Clara, S.A.S. signed an energy sale contract with the CDEEE. This agreement establishes that the company would be obliged to sell all the energy generated to the CDEEE for 20 years from the date of the beginning of the energy supply and can be renewed by mutual agreement for a period not exceeding five years. As a consequence of the CDEEE liquidation process according to Government Decree No. 342-20, the energy sale contract was assigned to EDENORTE in July 2021 under the same terms and conditions.

For the year ended December 31, 2022, revenues associated with contracts with distribution companies consist of sales of energy and capacity, EDE Este of $92.5 million (2021: $60.8 million), EDE Norte of $99.5 million (2021: $60 million) and EDE Sur of $128.4 million (2021: $75.5 million).

Contract for the Sale and Transportation of Natural Gas

As described in note 5, the Company signed agreements for the sale and transportation of natural gas with DPP.

Below are the main LNG sales contracts with third parties:

- Contract for the sale and supply of LNG with Transcontinental Capital Corporation (Bermuda), Ltd. (Seaboard) valid since November 2016 with annual renewal prior agreement between the parties, this contract expired on December 31, 2021 and a new contract began operations on January 1, 2022 after the commissioning of the Estrella del Mar III generation unit, The due date is on December 31, 2031.

- Regasified natural gas supply contracts with the companies Soluciones en Gas Natural, S.A., Línea Clave Internacional, S.A., Tropigas Dominicana, S.R.L., Propanos y Derivados, S.A. and Platter Investment, S.A. that expired on December 31, 2021 and were renewed for a 5-year period beginning January 1, 2022.

17. Commitments and contingencies (continued)

Commitments (continued)

Contract for the Sale and Transportation of Natural Gas (continued)

- 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, the Company 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. In January 2023, an extension of the contract was signed to supply the demand of the customer until April 2023.

- Contract for the supply of 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.

- Contract for the supply of 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 to deliver a quantity between 9 and 12 TBTU per contract year.

Fuel Purchase obligation

On November 29, 2016, the Company in conjunction with ABS signed with Total Gas & Power Limited (before Global LNG, S.A.S) (Global LNG) an agreement for the supply of LNG and its maritime transport and for the resale of LNG and regasified LNG to third parties. The maturity of this contract is subject to the annual confirmations of the clients, which concluded as of December 31, 2021 that the expiration would be until the year 2032.

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 (see note 6).

The amounts presented 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, 2022.

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

17. Commitments and contingencies (continued)

Commitments (continued)

***Fuel Purchase obligation* (continued)**

Year	Commitment
2023	$ 79,660
Total	**$ 79,660**

On December 27, 2022, the Company signed a new LNG supply contract for a period of 11 years with Total Energies Gas & Power Limited, which begins on April 1, 2023 with the option to extend it for another 2 years with prior notification by part of Andres DR, S.A.

The amounts presented in the following table represent the total contractual amounts up to 2033 for the term of the LNG contract as of December 31, 2022.

Año	Future Commitment
2023	$ 1,019
2024	984
2025	593
2026-2033	2,022
Total	**$ 4,618**

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, 2022, the Company received $22.5 million of spare parts related to this contract, and has accounts payable of $16.1 million of which $7.6 million are current and $8.5 million are non-current (notes 14 and 16).

17. Commitments and contingencies (continued)

Commitments (continued)

Contract for the construction of solar plant - Bayasol

On September 9, 2019, AES Andres DR, S.A. 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. In December 2021 were signed amendments to the contract for a total amount of $0.2 million.

As of December 31, 2021 the account payable of this contract is $2.9 million and is presented in the consolidated statement of financial position in the line accounts payable supplier and other liabilities. As of December 31, 2022, there is no balance payable.

Contract for the construction of solar plant - Santanasol

On April 7, 2021, AES Andres DR, S.A. signed a turnkey agreement with the contractors TSK Electrónica y Electricidad S.A and TSK República Dominicana S.R.L, for the construction and commissioning of the Santanasol project for the amount of $20.8 million. At the end of December 2022, the services for this contract have been fully completed with the start of operations of the plant, which was transferred to its affiliate AES Dominicana Renewable Energy, S.A. As of December 31, 2022, the balance payable for this contract amounts to $1.0 million.

Letters of Credit

On May 2022, AES Andres DR, S.A. negotiated a new letter of credit to BP Gas Marketing Limited with the Latin American Foreign Trade Bank (BLADEX) to guarantee the import of natural gas for an amount of $20.0 million with mature date on March 31, 2023, which was not renewed .

In January 2021, the Company negotiated a standby letter of credit in favor of Banco Popular Dominicano, S.A. with Banco Scotiabank República Dominicana to guarantee its obligations to make capital contributions to its related ENADOM as a result of the bank loan assumed by the latter for the construction of a second LNG tank. As of December 31, 2022, the amount of this letter of credit amounted to $22.0 million with mature date on January 20, 2022, which was renewed until January 2023.

17. Commitments and contingencies (continued)

Guarantees

Since December 13, 2016, the Company is joint guarantor of a program of corporate bonds issued in the Dominican Republic in favor of its related party DPP for up to $300.0 million. As of December 31, 2022, DPP has placed $260.0 million.

Lines of credit

The Company maintains a pre-approved credit facility, for an amount of up to $165.0 million with Scotiabank. (see note 12.2b).

Contingencies - ***Litigation and Claims***

The Company is involved in one civil lawsuit seeking repair of damages. The total claim amount is $107. As of December 31, 2022, this lawsuit was resolved in favor of the Company and the legal case was closed, for which the provision of $0.01 million recognized was reversed.

18. Equity

Authorized capital

Capital subscribed and paid of the Company amounts to $18,200 and is made up of 182 common shares with a value of $100 each in the name of AES Hispanola Holdings B.V.

Additional paid in capital

Some employees of the Company are granted with a long-term compensation plan established by The AES Corporation Inc., which was made up of a cash amount in a period of three years after they were granted, if they still remain with the Company. This compensation is based on meeting certain financial targets manage by the Company. For the year ended December 31, 2022, an expense for this concept was recorded for $0.005 million (2021: $0.018 million), which are reported in the line of operating, general and maintenance expenses in the caption salaries and other benefits.

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

18. Equity (continued)

Restricted retained earnings

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, 2022, the amount for this concept is $13,399 (2021: $14,767), net of effects of accumulated depreciation, asset disposals and deferred income tax transferred to retained earnings in 2022 by $1,368 (2021: $1,396).

19. Net income per share

For the years ended December 31, basic and diluted net earnings per share were calculated as follows:

	2022	2021
Number of shares issued and outstanding at the beginning and end of the year	182	182
Basic calculation of earnings per share:		
Net income	$ 133,626	$ 56,448
Total outstanding shares	182	182
Net income per share (expressed in dollars of the United States of America)	**$ 734**	**$ 310**

20. Revenues

For the year ended December 31, revenues are detailed below:

	2022	2021
Electricity sales - contracts	$ 451,561	$ 274,649
Electricity sales - spot market	18,075	19,876
Natural gas sales	946,836	569,317
Natural gas transportation	8,745	8,581
Other operating income	3,098	2,549
Total revenues	**$ 1,428,315**	**$ 874,972**

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

21. Cost of fuel, electricity purchases, transmission costs and others

For the year ended December 31, the cost of fuel purchases, electricity, distribution costs and others is detailed below:

	2022	2021
Fuel purchased for resale and related costs	$ 598,717	$ 449,723
Fuel and related costs used for generation	405,696	123,079
Transmission charges	12,831	12,116
Electricity purchases	193,589	91,513
(Gain) loss on derivative financial instruments (note 12.4)	(101,961)	341
Total costs of sales	**$ 1,108,872**	**$ 676,772**

22. Operating, general and maintenance expense

For the year ended December 31, operating, general and maintenance expenses are detailed below:

	2022	2021
Insurance (note 6)	$ 18,328	$ 16,841
Maintenance expenses	17,415	4,911
Contracted services (note 6)	13,131	9,793
Salaries, wages and benefits	11,897	8,615
Expense related to short-term leases (note 15)	2,084	—
Consultants and legal fees	1,885	2,762
Tax on assets (note 24)	1,379	3,606
Facilities management expenses	1,350	1,248
Supplies and consumables used in generation	523	469
Safety and vigilance services	342	247
Charitable contributions (note 6)	257	504
Travel and transportation	199	92
Management fees	120	120
Expenses related to leases of low value (note 15)	59	87
Others	2,821	1,691
Total	**$ 71,790**	**$ 50,986**

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

23. Interest expense, net

For the year ended December 31, financial costs, net are detailed below:

	2022	2021
Interest expense - financial	$ (27,005)	$ (20,966)
Interest expense - commercial and others	(87)	(79)
Interest expense - leases (note 15)	(427)	(329)
Interest expense - related parties (note 6)	(905)	(448)
Interest capitalized to constructions in progress	1,270	1,592
Subtotal	(27,154)	(20,230)
Amortization of deferred financing costs (note 12.2)	(1,669)	(1,208)
Write off of deferred financing costs and discount due to early extinguishment of debt (note 12.2)	(401)	(5,574)
Interest income - commercial	720	555
Interest income - financial	470	649
Interest income - leases	586	—
Interest income - related parties (note 6)	4,553	2,557
Subtotal	6,329	3,761
Total	**$ (22,895)**	**$ (23,251)**

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 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, 2022 was 7.19% (2021: 3.25%) and in Dominican pesos as of December 31, 2022 was 13.5% (2021: 9.22%).

As of December 31, 2022, the amortization of deferred financing costs includes $0.7 million (2021: $0.6 million) corresponding to the costs of the letter of credit in favor of BP Gas Marketing Limited and in favor of Banco Popular Dominicano, S.A. (see note 17).

24. Income tax

AES Andres B.V. was a private limited liability company registered in Netherlands, in January 2016, 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 of AES Andres B.V., 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.

The Subsidiaries AES Andres DR, S.A. and AES Dominicana Renewable Energy, S.A. and Agua Clara, S.A.S. 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.

Current income tax

Current income tax for the fiscal year ended December 31, 2016 at AES Andres B.V. was determined considering Law 27/2014 on Corporation Tax and its regulations. The tax rate applicable as of December 31, 2022 and 2021, was 25% of the net taxable income.

The current income tax in AES Andres DR, S.A., AES Dominicana Renewable Energy, S.A. and Agua Clara, S.A.S. is calculated based in the Law 11-92, Tax Code of the Dominican Republic, its regulations and amendments. The tax rate used to determine the income tax as of December 31, 2022 and 2021 was 27% of the net taxable income on the respective dates.

Tax on assets

The tax on assets corresponds to 1% of taxable assets according to the Tax Code of the Dominican Republic. Taxable assets for electricity companies correspond to total property, plant and equipment, net of accumulated depreciation. The Company is subject to pay the income tax for the period based on the higher amount between 1% of taxable assets or the amount determined according to the net taxable income determined on the rate in force on each date.

This tax can be used as a credit in favor of income tax in the following way: if the income tax is higher than the tax on assets, there is no obligation to pay the latter, while otherwise, the difference between the liquidated income tax and the tax on assets must be paid. The Company recorded the tax on assets in the consolidated statement of income in the line of general, operation and maintenance expenses.

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

24. Income tax (continued)

Dividends

Pursuant to Law 253-12 of November 13, 2012, the 10% withholding tax is established for branches and permanent establishments when they remit their profits to their Central 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 avoid tax evasion with respect to income taxes, the dividends paid by AES Andres DR, SA to its parent company AES Andres BV are not subject to the 10% withholding tax because the latter is the beneficial owner with more than 75% of the share capital of the subsidiary that pays the dividends.

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.

AES Andres DR, S.A.

As of December 31, 2022 and 2021, AES Andres DR, S.A. does not have loss carryforwards

AES Dominicana Renewable Energy, S.A. and Agua Clara, S.A.S.

As of December 31, 2022 and 2021, AES Dominicana Renewable Energy, S.A. and Agua Clara, S.A.S. have a balance of tax losses for an amount of $2,807 (2021: $2,167), which will be compensated in the next five (5) years, until 2027.

The income tax (payable) receivable is detailed below:

	2022	2021
Income tax advances	$ 25,222	$ 36,200
Tax on assets (note 22)	(1,379)	(3,606)
Current income tax expense	(39,374)	(38,705)
Tax on assets (acquisition of Agua Clara, S.A.S.)	(515)	—
Total tax payable	**$ (16,046)**	**$ (6,111)**

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

24. Income tax (continued)

As of December 31, the deferred income tax is as follows:

	2022	2021
Assets:		
Other temporal differences	$ 2,590	$ 4,369
Loss carryforward	595	—
Accruals	799	347
Total deferred tax asset	**3,984**	**4,716**
Liabilities:		
Accelerated tax depreciation, asset revaluation and inflationary effects	(54,245)	(52,710)
Derivative financial instruments	(13,192)	(3,339)
Other temporary differences	(794)	—
Total deferred tax liability	**(68,231)**	**(56,049)**
Total deferred tax liability, net	**$ (64,247)**	**$ (51,333)**

The deferred income tax variation by $12,914 includes $2,091 of foreign exchange transactions booked as a net foreign exchange loss in the consolidated statements of income.

The reconciliation between the statutory income tax rate with the effective income tax rate of the Company as a percentage of income before tax for the years ended December 31, 2022 and 2021, detailed below:

	2022	2021
Statutory income tax rate	25 %	25 %
Permanent differences:		
Difference between statutory rate (Spain-Dominican Republic)	2 %	2 %
Retention of remittance to Main Office	1 %	2 %
Foreign exchange effect	1 %	1 %
Other temporary differences	(2)%	8 %
Effective income tax rate	**27 %**	**38 %**

The income tax returns of the subsidiaries of the Company, AES Andres DR, S.A. and AES Dominicana Renewable Energy, S.A., Agua Clara, S.A.S. and it's subsidiaries are subject to review by the tax authorities for the last three (3) years, including the year ended December 31, 2022 according to current tax regulations. The companies IE DR Projects I S.R.L., IE DR Projects II S.R.L. and IE DR Projects III S.R.L. present declarations without operations for the year 2022.

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

24. Income tax (continued)

For the year ended December 31, the income tax expense is detailed below:

		2022		2021
Current	$	39,374	$	38,705
Deferred		10,823		(4,757)
Total income tax expense	**$**	**50,197**	**$**	**33,948**

The Company's Management applied the fair value as an exception to the attributed cost and the adjustment of $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 recorded at fair value. The deferred tax calculation for the period ended December 31, 2022 amounts to $4.8 million (2021: $5.3 million). 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 income statement.

The Company adjusts its depreciable assets for inflation to determine the tax base, as permitted the current tax code. Additionally, take advantage of 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.

In compliance with current transfer pricing regulations, the Company reviewed the transactions with related parties and estimates that the operations carried out during the years ended December 31, 2022 and 2021 do not have a significant impact on the income tax provision.

25. Other (expense) income, net

For the year ended December 31, other (expense) income, net is detailed below:

		2022		2021
Loss on early extinguishment of debt (note 12.2)	$	—	$	(8,790)
Loss on retirement of property, plant and equipment		(2,713)		(1,843)
Gain on retirement of property, plant and equipment		342		72
Other income		63		104
Total	**$**	**(2,308)**	**$**	**(10,457)**

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

26. 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.

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:

	2022		
	Sale of energy	**Sale of LNG**	**Total segments**
Revenues	$ 472,734	$ 955,581	$ 1,428,315
Operating costs and expenses			
Cost of fuel, electricity purchases, transmission costs and others	$ (612,116)	$ (496,868)	$ (1,108,984)
Operating income by segment	**$ (139,382)**	**$ 458,713**	**$ 319,331**
Assets and Liabilities			
Contract assets	**$ —**	**$ 16,998**	**$ 16,998**
Accounts receivable	**$ 123,357**	**$ 15,000**	**$ 138,357**
Contract liabilities	**$ —**	**$ (28,416)**	**$ (28,416)**

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

26. Segments (continued)

	2021		
	Sale of energy	**Sale of LNG**	**Total segments**
Revenues	$ 297,074	$ 577,898	$ 874,972
Operating costs and expenses			
Cost of fuel, electricity purchases, transmission costs and others	$ (226,708)	$ (449,723)	$ (676,431)
Operating income by segment	**$ 70,366**	**$ 128,175**	**$ 198,541**
Assets and Liabilities			
Contract assets	**$ —**	**$ 10,516**	**$ 10,516**
Accounts receivable	**$ 59,026**	**$ 4,264**	**$ 63,290**
Contract liabilities	**$ —**	**$ (23,678)**	**$ (23,678)**

Revenues from transactions with DPP related to the sale of natural gas and the transportation of natural gas for the year ended December 31, 2022 amounted to $153.2 million (2021: $106.1 million).

Within the costs of purchases of fuel, electricity, distribution cost and others in the consolidated statement of income for the year ended December 31, 2022 include $112 (2021: $341) related to gains from the embedded derivative instrument for the purchase of LNG not assigned to any business segment.

27. Risk and capital management

The Company's main financial liabilities, excluding derivatives, include loans 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.

27. Risk and capital management (continued)

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, credit risk and liquidity risk.

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 DR, S.A. 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. 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, 2022, sales of LNG to third parties unrelated to Andres amounted to $769.9 million (2021: $417.9 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.

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 $300.0 million. These bonds were issued in the international market with a maturity in May 2028 at a fixed annual interest rate of 5.70%, 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 of its maintains a fixed interest rate for issued bonds.

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 12.2).

When the LIBOR rate is not available, the Company would use the SFOR rate as a reference, for which no material impacts are expected at the time of the change.

27. Risk and capital management (continued)

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 26% of total revenues during the year ended December 31, 2022 (2021: 12%) and sales contracts to distros represented 52% of total revenues during the year ended December 31, 2022 (2021: 72%). The balance of current accounts receivable from the distros represents 17% of total current assets as of December 31, 2022 (2021: 10%), and DPP represents 13% of total current assets as of December 31, 2022 (2021: 10%).

Additionally, Compañía de Electricidad de San Pedro de Macorís, S.A. (CESPM), DPP, Empresa Generadora de Electricidad Haina, S.A. and Pueblo Viejo Dominicana Corporation are the Company's main clients, for the LNG sales segment, and sales of LNG under contracts represented 42% of the total revenues during the year ended December 31, 2022 (2021: 41%).

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 consolidated statement of financial position as of December 31, 2022 and 2021 is the carrying amount.

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

27. Risk and capital management (continued)

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, 2022 there weren't sales of accounts receivable; For the year ended December 31, 2021, the Company sold accounts receivable amounting to $2.2 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, 2022, Andres had a balance of cash and cash equivalents in the amount of $70.3 million (2021: $42.8 million). This balance includes cash and certificates of deposit with maturities of less than three months.

The following table summarizes the maturity of the Company's financial liabilities based on payment commitments:

	Less than 3 months	*From 3 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*Total*
As of December 31, 2022					
Accounts payable - suppliers and other liabilities	$ 40,823	$ 41,847	$ 7,562	$ —	$ 90,232
Accounts payable - related parties	—	102,940		—	102,940
Loans payable related parties	—	31,229	—	—	31,229
Line of credit	—	75,000	—	—	75,000
Loans payable	—	16,012	218,826	5,310	240,148
Lease liabilities	—	852	8,603	—	9,455
Bonds payable	—	—	—	300,000	300,000
Other financial liabilities	—	—	8,888	—	8,888
Total	**$ 40,823**	**$ 267,880**	**$ 243,879**	**$ 305,310**	**$ 857,892**

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

27. Risk and capital management (continued)

	Less than 3 months	*From 3 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*Total*
As of December 31, 2021					
Accounts payable - suppliers and other liabilities	$ 6,467	$ 44,161	$ —	$ —	$ 50,628
Accounts payable - related parties	—	156,963		—	156,963
Loans payable related parties	—	30,403	—	—	30,403
Loans payable	—	11,647	61,815	13,372	86,834
Lease liabilities	—	423	2,775	3,884	7,082
Bonds payable	—	—	—	300,000	300,000
Other financial liabilities	—	648	5,430	—	6,078
Total	**$ 6,467**	**$ 244,245**	**$ 70,020**	**$ 317,256**	**$ 637,988**

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, there is no significant exposure to exchange rate risk.

The main balance denominated in Dominican pesos corresponds to accounts receivable from the spot market. For the year ended December 31, 2022, approximately 97% (2021: 96%) of the Company's revenues were denominated in dollars.

The following table presents a sensitivity analysis of the effect on the Company's consolidated financial statements, derived from a reasonable variation in the exchange rate of the Dominican peso:

	Exchange rate variation	**Effect on income before income tax expense**	**Effect on total stockholders' equity**
As of and for the year ended December 31, 2022	5%	$ 179	$ (193)
	(5)%	$ 256	$ (270)
As of and for the year ended December 31, 2021	5%	$ 87	$ 227
	(5)%	$ (94)	$ (234)

27. Risk and capital management (continued)

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, 2022.

28. Relevant events

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 originated in China in 2019 as pandemic. COVID-19 has had a significant impact on the global economy and the lives of millions of people. Several countries, including Dominican Republic, implemented mobility restrictions and mandatory quarantines, as well as travel bans, among other measures. In this context, the Government of Dominican Republic approved a series of health and economic measures to mitigate and control the spread of the pandemic. To deal with the effects of the pandemic, the Company carried out the appropriate steps in order to minimize its impact, considering that it is a temporary situation that, according to the most current estimates and Treasury position to date , does not compromise the financial situation of the Company. In 2020, companies faced declines in revenue, supply chains were disrupted, and millions of workers globally lost their jobs.

At the beginning of 2021, the vaccination process began in several countries around the world, including Dominican Republic, with which the economies gradually reopened and the mobility and quarantine limitations were lifted, allowing the reactivation of the different economic sectors.

The extent of the impact of COVID-19 on the Company's operating and financial performance after the reporting period will depend on the evolution of the virus and the appearance of new variants, which are scenarios that cannot be predicted.

Although 2022 is the third reporting year impacted by COVID-19, the effects of the pandemic did not affect the economic performance of the Company during the year ended December 31, 2022.

29. Subsequent events

Below we indicate the following relevant subsequent events that occurred up to to April 21, 2023 that require disclosure:

Energy Purchase - Sale Agreement (PPA) - EDE Este / EDE Sur / EDE Norte

On January 27, 2023, AES Andres DR, S.A. signed three sales contracts for the supply of energy and capacity with distribution companies for 275MWh distributed as follows: EDESUR Dominicana, S.A, (EDESUR) up to 110MWh, EDENORTE Dominicana, S.A, (EDENORTE) up to 82.5MWh, Empresa Distribuidora de Electricidad del Este, S.A, up to 82.5MWh. The effective date of these contracts is February 10, 2023, for a period of 24 months.

Contract for the Sale and Transportation of Natural Gas

In January 2023, an amendment to the LNG supply contract was signed with Consorcio Energético Punta Cana-Macao, S.A., to cover customer demand until April 2023.

Letters of Credit

In January 2023, the Company negotiated a letter of credit in favor of Banco Popular Dominicano, S.A., with Banco Scotiabank Dominican Republic to guarantee its obligations to make capital contributions to its related ENADOM as a result of the bank loan that the latter assumed for the construction of a second LNG tank, the amount of this letter of credit was reduced from $22.0 million to $8.7 million.

Change of company name

In February 2023 the Company changed its name from AES Andres B.V. by AES España B.V.

Approval of assignment of rights for the operation of the Santanasol project

With an effective date of January 10, 2023, the National Energy Commission approved the definitive assignment of the rights for the operation of the Santanasol project.

29. Subsequent events (continued)

Other accounts receivable

On March 16, 2023, Agua Clara, S.A.S received the second contractual payment for the balance receivable related to the transmission line transfer contract signed with ETED on August 22, 2022.

In addition to the aforementioned, the Company is not aware of other relevant events that have occurred since the year-end date and the approval of the consolidated financial statements, which require disclosures or adjustments to the consolidated financial statements as of December 31, 2022.