AES Andres B.V. and Subsidiaries
(An Indirectly Owned Subsidiary of The AES Corporation)

Consolidated Financial Statements as of and for the years ended December 31, 2019 and 2018 with Report of Independent Auditors

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Building a better
working world

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Report of Independent Auditors

The Board of Directors and Shareholders of
AES Andres B.V.

We have audited the accompanying consolidated financial statements of AES Andres B.V. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in shareholder's equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AES Andres B.V. and Subsidiaries at December 31, 2019 and 2018, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

May 29, 2020
Santo Domingo,
Dominican Republic

Ernst & Young

AES Andres B.V. and Subsidiaries
(An Indirectly Owned Subsidiary of The AES Corporation)
CONSOLIDATED BALANCE SHEETS
As of December 31, 2019 and 2018
(Amounts expressed in thousands of US dollars)

	Notes	2019	2018
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	*1d, 2*	**$ 64,267**	$ 40,197
Restricted cash	*1e*	**119**	125
Accounts receivable	*4*	**64,980**	75,827
Accounts receivable – related parties	*3*	**74,964**	82,254
Other receivable	*5*	**105**	84
Other receivable – related parties	*3*	**27,779**	74,403
Inventories - net	*1g, 6*	**25,078**	13,228
Income tax receivable	*1n, 15*	—	10,337
Prepaid expenses and other assets	*7*	**834**	628
Derivative instruments	*1p, 1q, 22*	**1**	18
Total current assets		**258,127**	297,101
PROPERTY, PLANT AND EQUIPMENT, NET:			
Land		**36,900**	36,522
Plant and electricity generating equipment		**631,162**	502,862
Accumulated depreciation		**(161,113)**	(155,861)
Construction in progress		**6,074**	13,628
Property, plant and equipment, net	*1i, 8*	**513,023**	397,151
OTHER ASSETS:			
Intangible assets – net	*1j, 9*	**4,660**	1,877
Right-of-use assets, net	*10*	**4,003**	—
Investment in affiliate	*11*	**47,544**	—
Other assets	*12*	**2,863**	17,183
Derivative instruments	*1p, 1q, 22*	**873**	1,191
Total other assets		**59,943**	20,251
Total non current assets		**572,966**	417,402
TOTAL		**$ 831,093**	$ 714,503

AES Andres B.V. and Subsidiaries

(An Indirectly Owned Subsidiary of The AES Corporation)

CONSOLIDATED BALANCE SHEETS (Continued)

As of December 31, 2019 and 2018

(Amounts expressed in thousands of US dollars)

	Notes	2019	2018
LIABILITIES AND SHAREHOLDER'S EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	*13*	**$ 63,524**	$ 28,477
Accounts payable – related parties	*3*	**135,555**	150,318
Line of credit	*14*	**20,000**	—
Income tax payable	*1n,15*	**35,444**	—
Derivative instruments	*1p, 1q, 22*	**61**	67
Lease liability	*10*	**67**	—
Total current liabilities		**254,651**	178,862
LONG-TERM LIABILITIES:			
Deferred income tax	*1n,15*	**24,387**	25,677
Lease liability	*10*	**3,740**	—
Bonds payable, net	*14*	**213,504**	212,653
Long term debt, net	*14*	**49,492**	12,491
Derivative instruments	*1p, 1q, 22*	**363**	474
Long-term compensation		**—**	30
Other liabilities	*16*	**19**	20
Total long-term liabilities		**291,505**	251,345
SHAREHOLDERS' EQUITY:			
Common stock with a value of US$1; 910 shares authorized; 182 shares issued and outstanding		**18**	18
Additional paid-in-capital		**271,627**	271,619
Retained earnings		**13,292**	12,659
Total shareholder's equity		**284,937**	284,296
TOTAL		**$ 831,093**	$ 714,503

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 COMPREHENSIVE INCOME
For the years ended December 31, 2019 and 2018
(Amounts expressed in thousands of US dollars)

	Notes	2019	2018
REVENUES:			
Electricity sales – contracts	*3*	**$ 237,495**	$ 266,900
Electricity sales – spot market		**19,487**	50,675
Natural gas sales	*3*	**243,420**	225,117
Natural gas transportation	*3*	**8,561**	8,444
Other sales (non-electricity)		**3,382**	1,104
Total revenues		**512,345**	552,240
OPERATING COSTS AND EXPENSES:			
Cost of revenues – electricity purchases and fuel costs used for generation	*3, 17*	**(139,143)**	(238,416)
Cost of revenues – fuel purchased for resale and related costs	*3*	**(196,391)**	(190,097)
Operating, maintenance and general expenses	*3, 18*	**(41,177)**	(33,836)
Depreciation and amortization	*1i, 1j, 8, 9*	**(20,299)**	(19,817)
Loss on derivative financial instruments	*22*	**(223)**	(1,298)
Total operating costs and expenses		**(397,233)**	(483,464)
OPERATING INCOME		**115,112**	68,776
OTHER INCOME (EXPENSE):			
Interest expense – net	*1m, 19*	**(14,401)**	(13,190)
Investment in affiliate	*11*	**(1,160)**	—
Debt discount amortization	*14*	**(421)**	(312)
Other income (expense) - net	*20*	**90,277**	(2,678)
Exchange gain (loss) - net		**1,687**	(427)
Total other income (expense) - net		**75,982**	(16,607)
Income before income tax expense		**191,094**	52,169
Income tax expense	*15*	**(50,452)**	(16,782)
NET COMPRHEHENSIVE INCOME		**$ 140,642**	$ 35,387

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 SHAREHOLDER'S EQUITY
For the years ended December 31, 2019 and 2018
(Amounts expressed in thousands of US dollars)

	Notes	Number of Shares	Common Stock	Additional Paid-in-Capital	Retained Earnings	Total
Balance as of January 1, 2018		182	$ 18	$ 271,618	$ 15,307	$ 286,943
Stock - based compensation		—	—	1	—	1
Dividends paid	*3*	—	—	—	(38,035)	(38,035)
Net comprehensive income		—	—	—	35,387	35,387
Balance as of December 31, 2018		182	18	271,619	12,659	284,296
Stock-based compensation		**—**	**—**	**8**	**—**	**8**
Dividends paid	*3*	**—**	**—**	**—**	**(140,009)**	**(140,009)**
Net comprehensive income		**—**	**—**		**140,642**	**140,642**
Balance as of December 31, 2019		**182**	**$ 18**	**$ 271,627**	**$ 13,292**	**$ 284,937**

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, 2019 and 2018
(Amounts expressed in thousands of US dollars)

	2019	2018
OPERATING ACTIVITIES:		
Net comprehensive income	**$ 140,642**	$ 35,387
Adjustments to reconcile net comprehensive income to net cash provided by operating activities:		
Depreciation	**19,772**	19,634
Amortization of intangible assets	**527**	182
Amortization of right-of-use assets	**145**	—
Loss on derivative financial instruments	**223**	1,298
Deferred income tax	**(829)**	3,463
Amortization of Deferred financing costs	**666**	469
Debt discount amortization	**421**	312
Write-off of deferred financing costs due to early extinguishment of debt	**1,415**	—
Loss on asset disposals, net	**3,012**	20,205
Gain on asset sale	**(1,586)**	—
Exchange (gain) loss, net	**(1,687)**	427
Investment in affiliate	**1,160**	—
Loss on early extinguishment of debt	**240**	—
Stock - based compensation	**(22)**	(27)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	**10,847**	(3,827)
Decrease (increase) in accounts receivable – related parties	**7,290**	(49,239)
Increase in other receivable	**(156)**	(113)
Increase in other receivable – related parties	**(63,368)**	(70,456)
Increase (decrease) in inventories	**(11,850)**	3,996
Increase in prepaid expenses and other assets	**(211)**	(109)
Increase in accounts payable and accrued liabilities	**18,924**	572
(Decrease) increase in accounts payable – related parties	**(14,763)**	103,682
Increase (decrease) in income tax payable	**45,781**	(1,133)
Increase (decrease) in other liabilities	**(13)**	(1,684)
Net cash provided by operating activities	**156,580**	63,039
INVESTING ACTIVITIES:		
Additions to property, plant and equipment	**(150,280)**	(17,346)
Advance payments for the acquisition of property, plant and equipment	**(2,843)**	(17,167)
Additions of intangible assets	**(2,872)**	(1,006)
Proceeds from sales of property, plant and equipment	—	9
Proceeds from sales of business	**47,348**	—
Insurance proceeds	**109,993**	8,744
Investment in affiliate	**(48,704)**	—
Net cash used in investing activities	**(47,358)**	(26,766)

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, 2019 and 2018
(Amounts expressed in thousands of US dollars)

	2019	2018
FINANCING ACTIVITIES:		
Proceeds from line of credit	**$ 125,000**	$ 25,000
Payment of line of credit	**(105,000)**	(25,000)
Proceeds from issuance of financial debt	**60,000**	14,000
Payment of financing costs and debt discount	**(529)**	(1,520)
Penalty payment on early extinguishment of debt	**(240)**	—
Dividends paid	**(140,009)**	(38,035)
Repayment of loan	**(24,000)**	—
Proceeds from intercompany loan	**4,210**	—
Payment of intercompany loan	**(4,210)**	—
Payment of lease liabilities	**(380)**	—
Net cash used in financing activities	**(85,158)**	(25,555)
Net increase in cash, cash equivalents and restricted cash	**24,064**	10,718
Cash, cash equivalents and restricted cash at the beginning of the year	**40,322**	29,604
Cash, cash equivalents and restricted cash at the end of the year	**$ 64,386**	$ 40,322
Supplemental disclosures of cash flow information:		
Cash payments for interest	**$ (20,611)**	$ (17,702)
Cash payments for income taxes	**$ (7,291)**	$ (16,993)
Supplemental disclosures of non-cash operating activities:		
Intangible asset purchases not paid at year end	**$ —**	$ 676
Property, plant and equipment purchases not paid at year end	**$ 26,916**	$ 3,373

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

1. Nature of business, basis of presentation and significant accounting policies

Nature of Business – AES Andres B.V. and its subsidiaries ("the Company" or "Andres") is an indirect owned subsidiary of The AES Corporation ("the Parent Company"), with a branch ("the Branch") registered in the Dominican Republic. The Company was formed and incorporated in 1999 in accordance with the laws of The Netherlands, as a private limited liability company. On September 1, 2014, AES Andres B.V., signed an agreement to transfer all assets and liabilities from its Branch in Dominican Republic to AES Andres DR, S.A. (Andres DR), a commercial company organized and established on March 31, 2014 under the laws of the Dominican Republic. In addition, it was agreed that due to the transfer of assets and liabilities, AES Andres B.V. received 111,923 shares and AES DPP Holdings, Ltd. received 1 share of AES Andres DR, S. A.

Andres constructed a 319 MW gas fired combined cycle generation plant ("power plant"), 10MW battery energy storage solution and a liquefied natural gas re–gasification terminal ("LNG facility"), receiving pier, and a pipeline of approximately 35 km to the facilities of Dominican Power Partners ("DPP"), an affiliated entity under common control. The project was constructed in Punta Caucedo, Dominican Republic. Gas operations began in March 2003 and the power plant began commercial operations in December 2003 and the energy storage solution project concluded in June 2017 and was put into service in December 2017 according to the resolution issued by the Superintendence of Electricity ("SIE"). In 2018, Andres began the construction of the gas pipeline of its LNG terminal located in San Pedro de Macoris. This project was transferred in September 2019 to Energía Natural Dominicana Enadom, S. R. L. (Enadom), a related company, through an agreement for the assignment of the project.

Andres is currently the only entry point for liquefied natural gas or "LNG" in the Dominican Republic. The LNG received by Andres is regasified and the resulting natural gas is used by Andres to operate its combined cycle power generation unit, although a higher portion of the natural gas is sold to DPP and third parties under long term natural gas sale and purchase and transportation contracts. The power facility sells all of its power production in the Dominican Republic, mainly through Power Purchase Agreements ("PPA") with distribution companies owed by the Dominican Government and non regulated users (UNR's).

Andres owns the largest thermal power generation unit in the Dominican Republic and is the third largest thermal power generator in the country based on installed capacity.

1. Nature of business, basis of presentation and significant accounting policies (continued)

During 2019, some contracts expired with companies in the Dominican market that are currently permitted to generate their own electricity or contract directly with generators, or the unregulated market (commonly known as "Non-Regulated Users"). As of December 31, 2019 and 2018, the Company has a total of 16 and 28 contracts with Non-Regulated Users, with a total of 54 and 77 MW, respectively, of contracted capacity.

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 Calle Bravo Murillo 101, floor 05, 28020 Madrid, Spain.

In November 2019, the Company acquired 100% of the common stock of the company Parque Eólico Beata, S.R.L., through a purchase agreement. This company was created to develop a 50MW solar generation project in Matanzas, Bani, Peravia province, Dominican Republic, (Bayasol Project). Currently, it is in the process of obtaining the definitive license to develop the project, for which there is a positive recommendation from the Superintendecia de Electriciad (SIE). The Company paid $2.3 million to the previous shareholders of Parque Eólico Beata, S.R.L., representing the acquisition of an intangible asset.

On May 29, 2019, the Company entered into a joint venture through which it acquired 1,800 shares of the company Domi Trading, S.L. and its subsidiary Energía Natural Dominicana Enadom S. R. L. (Enadom), which represents a 50% ownership interest. The main purpose is to dedicate to the operation and management of assets related to the natural gas commercialization business in the Dominican Republic, including storage, distribution, import, export, commercialization, sale and transportation by pipeline, virtual or any other form of liquid, methane, or regasified natural gas; as well as operating, managing and developing the assets of the company.

The administrative offices of the subsidiary AES Andres DR, S. A. are located at Avenida Winston Churchill No. 1099, Torre Acrópolis, 23 floor, Ensanche Piantini, Santo Domingo, Dominican Republic.

1. Nature of business, basis of presentation and significant accounting policies (continued)

Basis of Presentation – The Company maintains its accounting records in U.S. dollars and prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Significant Accounting Policies – A summary of the significant accounting policies used in the preparation of the accompanying consolidated financial statements are as follows:

a. Principles of consolidation – The accompanying consolidated financial statements include the accounts of Andres and its subsidiaries AES Andres DR, S.A. and Parque Eólico Beata, S.R.L. Intercompany balances and transactions have been eliminated in these consolidated financial statements.

The financial statements of the Company´s subsidiaries is prepared for the same reporting period as the parent company, using consistent accounting policies.

b. Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although management believes the estimates and assumptions used in the preparation of these consolidated financial statements were appropriate in the circumstances, actual results could differ from those estimates and assumptions.

c. Transactions in foreign currency – The functional and reporting currency of the Company is the U.S. dollar because the majority of its cash flows are currently, and are expected in the future to be, denominated in U.S. dollars. Transactions denominated in other currencies (mainly Dominican Pesos, RD$, local currency of the Dominican Republic) are recorded at the rate of exchange in effect at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted into the Company's functional currency at the rate of exchange in effect at the consolidated balance sheets dates; the effect of changes in exchange rates is recognized in the consolidated statements of comprehensive income.

d. Cash and Cash Equivalents – The Company considers all highly-liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Part of the cash and cash equivalents includes certificates of deposit used as collateral for employees financing, on which there is no restriction and are granted according to the established benefit policy.

1. Nature of business, basis of presentation and significant accounting policies (continued)

e. ***Restricted Cash*** – Restricted cash as of December 31,2019 and 2018, included accounts retained by local authorities of $0.1 million.

f. ***Inventories*** – Inventories consist of gas, spare parts, supplies and materials and are stated at the lower of cost or market value and are classified in the consolidated balance sheets in accordance with the period in which the inventories are expected to be consumed. Costs are determined using the weighted average cost method. The carrying amount in spare parts and supplies is typically reduced in instances where the items are considered obsolete. The Company performs periodic physical inventories and any difference is adjusted in the consolidated statements of comprehensive income.

g. ***Concentration of Credit Risk*** – Distribution companies (EDE-Este, EDE-Norte and EDE-Sur) and DPP (related party) are the main customers of the Company. Therefore, Andres' accounts receivable are exposed to potential credit loss from those entities. For the years ended December 31, 2019 and 2018, contracted sales to DPP represented 20% and 19% respectively, and to Distribution companies represented 80% and 75%, of total contract revenues. The balance of accounts receivable from DPP represented 29% and 28%, and from Distribution companies 14% and 16%, of total current assets as of December 31, 2019 and 2018, respectively. Consequently, the Company's receivables are exposed to the potential credit loss of these entities. Management monitors accounts receivable for collectability on a monthly basis and records an allowance for doubtful accounts when necessary.

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 years ended December 31, 2019 and 2018, the Company sold accounts receivable amounting to $4.2 million and $34.5 million, respectively.

(Amounts expressed in thousands of US dollars)

1. Nature of business, basis of presentation and significant accounting policies (continued)

h. ***Property, Plant and Equipment*** – Property, plant and equipment, including the cost of improvements, are stated at cost. Cost includes major expenditures for improvements and replacements, which extend useful lives or increase capacity. Interest costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Interest cost capitalized for the years ended December 31, 2019 and 2018, amounted to $4,874 and $501, respectively.

The Company incurred maintenance expenses of $8.5 million and $7.3 million for the years ended December 31, 2019 and 2018, respectively, presented in the consolidated statements of comprehensive income in the section of operating, maintenance and general expenses. All major maintenance disbursements represent the reconditioning of the plant or other assets. These costs, which are not included in the amounts above, are capitalized and then depreciated over the estimated useful life of each asset.

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

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.

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

	Estimated Useful Lives
Generation plant and spare parts	5 to 40 years
LNG facility, pier and pipeline	6 to 50 years
Buildings	5 to 65 years
Vehicles	3 to 5 years
Office equipment and other	4 to 7 years

1. Nature of business, basis of presentation and significant accounting policies (continued)

h. ***Property, Plant and Equipment (continued)*** – The Company evaluates the impairment of long - lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

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

j. ***Leases*** – The Company has operating leases for office space and land in which the Company is the lessee. Operating leases with an initial term of 12 months or less are not recorded on the balance sheet and are expensed on a straight-line basis over the lease term.

Right-of-use assets represent our right to use an underlying asset for the lease term while lease liabilities represent our obligation to make lease payments arising from the lease.

Right-of-use assets and lease liabilities are recognized on commencement of the lease based on the present value of lease payments over the lease term.

The Company determines discount rates based on its existing credit rates of its unsecured borrowings, which are then adjusted for the appropriate lease term.

k. ***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 balance sheets. 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 other-than-temporary.

1. Nature of business, basis of presentation and significant accounting policies (continued)

k. ***Investment in affiliate (continued)*** – 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.

l. ***Deferred Financing Costs*** – Financing costs related to international bonds and long term debt are deferred and amortized using the effective interest method, over the term of such financings. The total net balance of deferred financing costs is presented as a direct reduction from the face amount of the related debt. The Company recorded amortization expense of $531 and $329, net of capitalization, for the years ended December 31, 2019 and 2018, respectively. Deferred financing costs also includes the financing cost of a letter of credit of $135 and $140 for the years ended December 31, 2019 and 2018, respectively.

m. ***Income Taxes*** – The Company recognizes deferred income tax assets and liabilities for the future tax consequences of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases, measured using enacted rates. The effects of changes in the statutory rates are accounted for in the period that includes the enactment date. Deferred income tax assets are also recognized for the estimated future effects of tax loss carryforwards. Deferred income tax assets are reduced to the extent it's more likely than not that future benefits will not be realized.

n. ***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.

1. Nature of business, basis of presentation and significant accounting policies (continued)

n. ***Revenue Recognition (continued)*** – Our 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.

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 MWs.

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.

1. Nature of business, basis of presentation and significant accounting policies (continued)

n. Revenue Recognition (continued) – 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 million of Btu. Customers make payments in advance for gas purchase, which are presented in the consolidated balance sheets under accounts payable and accrued liabilities.

As a practical expedient, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised goods or service to the customer and when the customer pays for that goods or service will be one year or less.

o. Fair value of financial instruments – The fair value of the current financial assets and current financial liabilities are estimated to be equal to their reported carrying amounts due to the short-term maturities of these instruments. The fair value of affiliate receivables and payables is not practicable to estimate due to the related party nature.

The bonds payable as of December 31, 2019 and 2018 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 (Note 14) and is classified at Level 2 in the hierarchy of fair value (Note 22).

The Company calculates the fair value of the long term debt as of December 31, 2019 and 2018 based on information available as of the date of each consolidated balance sheet. The Company is not aware of any factor that could significantly affect the estimate of fair value at that date. This loan was contracted at a variable rate, therefore, the Company considers that its fair value resembles the book value and is classified at Level 2 in the hierarchy of fair value (Note 22).

The fair value of the Company's derivatives were determined using an internal valuation model, based on observable market inputs including forward prices. These derivatives are considered at Level 3 in the hierarchy of fair value (Note 22).

1. Nature of business, basis of presentation and significant accounting policies (continued)

p. Derivative Financial Instruments **-** The Company records all derivatives on the consolidated balance sheets 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.

Derivatives that are considered to be hedges from an accounting perspective are recognized in the consolidated balance sheets at fair value with changes in fair value either: (1) offset by changes in fair value of the hedged assets, liabilities or firm commitments through earnings as a component of the corresponding asset or liability if the derivative is designated as a fair value hedge, or (2) recognized in other comprehensive income until the hedged item is recognized in earnings if the derivative is designated as a cash flow hedge. The ineffective portion of the change in fair value for a hedging derivative is immediately recognized in earnings regardless of whether the hedging derivative is designated as a cash flow or fair value hedge.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument goes further than the current period and it is not expected to be realized or settled within the current period.

Certain derivatives are not designated as hedging instruments. While these instruments economically hedge interest rate risk, foreign exchange risk or commodity price risk, they do not qualify for hedge accounting treatment. Changes in fair value are recognized in earnings in the current period. Beginning in 2008, the Company recognized a commodity embedded derivative for the LNG supply contract, for which the fair value was determined to be a liability of $363 as of December 31, 2019 and $474 as of December 31, 2018. The Company recognized a commodity embedded derivative related to a new amendment signed in February 2008 for the LNG supply contract, for which the fair value was determined to be an asset of $873 and $1,191 as of December 31, 2019 and 2018, respectively. In December 2018, the Company recognized a commodity embedded derivative for a price of 1,740,000 MMbtu to be purchased, for which the fair value was determined to be an asset of $1 and a liability of $61 as of December 31, 2019.

q. Severance benefits – The Dominican Republic Labor Code requires severance benefits be paid to employees terminated without justified cause. The Company recognizes the expense for these severance benefits as incurred.

(Amounts expressed in thousands of US dollars)

1. Nature of business, basis of presentation and significant accounting policies (continued)

r. ***New Accounting Standard*** – The following table provides a brief description of recent accounting pronouncements that had and/or could have a material impact on the Company's consolidated financial statements. Accounting pronouncements not listed below were assessed and determined to be either not applicable or are expected to have no material impact on the Company's consolidated financial statements.

New Accounting Standard Adopted

ASU Number and Name	Description	Date of Adoption	Effect on the financial statements upon adoption
2016-02, 2018-01, 2018-10, 2018-11, 2018-20, 2019-01, Leases (Topic 842)	See discussion of the ASU below.	January 1, 2019	See impact upon adoption of the standard below.

On January 1, 2019, the Company adopted ASC 842 Leases and its subsequent corresponding updates ("ASC 842"). Under this standard, lessees are required to recognize assets and liabilities for most leases on the balance sheet, and recognize expenses in a manner similar to the prior accounting method. For lessors, the guidance modifies the lease classification criteria and the accounting for sales-type and direct financing leases. The guidance eliminates previous real estate-specific provisions.

During the course of adopting ASC 842, the Company applied various practical expedients including:

- The package of practical expedients (applied to all leases) that allowed lessees and lessors not to reassess:

  a. whether any expired or existing contracts are or contain leases,
  b. lease classification for any expired or existing leases, and
  c. whether initial direct costs for any expired or existing leases qualify for capitalization under ASC 842.

1. Nature of business, basis of presentation and significant accounting policies (continued)

r. New Accounting Standards (continued)

- The transition practical expedient for lessees that allowed businesses to not separate lease and non-lease components. The Company applied the practical expedient to all classes of underlying assets when valuing right-of-use assets and lease liabilities. Contracts where the Company is the lessor were separated between the lease and non-lease components.

The Company applied the modified retrospective method of adoption and elected to continue to apply the guidance in ASC 840 Leases to the comparative periods presented in the year of adoption. Under this transition method, the Company applied the transition provisions starting at the date of adoption. There was no cumulative effect of the adoption of ASC 842 on the Company's consolidated balance sheet as of January 1, 2019.

(Amounts expressed in thousands of US dollars)

2. Cash and cash equivalents

Cash and cash equivalents as of December 31, 2019 and 2018 are detailed as follows:

	2019	2018
Cash in US dollars	**$ 59,167**	$ 16,363
Cash in Dominican pesos	**1,756**	161
Cash in EURO	**171**	750
Cash equivalents:		
Term deposits and certificates of investment in US dollars, average annual interest rate of 2.3% as of December 31, 2018.	**—**	22,692
Term deposits in Dominican Pesos, average annual rate of 6.8% as of December 31, 2019 and 2018.	**3,173**	231
Total	**$ 64,267**	$ 40,197

Cash equivalents represent financial certificates maturing in less than three months from the original maturity, of which $0.2 million is used as collateral for loans to employees as of December 31, 2019 and 2018, over which there is no restriction.

3. Related parties

Natural gas sale and purchase agreements

In March 2002, the Company entered into a 20–year LNG supply contract with Atlantic Basin Services, Ltd. (“ABS”), an affiliated entity under common control (“The LNG Sales Contract”). Under a take or pay agreement, Andres has agreed to purchase a minimum quantity of LNG. In February 2008, a third amendment was signed whereby the minimum quantities to purchase were modified starting in 2010 to 33.6 TBtus per year (trillions of British Thermal Units).

ABS purchases the fuel from a third party and sells it to Andres at cost plus a fixed fee of $10 per month, which is presented in the consolidated statements of comprehensive income under operating, maintenance and general expenses, included in contracted services. In addition, ABS invoiced to the Company the services of tugboats which totaled $2.3 million and $1.8 million, for the years ended December 31, 2019 and 2018, respectively, which are presented in cost of revenues. On December 30, 2003, the Company entered into the Amendment No. 1 to the LNG Sales Contract with ABS to change the pricing structure of the contract in order to reflect more properly the variability of the cost of natural gas, by adding $0.20 per MMBtu (millions of British Thermal Units) to the cost of purchase.

3. Related parties (continued)

Natural gas sale and purchase agreements (continued)

As of January 7, 2014, AES Andres B.V. agreed with ABS to assign this contract to AES Andres (BVI) LTD., an affiliated entity under common control, under the same terms and conditions. Meanwhile AES Andres B.V. and AES Andres (BVI) LTD., signed an LNG purchase contract which expires in 2023. On April 9, 2014, a "Novation Agreement" to the Side Letter Agreement dated August 9, 2013, was signed between the Company, AES Andres DR, S.A. and BP Gas Marketing Limited, with the purpose that the new entity assume all obligations of the Branch at the effective date September 1, 2014. Under this agreement AES Andres (BVI) LTD. buys fuel from ABS and sells it to the AES Andres DR, S.A. at cost plus $1.60 per MMBtu, plus a fixed fee of $15 thousand per month, which is presented in the consolidated statements of comprehensive income under operating, maintenance and general expenses, included in contracted services totaling $0.2 million during 2019 and 2018.

The LNG purchase cost associated with this contract is presented in the consolidated statements of comprehensive income as cost of revenues of $317.0 million and $277.4 million for the years ended December 31, 2019 and 2018, respectively.

AES Andres DR, S.A. granted a 20–year guaranty to BP Gas Marketing Limited ("BP") in reference to the LNG Sales Contract signed between ABS and BP, in order to guarantee the payment of all the due and payable liabilities and obligations under such contract. The aggregate amount of the guaranty shall not exceed $100 million. This guaranty expires in 2023.

In 2002, Andres signed both a natural gas sale and purchase agreement ("the Gas Purchase Contract") and a Natural Gas Transportation Contract with DPP that commenced upon completion of the LNG facility and the pipeline in March 2003. Both contracts expire in April 2023. An Amendment No. 2 to the Gas Purchase Contract was entered into by and between DPP and the Company, dated December 30, 2003, in order to change the pricing structure. In September 2008, Amendment No. 2 of Natural Gas Transportation Contract was entered into by and between DPP and the Company, in order to change the transportation services pricing structure. The revenues associated with these contracts are included in the consolidated statements of comprehensive income as natural gas sales totaling $92.3 million and $95.6 million for the years ended December 31, 2019 and 2018, respectively, and as natural gas transportation totaling $8.6 million and $8.4 million for the years ended December 31, 2019 and 2018, respectively.

3. Related parties (continued)

Energy sales contracts (PPA)

On May 10, 2017, the Company entered into a new contract of energy with DPP by which the Company purchases energy and firm capacity assigned. This contract began on June 1, 2017 with a indefinite duration, unless both parties agree on its suspension. The purchases associated with this contract consist of energy purchases that are included in the consolidated statements of comprehensive income as cost of revenue of $31.0 million for the year ended December 31, 2019 (2018: $107.4 million).

For the years ended December 31, 2019 and 2018, the Company purchased energy from Empresa Generadora de Electricidad Itabo, S.A. (Itabo) in the spot market, totaling $1.1 million and $2.3 million, respectively. The company did not sell energy to Itabo during 2019 (2018: $0.7 million).

Administrative Agreements

The Company entered into a management agreement (the "Services Agreement") on December 17, 2009 with AES Solutions, LLC. ("Solutions"), a related company owned by The AES Corporation, through which Solutions is responsible to provide technical assistance and transfer technology necessary to ensure the competitiveness of Andres in the Dominican energy market.

The contract has a validity of 3 years and after this period it is expected to be renewed annually. Andres will have to pay for this contract, the actual cost assumed by Solutions plus 4% of said cost. Fees incurred related to this contract are presented in the consolidated statements of comprehensive income under operating, maintenance and general expenses, included in contracted services totaling $2.8 million from January 1, 2019 to June 30, 2019 and $5.0 million for the year 2018. On July 1, 2019, this contract was assigned to AES Latin America S. de R.L., a related company owned by subsidiaries of AES. The expenses for fees related to this contract from July 1, 2019 to December 31, 2019 totaled $4.4 million and a balance payable due of $1.8 million at December 31, 2019.

Others

The Company has comprehensive risk insurance contracted with AES Global Insurance Corporation (AGIC), a related company owned by The AES Corporation, which covers certain operating risks including damage to machinery and business interruption. For this contract, the Company has recognized in operating, maintenance and general expenses in the consolidated statements of comprehensive income, insurance cost of $7.9 million and $5.3 million for the years ended December 31, 2019 and 2018, respectively.

3. Related parties (continued)

Others (continued)

On September 3, 2018, lightning affected the Andres 319MW combined cycle natural gas facility in the Dominican Republic resulting in significant damage to its steam turbine and generator. The Company has business interruption and property damage insurance coverage, subject to pre-defined deductibles, under its existing programs. In September 2019, it restarted operations.

As of December 31, 2019, the Company has registered $281.6 million to be collected from the insurance company related to the above mentioned event. From this amount, $20.1 million corresponds to property damage, $97.1 million to recovery expense and $164.4 million to business interruption (energy purchases and lost margin). In December 2018, the Company collected $20 million ($8.7 million for property damage and $11.3 million for business interruption). During 2019, the Company collected $252 million ($110.0 million for property damage and recovery expenses and $142.0 million for business interruption). The total amount to be collected as of December 31, 2019 is $9.6 million and is presented in the consolidated balance sheet as other receivable - related parties. During 2019, the Company recognized in the consolidated statement of comprehensive income as insurance claims an amount of $89.2 million within other income (expenses). Additionally, $96.3 million was recognized as a business interruption and is included as a reduction of cost of revenues.

The Company has an accounts payable to its Parent Company, of $0.03 million and $0.002 million as of December 31, 2019 and 2018, respectively, for the reimbursement of salaries and benefits for executives and other direct costs.

The Company has an accounts receivable with AES Hispanola Holding, B.V., a related company owned by The AES Corporation, related to the reimbursement of tax payment made by AES Andres DR, S.A. During 2019, this accounts receivable was collected.

On May 1, 2017, the Company entered into a service agreement with Fluence Energy, LLC, a related company owned by The AES Corporation, through which Fluence shall temporarily provide technical services that are detailed in said contract, to work on a project developed by the Company. The term of this agreement is one year and will be renewed annually unless terminated by any of the parties. The total expense related to this contract is $0.1 million for both years ended December 31, 2019 and 2018 and is included in the consolidated statements of comprehensive income as operating, maintenance and general expenses.

3. Related parties (continued)

Others (continued)

On August 2, 2016, the Company entered into an expense reimbursement agreement with Gas Natural Atlántico, S.R.L., who is managing the construction of a gas plant, and is owned by The AES Corporation. The Company shall temporarily provide the technical personnel detailed in said contract to work on the development, construction, operation and initiation of the commercial operations of the project. During the term of the agreement, the Company will be responsible for the costs and payments of these employees. This agreement is effective as of October 1, 2015 for a maximum total amount of $1.1 million in effect until the date of substantial termination of the generation plant. In 2019, an additional amount of $1.1 million was approved. As of December 31, 2019, the total amount of reimbursable expenses related to this contract is $1.1 million (2018: $0.1 million), of which $0.9 million (2018: $0.001 million) are uncollected.

During 2019, two LNG sales contracts were executed with Gas Natural Atlántico, S.R.L., one in August for 1.6 TBTU and one in September for 0.5 TBTU. Income from these contracts for the year ended December 31, 2019 was $11.8 million and is presented in the consolidated statement of comprehensive income and is uncollected at December 31, 2019.

The Company made donations to Fundación AES Dominicana in 2019 and 2018, respectively, for $0.4 million and $0.6 million, respectively which are presented in the consolidated statements of comprehensive income under operating, maintenance and general expenses as contracted services.

The Company paid dividends of $140.0 million and $38.0 million in 2019 and 2018, respectively.

Construction Management Agreement

On September 23, 2019, the Company signed a construction management agreement with Enadom, a related company, through which the Company will provide assistance in engineering, purchasing and services of construction. The term of this contract is until the construction of the Eastern Gas Pipeline is completed, and the total amount will be $3.9 million. As of December 31, 2019, the Company recognized $2.4 million net of costs incurred at the time of the pipeline transfer.

3. Related parties (continued)

Management agreement

The Company with Domi Trading, S.L. a related company, signed a management agreement on September 23, 2019 with Enadom, through which both companies are responsible for providing general assistance in the process of operation, finance, human resources, insurance, information technology, and others in order to ensure Enadom's competitiveness in the Dominican market. The contract is for a term of ten years and it will be automatically renewed for five more years. Enadom must pay \$0.2 million plus taxes annually from this contract from the start date until it obtains the commercial operation date of the Gasoducto del Este project, after which the amount to be paid will be \$0.4 million per year plus taxes. The income from fees related to this contract is presented in the consolidated statement of comprehensive income for an amount of \$0.05 million for the period from September 1, 2019 to December 31, 2019.

As of December 31, 2019, the Company has accounts receivable of \$5.0 million related to construction management agreement, management agreement and reimbursement expenses of the Gasoducto del Este project.

(Amounts expressed in thousands of US dollars)

3. Related parties (continued)

As a result of the operations and contracts mentioned above and other less significant transactions carried out with affiliates, related party accounts receivable and payable as of December 31, 2019 and 2018 are as follows:

Accounts receivable - related parties:	**2019**	2018
Dominican Power Partners	**$ 74,873**	$ 82,197
Empresa Generadora de Electricidad Itabo, S.A.	**91**	57
Total accounts receivable – related parties	**$ 74,964**	$ 82,254
AES Hispanola Holdings B.V.	**$ —**	$ 2,947
Atlantic Basin Services, Ltd.	**—**	489
AES Fonseca Energía, Ltda. de C.V.	**124**	124
AES Africa Power Company B.V.	**115**	115
AES Hispanola Holdings II B.V.	**11**	223
Gas Natural Atlántico S.R.L.	**12,751**	1
AES Global Power Holding B.V.	**46**	45
AES Andres (BVI) Ltd.	**6**	24,576
AES Global Insurance Corporation	**9,552**	45,764
Energía Natural Dominicana ENADOM, S.R.L.	**5,040**	—
Others	**134**	119
Total other receivables – related parties	**$ 27,779**	$ 74,403

Accounts payable - related parties:	**2019**	2018
Dominican Power Partners	**$ 128,215**	$ 148,918
AES Andres (BVI) Ltd.	**4,860**	526
Atlantic Basin Services, Ltd.	**351**	135
Empresa Generadora de Electricidad Itabo, S.A.	**197**	289
AES Global Power Holding B.V.	**—**	2
AES Latin America S. de R.L.	**1,805**	—
Others	**127**	448
Total accounts payable and accrued liabilities – related parties	**$ 135,555**	$ 150,318

(Amounts expressed in thousands of US dollars)

4. Accounts receivable

The accounts receivable balances as of December 31, 2019 and 2018, consist of the following:

		2019		2018
Spot and PPA electricity market agents	**$**	**33,298**	$	47,603
Non - regulated users		**2,788**		2,490
Others receivables		**28,894**		25,734
Total	**$**	**64,980**	$	75,827

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

Other receivables includes unbilled revenue.

Sector Agreements

On March 15, 2019, the Company entered into a sales and credit assignment agreement with CDEEE, the distribution companies owned by the Government of the Dominican Republic and the Bank, in which the Bank committed and paid $33.9 million for 100% of the accounts receivable that the Company had with the distribution companies at that date. This transaction was a sale without recourse for the Company.

5. Other receivable

The other receivable balance as of December 31, 2019 and 2018, consist of the following:

		2019		2018
Advances to employees	**$**	**37**	$	11
Others		**68**		73
Total	**$**	**105**	$	84

(Amounts expressed in thousands of US dollars)

6. Inventories, net

Inventories, net balances as of December 31, 2019 and 2018, consist of the following:

		2019		2018
Liquified natural gas	**$**	**14,750**	$	2,896
Spare parts and other materials		**10,339**		10,434
Inventory in transit		**227**		61
Allowance for obsolescence		**(238)**		(163)
Total	**$**	**25,078**	$	13,228

During 2019 and 2018, there were adjustments for impairment of inventories of $0.1 million and $0.2 million, respectively, which are shown under operating, maintenance and general expenses in the consolidated statements of comprehensive income.

7. Prepaid expenses and other assets

The prepaid expenses and other assets balances as of December 31, 2019 and 2018, consist of the following:

		2019		2018
Prepaid insurance	**$**	**23**	$	28
Prepayments to vendors		**622**		596
Other prepaid expenses		**189**		4
Total	**$**	**834**	$	628

(Amounts expressed in thousands of US dollars)

8. Property, plant and equipment, net

The activity in property, plant and equipment, net as of December 31, 2019, consist of the following:

	2018	Additions	Reductions	Reductions for business sale	Transfers	2019
Original value:						
Generation plant	$ 398,057	$ 2,208	$ (17,134)	$ —	$ 141,725	$ 524,856
LNG facility, pier and pipeline	61,522	—	—	—	—	61,522
Spare parts	22,190	177	(163)	—	1,321	23,525
Buildings	15,899	—	(69)	—	—	15,830
Vehicles	688	—	—	(265)	291	714
Office equipment and others	4,506	59	—	(23)	173	4,715
Subtotal	502,862	2,444	(17,366)	(288)	143,510	631,162
Accumulated depreciation						
Generation plant	(80,538)	(13,810)	14,375	—	(57)	(80,030)
LNG facility, pier and pipeline	(65,817)	(4,461)	—	—	—	(70,278)
Spare parts	(2,056)	(740)	13	—	57	(2,726)
Buildings	(3,348)	(337)	12	—	—	(3,673)
Vehicles	(465)	(110)	—	103	—	(472)
Office equipment and others	(3,637)	(314)	—	17	—	(3,934)
Subtotal	(155,861)	(19,772)	14,400	120	—	(161,113)
Subtotal	347,001	(17,328)	(2,966)	(168)	143,510	470,049
Land	36,522	—	(46)		424	36,900
Construction in progress	13,628	188,546	—	(52,166)	(143,934)	6,074
Total, net	$ 397,151	$ 171,218	$ (3,012)	$ (52,334)	$ —	$ 513,023

During the years ended December 31, 2019 and 2018, the Company recorded depreciation expense of $19,772 and $19,634, respectively.

(Amounts expressed in thousands of US dollars)

9. Intangible assets, net

The following table summarizes the balances comprising of intangible assets in the accompanying consolidated balance sheets as of the end of the years indicated:

	2019			2018		
	Original Value	**Accumulated Amortization**	**Net Balance**	Original Value	Accumulated Amortization	Net Balance
Internal use software	**$ 3,678**	**$ (2,195)**	**$ 1,483**	$ 3,545	$ (1,668)	$ 1,877
License project	**3,177**	**—**	**3,177**	—	—	—
Total	**$ 6,855**	**$ (2,195)**	**$ 4,660**	$ 3,545	$ (1,668)	$ 1,877

The movement of intangible assets is as follows:

	Internal use software	**License project**	**Total**
Balance as of January 1, 2018	$ 377	$ —	$ 377
Additions	1,682	—	1,682
Amortization	(182)	—	(182)
Balance as of December 31, 2018	1,877	—	1,877
Additions	**133**	**3,177**	**3,310**
Amortization	**(527)**	**—**	**(527)**
Balance as of December 31, 2019	**$ 1,483**	**$ 3,177**	**$ 4,660**

The following table summarizes the estimated amortization expense for 2020 through 2023:

2020	$ 614
2021	579
2022	178
2023	112
Total	**$ 1,483**

(Amounts expressed in thousands of US dollars)

10. Lease

The Company has operating leases for office space and land in which the Company is the lessee. Under ASC 842, lessees are required to recognized right-of-use assets and lease liabilities for most leases on the consolidated balance sheet, and recognize expenses in a manner similar to prior accounting method.

The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives paid to the lessee up front. In the event that the terms of the lease include the option to extend or terminate the lease, they are explicitly established in each contract.

Operating lease expense for lease payments is recognized on a straight line basis over the term of the lease. Variable payments excluded from right-of-use assets and lease liabilities are recognized as incurred.

Right-of-use assets are long-term in nature. The following table summarizes the balances of assets and liabilities for financial leasing, presented in the consolidated balance sheets as of December 31, 2019:

	Classification in the Balance Sheets	Land	Building	Total
Assets				
Beginning balance as of January 1, 2019		$ —	$ 175	$ 175
Additions		3,973	—	3,973
Amortization expense		(6)	(139)	(145)
Total Right-of-use assets as of December 31, 2019	Right-of-use assets	**$ 3,967**	**$ 36**	**$ 4,003**
Liabilities				
Operating lease (current)	Lease liability	$ 31	$ 36	67
Operating lease (non-current)	Lease liability	3,740	—	3,740
Total operating lease liabilities		**$ 3,771**	**$ 36**	**$ 3,807**

(Amounts expressed in thousands of US dollars)

10. Lease

The following table summarizes supplemental balance sheet information related to leases as of the period indicated:

December 31, 2019	Land	Building
Weighted-average remaining lease term — operating leases	34.8 years	0.3 years
Weighted-average discount rate — operating leases	5.18%	5.96%

The following table summarizes the components of lease expense recognized in cost and expenses in the consolidated statements of comprehensive income for the year ended:

Components of the Lease Cost	Classification in the Consolidated Statements of Comprehensive Income	December 31, 2019
Operating lease cost - short term	Operating, maintenance and general expense	$ 95
Amortization of Right-of-use assets	Operating, maintenance and general expense	145
Total lease cost		**$ 240**

The following table shows the future lease payments under operating and finance leases for continuing operations together with the present value of the net lease payments as of December 31, 2019 for 2020 through 2054:

Year	Land	Building	Total
2020	$ 31	$ 36	$ 67
2021	42	—	42
2022	44	—	44
2023	47	—	47
2024	49	—	49
2025	52	—	52
2026-2054	3,506	—	3,506
Total	**$ 3,771**	**$ 36**	**$ 3,807**

(Amounts expressed in thousands of US dollars)

11. Investment in affiliate

Beginning May 29, 2019, the Company has a participation of 50% in Domi Trading S.L. and its subsidiary Enadom. The participation of the Company is recorded using the participation method the consolidated financial statements.

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

Affiliate	Commercial activity	% of equity participation 2019	December 31 2019
Domi Trading S.L. and subsidiary	Natural gas commercialization	**50.0%**	**$47,544**

Affiliate	Assets	Liabilities	Equity	Revenues	Expenses	Net Loss	Equity Participation
Domi Trading S.L. and subsidiary	**$197,075**	**$ 79,601**	**$117,474**	**$ —**	**$ (2,319)**	**$ (2,319)**	**$ (1,160)**

(Amounts expressed in thousands of US dollars)

12. Other assets

Other assets as of December 31, 2019 and 2018, consist of:

	2019	2018
Advances for purchase of property, plant and equipment	**$ 2,843**	$ 17,167
Guarantee deposit	**20**	16
Total	**$ 2,863**	$ 17,183

13. Accounts payable and accrued liabilities

The accounts payable and accrued liabilities balance as of December 31, 2019 and 2018, consist of the following:

	2019	2018
Other accrued liabilities	**$ 2,446**	$ 6,507
Energy suppliers	**15,125**	7,838
Accrued interest	**2,643**	2,595
Incentive compensation payable	**335**	312
Local suppliers	**19,441**	4,529
International suppliers	**14,266**	2,908
Contract liabilities	**6,605**	652
Legal, tax and accounting fees	**34**	43
Other	**2,629**	3,093
Total	**$ 63,524**	$ 28,477

Accounts payable to local and international suppliers are due for up to 45 days from the date of issue of the respective documents or invoices, are not subject to any discount for prompt payment and most of them are payable in the currency of issue of the invoice. Electricity purchases payable (energy suppliers) generate interest if they are not paid at maturity. Contract liabilities include customer gas advance purchases and energy guarantee deposits.

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

(Amounts expressed in thousands of US dollars)

14. Financial debt - net

Line of credit

On December 6, 2019, Scotiabank disbursed to the Company of $50 million with an interest rate of LIBOR plus 1.5% of which $30 million was paid by the end of December 31, 2019 and $20 million remains payables as of December 31, 2019, which are presented in the consolidated balance sheet.

International Bonds

On May 11, 2016, the Company issued $220.1 million in bonds in international markets under Rule 144A and Regulation S, with a single and definitive payment due in May 2026 at an interest rate of 7.95% per annum. Interest payments are semi-annual from November 2016. The total debt issuance costs amounted to $8.5 million.

		2019		2018
International bonds	**$**	**220,100**	$	220,100
Deferred financing costs - net		**(3,335)**		(3,765)
Unamortized discount		**(3,261)**		(3,682)
Total bonds payable - net	**$**	**213,504**	$	212,653

The deferred financing costs - net as of December 31, 2019 and 2018 consists of:

		2019		2018
Deferred financing cost at beginning of the year	**$**	**3,765**	$	4,084
Amortization of deferred financing cost during the year		**(430)**		(319)
Total deferred financing cost at end of the year	**$**	**3,335**	$	3,765

The unamortized discount as of December 31, 2019, and 2018 consists of:

		2019	2018
Unamortized discount at the beginning of the year	**$**	**3,682**	3,994
Amortization of discount during the year during the year		**(421)**	(312)
Total unamortized discount at the end of the year	**$**	**3,261**	3,682

(Amounts expressed in thousands of US dollars)

14. Financial debt - net (continued)

Long term debt, net

On October 31, 2018, AES Andres DR, S.A. executed a loan agreement up to $88 million with Banco Centroamericano de Integración Económica and Banco Múltiple BHD León, S.A., and Banco Múltiple BHD León, as Administrative Agent. In September 2019, this loan was extinguished early and the total amount of deferred financing cost were written off for an amount of $1.4 million, which are included as part of interest expense, net in the consolidated statement of comprehensive income as write off of deferred financing costs due to early debt repayment.

On September 26, 2019, the Company signed a loan agreement of $45 million with Banco Múltiple BHD León S.A with an annual fixed interest rate of 4.5%, with a maturity of 2 years from the disbursement. The amount due will be fully reimbursed upon the expiration of the established term.

In November 2019, the Company signed a loan agreement of $50 million with Banco Múltiple BHD León S.A up to an amount of $30 million jointly with BHD International Bank (Panama) S.A up to an amount of $20 million with a variable interest rate of LIBOR 3 months + a margin of 3.25%, maturity date established is September 15, 2029. This loan was acquired in order to finance the construction of the Bayasol solar energy project up to an installed capacity of 50MW. At the end of 2019, disbursements of $5 million had been processed, which have a maturity of 15 months. Dominican Power Partners participates as guarantor for this loan.

The Company paid costs for the issuance of this loan of $529, which are deferred and amortized under the effective interest method over the term of the debt.

	2019	2018
Long term debt	**$ 50,000**	$ 14,000
Deferred financing costs - net	**(508)**	(1,509)
Total financial debt - net	**$ 49,492**	$ 12,491

	2019	2018
Deferred financing cost at beginning of the year	**$ 1,509**	$ —
Write off - early extinguishment of debt	**(1,415)**	—
Payment of financing cost	**529**	1,520
Capitalized financing cost	**(14)**	(1)
Amortization of financing cost during the year	**(101)**	(10)
Total deferred financing cost at end of the year	**$ 508**	$ 1,509

14. Financial debt - net (continued)

Long term debt, net (continued)

As a consequence of the aforementioned issuance of financing agreements, the Company must comply with certain obligations and limitations in order to carry out certain transactions, including the incurrence of additional debt or to make dividend payments. Before executing the aforementioned transactions, the Company must validate and verify that all contract covenants are being complied with including:

- Financial Ratios to Incur Additional Debt: refers to ratios that the Company must comply with in order to incur in additional debt, except for the exceptions stipulated in the relevant financing agreement.

- Financial Ratios to Pay Dividends: refers to ratios that the Company must comply with in order to make a dividend payment, except for the exceptions stipulated in the relevant financing agreement.

- Debt Service Coverage Ratio: has to be greater than 2.5x and Debt to EBITDA ratio has to be less than 3.5x.

As of December 31, 2019, the Company is in compliance with all of its commitments and restrictions in relation to such financing arrangements.

15. Income tax

Andres B.V. was a private limited liability company registered in the Netherlands. In January 2016, AES Andres B.V. changed its residence to Madrid, Spain and became a resident for statutory purposes in Spain, and subject to Spanish income tax. In general, the worldwide taxable profits, including income and losses in foreign branches, is subject to the Corporate Income Tax of Spain; however, the offsetting of taxes paid abroad as well as the exclusion of foreign source income are allowed in accordance with applicable tax laws.

AES Andres DR, S. A. is also subject to the tax regime applicable to Dominican business activities, as provided in the Tax Code of the Dominican Republic, Law 11-92 of May 31, 1992 and its amendments.

Current income tax

Current income tax for the fiscal years ended December 31, 2019 and 2018 at AES Andres B.V. was determined considering the Law 27/2014 of the Corporate Income Tax and its regulations in Spain. The applicable tax rate at December 31, 2019 and 2018 was 25% of the net taxable income.

Current income tax at AES Andres DR, S.A. is calculated based on what is established in Law 11-92, Tax Code of the Dominican Republic, its regulations and its modifications. The tax rate used to determine the income tax at December 31, 2019 and 2018 was 27% of the net taxable income.

Tax on assets

The tax on assets corresponds to 1% of the taxable assets. For electricity companies, taxable assets correspond to the total fixed assets, net of accumulated depreciation. This tax may be used as a credit against the income tax as follows: if the income tax is greater than the tax on assets, there is no obligation to pay the latter; otherwise, the difference between the income tax due and the tax on assets must be paid. The Company records the tax on assets expense in the consolidated statements of comprehensive income in operating, maintenance and general expenses.

(Amounts expressed in thousands of US dollars)

15. Income tax (continued)

Dividends

Dividends are subject to a 10% withholding tax. This tax is established to the branches and permanent establishments when they remit profits to their Head Office or Main Offices. As a result of the application of the Agreement between the Dominican Republic and the Kingdom of Spain to avoid double taxation and to prevent tax evasion in respect of income taxes, the dividends paid by AES Andres DR, S.A. to its parent company AES Andres B.V. are not subject to withholding tax of 10% because the latter is the beneficial owner with more than 75% of the share capital of the subsidiary paying the dividends.

The income tax and other tax receivable (payable) balance as of December 31, 2019 and 2018 consists of:

	2019	2018
Income tax and other tax receivable at beginning of year	**$ 10,337**	$ 9,204
Income tax payments	**7,291**	16,993
Current income tax expense	**(51,281)**	(13,319)
Tax on assets	**(3,222)**	(2,080)
Exchange effect	**1,431**	(461)
Income tax and other tax (payable) receivable at year end	**$ (35,444)**	$ 10,337

Deferred income tax as of December 31, 2019 and 2018 is comprised as follows:

	2019	2018
Assets:		
Deferred revenues and others	**$ 180**	$ 171
Total deferred tax asset	**180**	171
Liabilities:		
Accelerated tax depreciation	**(24,567)**	(25,848)
Total deferred tax liability	**(24,567)**	(25,848)
Net non-current deferred income tax liability	**$ (24,387)**	$ (25,677)

In compliance with the current transfer pricing regulations, the Company reviewed the transactions with related parties and concluded that the operations carried out during the years ended December 31, 2019 and 2018 have no significant impact on the provision of income tax.

(Amounts expressed in thousands of US dollars)

15. Income tax (continued)

The income tax expense is comprised as follows:

		2019		2018
Current	**$**	**51,281**	$	13,319
Deferred		**(829)**		3,463
Total income tax expense	**$**	**50,452**	$	16,782

For the years ended December 31, 2019 and 2018, the Company´s effective income tax rate for financial reporting purposes was 26% and 32%, respectively. The primary difference between the statutory income tax rates and the effective income tax rates relate to the amortization for income tax of non-monetary assets indexation. Other less significant differences also existed in both years.

In accordance with ASC 740 "Income Taxes", tax positions are recognized in financial statements if that position is more likely than not to be sustained by the tax authority. Any interest and penalties related to income tax exposures would be recognized within interest expense and other operating income (expense) respectively, in the consolidated statements of comprehensive income. The Company has not recorded any liabilities for uncertain tax positions as of December 31, 2019 and 2018.

16. Other liabilities

Other liabilities balances as of December 31, 2019 and 2018, consist of the following:

		2019		2018
Long - term liabilities:				
Long - term contingent legal reserves	**$**	**19**	$	20
Total	**$**	**19**	$	20

(Amounts expressed in thousands of US dollars)

17. Cost of revenue - electricity purchases and fuel costs used for generation

The cost of revenues for electricity purchases and fuel costs used for generation for the years ended December 31, 2019 and 2018, consists of the following:

		2019		2018
Fuel and fuel related costs used for generation	**$**	**16,719**	$	59,115
Electricity purchases		**109,418**		164,929
Transmission charges		**13,006**		14,372
	$	**139,143**	$	238,416

18. Operating, maintenance and general expenses

The operating, maintenance and general expenses for the years ended December 31, 2019 and 2018, consist of the following:

		2019		2018
Maintenance expenses	**$**	**8,529**	$	7,328
Salaries, wages and benefits		**5,718**		5,782
Insurance		**8,309**		5,758
Consultants and legal fees		**2,229**		2,691
Tax on assets		**3,222**		2,080
Contracted services		**7,833**		5,950
Facilities management expenses		**970**		968
Management fees		**120**		120
Amortization of right-of-use assets		**145**		—
Supplies and consumables used in generation		**280**		298
Other taxes		**29**		147
Property rental		**—**		209
Other expenses		**3,793**		2,505
Total	**$**	**41,177**	$	33,836

(Amounts expressed in thousands of US dollars)

19. Interest expense – net

Net interest expense for the years ended December 31, 2019 and 2018, consists of the following:

	2019	2018
Interest expense - financial	**$ 15,056**	$ 17,291
Interest expenses - commercial	**717**	168
Subtotal	**15,773**	17,459
Amortization of deferred financing costs	**666**	469
Write off of deferred financing costs due to early debt repayment	**1,415**	—
Interest income - commercial	**(2,361)**	(3,946)
Interest income - financial	**(1,092)**	(792)
Subtotal	**(3,453)**	(4,738)
Total	**$ 14,401**	$ 13,190

Commercial interest is determined in accordance with the Dominican electricity sector regulation and the terms established in the power purchase agreements. Accounts receivable and accounts payable with the electricity sector spot market, denominated in Dominican Pesos, are subject to the local active interest rate for domestic currency plus a penalty of eighteen percent (18%) as established in Article 355 of the General Law of Electricity Sector. The average interest rate applied to spot market accounts receivable and payables in US dollars in 2019 and 2018, was 5.77% and 6.08%, respectively, and in Dominican pesos was 12.44% and 12.06%, respectively.

(Amounts expressed in thousands of US dollars)

20. Other income (expense) – net

Other income (expense) – net for the years ended December 31, 2019 and 2018, consists of the following:

	2019	2018
Loss on early extinguishment of debt	**$ (240)**	$ —
Loss on asset disposals	**(3,012)**	(20,214)
Insurance claims	**91,936**	17,317
Gain on sale of scrap	**7**	9
Other	**1,586**	210
Total	**$ 90,277**	$ (2,678)

- Income for insurance claims of $91.9 million are related to amounts received from the insurance company for recovery damages caused by the lightning event.
- Other income include $1.6 million related to transfer of project of Gasoducto del Este to Enadom on September 2019.

21. Commitments and contingencies

As of December 31, 2019, the Company has the following commitments and contingencies:

a. Contract for the sales of energy EDE Este/EDE Sur/EDE Norte

In February 2017, as a result of the bidding process carried out by CDEEE, Andres signed 3 PPAs that entered into force as of April 2017 for a period of 5 years. These contracts were signed with the three electricity distribution companies in the country, EDE Norte, EDE Sur and EDE Este. With EDE Norte it signed a contract for 82.5MW, with EDE Sur a contract for 110MW and with EDE Este a contract for 82.5MW. Andres will be remunerated for the contracted capacity and the energy supplied, which is subject to the demand of EDE Norte, EDE Sur and EDE Este.

b. Envirogold Limited ("Las Lagunas") PPA – The Company signed an addendum to the contract of energy and capacity sales with Las Lagunas in order to agree on a new term for the contract, and also to agree on new amounts and price. This contract expired in January 2020.

c. Gas Purchase and Natural Gas Transportation Contracts – As described in Note 3, the Company has natural gas purchase and natural gas transportation contracts with DPP.

21. Commitments and contingencies (continued)

d. ***Contract for the sale of LNG with Transcontinental Capital Corporation (Bermuda), Ltd. - Seabord*** **–** On November 29, 2016, the Company entered into a one-year LNG supply contract with Transcontinental Capital Corporation (Bermuda), Ltd. (Seaboard), for the purpose of establishing the terms and conditions under which the Company will provide LNG to Seaboard. The Agreement will be effective from January to December 2017, and could be extended by mutual agreement between the parties. The volume committed to deliver in 2017 was 6TBTU. From 2018 the volume will be establish annually before the end of each year. The client may require additional amounts to those contracted, subject to the approval of the Company. During 2019, the Company delivered 6.8 TBTU (2018: 5.8 TBTU). For the year 2020 do not have an agreed volume for delivery.

e. ***Contract for the sale of LNG (various)*** **–** The Company signed new contracts through for the sale of Regasified Natural Gas with the following clients: Soluciones en Gas Natural and Línea Clave International until December 2021. In addition, the Company signed contracts to supply LNG with Soluciones en Gas Natural, Línea Clave International, Tropigas Dominicana, S.R.L., Propanos y Derivados, S.A. and Platter Investment, S.A., all with maturity in December 2021. The price for these contracts is variable. During 2019, the Company delivered 5.2 TBTU (2018: 11.50 TBTU) to their clients, 0.4 TBTU (2018: 6.26 TBTU) of Regasified Natutal Gas and 4.8 TBTU (2018: 5.24 TBTU) of Liquefied Natural Gas. In December 2019, the Company confirmed 5.2 TBTU to be delivered to these clients during 2020.

The Company signed a contract for the supply of liquefied natural gas with Consorcio Energético Punta Cana-Macao, S.A. dated May 7, 2018, for a period of 4 years, counted from January 2019. Through this contract Andres undertook to deliver an amount of 3.3 TBTU per contract year with a minimum of 90% and a maximum of 110% of that amount. For 2019 delivered 3.7 TBTU and for 2020, the Company confirmed 3.4 TBTU of liquefied natural gas to be delivered.

The Company signed an agreement to supply liquid natural gas with Empresa Generadora de Electricidad Haina, S.A., on November 2019, for a term of 10 years, since the beginning of the commercial operations of the plant Quisqueya II actually converting to gas natural. With this contract Andres promised to deliver a quantity not greater than 12 TBTU for contract year. For 2020, the Company confirmed 6.4 TBTU of liquid natural gas to be delivered

(Amounts expressed in thousands of US dollars)

21. Commitments and contingencies (continued)

e. ***Contract for the sale of LNG (various) (continued)–*** The Company signed an agreement to supply liquid natural gas with Pueblo Viejo Dominicana Corporation ("Barrick"), on May 2018, for a term of 10 years, since the beginning of the commercial operations. With this contract Andres promised to deliver a quantity between 9 and 12 TBTU for a contract year. For 2020, the Company confirmed 10.6 TBTU of liquid natural gas to be delivered

f. Purchase Obligation

On November 29, 2016, the Company in conjunction with ABS signed an agreement with ENGIE, S.A. (ENGIE), where ENGIE is responsible for the supply of LNG and its maritime transport and Andres buys LNG for its own use, as well as for the resale of LNG and regasified LNG to third parties, with maturity until December 31, 2023. The contractual amounts for the term of this contract will be established by annual confirmation notices. During December 2019, were executed with ENGIE for the total purchase of 17.7 TBTU (2018: 18 TBTU). For the year 2020, the total purchase to be delivered to the Company by Global LNG is 35 TBTU.

The Company maintains a contract to purchase LNG until the year 2023, through AES Andres (BVI) LTD., which in turn has a contract with ABS and ABS with BP Gas Marketing Limited ("BP"). The probability of incurring a net loss related to the take-or-pay obligation is considered remote. AES Andres DR, S.A. has guaranteed a total of $100 million under the LNG Contract and it is valid for the duration of the contract (Note 3).

The amounts set forth in the following table represent the total contract amounts through 2023 (undiscounted) for the term of the LNG Contract based on the NYMEX price on December 31, 2019.

Year		Commitment (in 000's)
2020	$	127,078
2021		137,819
2022		138,086
2023		36,083
Total	**$**	**439,066**

21. Commitments and contingencies (continued)

g. Maintenance Agreement

In the year 2018, AES Andres DR, S.A. and Mitsubishi Hitachi Power Systems Americas, Inc. subscribed 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, 2019, the Company has received spare parts totaling $ 6.9 million related to this contract, which are still payable.

h. Contract for the design and construction of the Gas Pipeline

On October 20, 2018, the Company signed a contract with the companies Conducto Ecuador, S.A., Conducto Perú S.A.C. and Ingeniería Estrella, S.A., with the purpose of carrying out the necessary works for the construction and installation of the gas pipeline of the Andres LNG terminal located in San Pedro de Macoris. The total price agreed for the completion of the project was $57.6 million and the completion date was March 31, 2020. In September 2019, this project was transferred to Enadom.

i. Contract for the construction of solar plant – On September 9, 2019 the Company signed and turnkey agreement with contractors TSK Electrónica y Electricidad S.A and TSK República Dominicana S.R.L, for the construction and start up the project Bayasol by an amount of $39.8 millions and it includes a photovoltaic energy plant of 50MW, the project is programmed to begin operations on December 2020, for this contract an amendment was signed on February 2020 to reduce the amount of $38.9M

j. Letters of Credit – In May, 2020, Andres DR negotiated a standby letter of credit in favor of BP Gas Marketing Limited with Banco Latinoamericano de Comercio Exterior to guarantee the import of natural gas.
- Amount: $16.5 million
- Expiration: May 18, 2021

k. Litigations and Claims – The Company is involved in one civil lawsuit seeking repair of damages. The total claim amount is $107. The Company after consultation with its legal adviser, recorded a reserve of $19 and $20 as of December 31, 2019 and December 31, 2018, respectively, in the consolidated balance sheets (see Note 16).

l. Tax reviews – The Company income tax returns are subject to review by the tax authorities for the past three years including the year ended December 31, 2019, according to the current tax regulations.

21. Commitments and contingencies (continued)

m. Guarantees – Since May 11, 2016, the Company has given unconditional and irrevocable guarantor (the due and punctual payment of the principal and interest) of the international bonds issued by Dominican Power Partners (DPP) in the amount of $50 million, with maturity date of May 2026. As of December 31, 2019, the Company was not requested to execute this guarantee.

Since December 13, 2016, the Company is joint guarantor (the due and punctual payment of the principal and interest) of a program of corporate bonds to be issued in the Dominican Republic in favor of its related party DPP for up to $300 million. As of December 31, 2019, DPP has placed $ 260 million. As of December 31, 2019, the Company was not requested to execute this guarantee.

n. Lines of credit – The Company maintains a pre-approved credit facility , for an amount of up to $52.5 million with Scotiabank. As of December 31, 2019, $32.5 million was available under the credit facility.

22. Fair value of financial instruments

The Company established a process to determine fair value of its financial instruments. The determination of fair value takes into consideration the quoted market price of financial instruments; however, in many cases, quoted market prices are not available for various financial instruments of the Company. In cases where a market quote is not available, the fair values are based on estimates using the present value or other valuation techniques. These techniques are significantly affected by the assumptions used, including the discount rate and the future cash flows.

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

(a) Financial Instruments with Book Value Approximating to Fair Value

Due to their short term nature, the book value of certain financial assets, including cash, and cash equivalents, restricted cash, short term investment in time deposit, accounts receivable and certain financial liabilities, including accounts payable and accrued liabilities are considered to be equal to their fair value given their short maturity nature.

The fair value of affiliate receivables and payables is not practicable to estimate due to the related party nature.

The Company follows FASB ASC No. 820 provision of fair value measurements. This standard provides a consistent definition of fair value and establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States and requires more extensive disclosures about fair value measurements. Prior to the rules, the definition of fair value and guidance to apply these definitions under US GAAP was limited. Additionally, the guidance was dispersed among the many accounting pronouncements that require fair value measurements.

22. Fair value of financial instruments (continued)

(a) Financial Instruments with Book Value Approximating to Fair Value (continued)

Fair value is the price that would be received to sell an asset or paid to transfer to a liability ("exit price") in the principal or most advantageous market for an asset or liability in an orderly transaction between participants market at the measurement date. Additionally, the rule established a hierarchical framework that prioritizes and directs the level of observable market price used to measure investments at fair value. The observables are affected by a number of factors, including the type of investment and the specific characteristics to the investment.

Investments with readily available quoted prices or for which fair value can be measured based on actively quoted prices generally will have a higher level of observable market price and a lower level of criteria to measure fair value.

To increase consistency and enhance disclosure of fair value, the fair value measurement accounting guidance creates a fair value hierarchy to prioritize the inputs used to measure fair value into three categories. An asset or liability's level within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement, where Level 1 is the highest and Level 3 is the lowest.

The three levels are defined as follows:

Level 1 – unadjusted quoted prices in active markets accessible by the Company for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – pricing inputs other than quoted market prices included in Level 1 which are based on observable market data that are directly or indirectly observable for substantially the full term of the asset or liability. These include quoted market prices for similar assets or liabilities, quoted market prices for identical or similar assets in markets that are not active, adjusted quoted market prices, inputs from observable data such as interest rate and yield curves, volatilities or default rates observable at commonly quoted intervals or inputs derived from observable market data by correlation or other means.

22. Fair value of financial instruments (continued)

(a) Financial Instruments with Book Value Approximating to Fair Value (continued)

Level 3 – pricing inputs that are unobservable, or less observable, from objective sources. Unobservable inputs are only used to the extent observable inputs are not available. These inputs maintain the concept of an exit price from the perspective of a market participant and should reflect assumptions of other market participants. An entity should consider all market participant assumptions that are available without unreasonable cost and effort. These are given the lowest priority and are generally used in internally developed methodologies to generate management's best estimate of the fair value when no observable market data is available.

Any transfers between all levels within the fair value hierarchy levels are recognized at the end of the reporting period. There were no transfers during 2019.

(b) International bonds

The estimated fair of international bonds value as of December 31, 2019 and 2018, is based on information available as of the date of the consolidated balance sheets. For bonds payable with a fixed rate, the Company established a process to determine fair value. The assumptions used by the Company to calculate the fair value of bonds payable fall under Level 2 of the hierarchy as of December 31, 2019 and 2018.

(c) Long - term debt

On September 26, 2019, the Company signed a loan agreement by $45 million with Banco Múltiple BHD León S.A with an annual fixed interest rate of 4.5%, with a maturity of 2 years from the disbursement.

In November 2019, the Company signed a loan agreement by $50 million with Banco Múltiple BHD León S.A up to an amount of $30 million jointly with BHD International Bank (Panama) S.A up to an amount of $20 million with a variable interest rate of LIBOR 3 months + a margin of 3.25%, maturity date established is September 15, 2029. At the end of 2019, disbursements of $5 million had been processed, which have a maturity of 15 months.

The Company calculates the fair value of these loans as of December 31, 2019 based on information available as of the date of the consolidated balance sheet. The Company is not aware of any factor that could significantly affect the estimate of fair value at that date. These loans were contracted at a variable rate, therefore, the Company considers that its fair value resembles the book value.

(Amounts expressed in thousands of US dollars)

22. Fair value of financial instruments (continued)

(c) Long - term debt (continued)

The fair value estimated for financial instruments as of December 31, 2019 and 2018, is as follow:

	Book Value		Fair Value	
	2019	2018	**2019**	2018
International bonds	**$ 220,100**	$ 220,100	**$ 225,995**	$ 221,558
Long term debt	**$ 50,000**	$ 14,000	**$ 50,000**	$ 14,000

Derivative instruments

As a result of optionality included in the contract for the purchase of LNG with BP, the Company is exposed to an embedded derivative.

The Company has a LNG purchase contract with BP Gas Marketing Ltd (BP) through related company Atlantic Basin Services, LTD (ABS). 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.

In December 2018, Andres signed a contract with Citibank, NA for a price of 1,740,000 MMbtu that will be purchased between January 1 and December 31, 2020. As of December 31, 2019, a short term asset is recognized for the fair value of this derivative.

The fair value of asset and liability financial instruments corresponds to the current amount at which they could be exchanged between interested parties, which is not a forced liquidation. For the calculation of determined embedded derivatives, the Company uses Excel as valuation tool.

22. Fair value of financial instruments (continued)

Derivative instruments (continued)

For derivatives, the income methodology is used, which consists of forecasting future cash flows based on contractual notional amounts and applicable and available market data as of the valuation date. The following assumptions are used in valuation models for derivative instruments:

a) Market assumptions such as historic and spot prices, price projections, credit risk or observable rates;

b) Discount rate assumptions such as risk-free rates, local and counterparty spreads (based on risk profiles and data available in the market);

c) The model also incorporates variables such as volatilities, correlations, regression formulas and market spreads using observable market data and techniques commonly used by market participants;

Future rates and prices are generally obtained from published information provided by pricing services for an instrument with the same duration as the derivative instrument being valued. In situations where significant inputs are not observable, the Company uses relevant techniques to best estimate the inputs, such as regression analysis or from prices for similarly traded instruments available in the market.

Additionally, the Company uses observable commodity data that are highly liquid and long term data to estimate the models' future data, as long as they are closely related to the data being used for future prices in the valuation model. Credit risk is also incorporated in all of the derivative calculations and is estimated by the Company using credit margins and risk premiums that are observable in the market, as appropriate, or estimated loan costs based on information published by banks, industries and/or other financing executed in similar projects.

The assumptions used by the Company to calculate the fair value of derivative instruments fall under Level 3 of the hierarchy as of December 31, 2019 and 2018.

The Company has not made reclassifications of levels. Any difference between the balance as of December 31, 2019 and 2018, only represents changes in the fair value of the derivative instruments.

(Amounts expressed in thousands of US dollars)

22. Fair value of financial instruments (continued)

Derivative instruments (continued)

The fair values estimated for such derivative instruments as of December 31, 2019 and 2018 is as follow:

	Book Value		Fair Value	
	2019	2018	**2019**	**2018**
Derivative instrument asset (short term and long term)	**$ 934**	$ 1,209	**$ 934**	$ 1,209
Derivative instrument liability (short term and long term)	**$ 424**	$ 541	**$ 424**	$ 541

The reconciliation from the opening balances to the closing balances is as follow:

		2019			2018		
		Derivative instrument Asset	Derivative instrument liability		Derivative instrument Asset	Derivative instrument liability	
Derivative instrument	Classification	Current and Non Current	Current and Non Current	Loss	Non Current	Non Current	Loss
Embedded derivative - BP	Financial instrument Asset and Liability recognized as fair value with change in earnings - cost of revenue (gain on derivative on financial instruments)	**$ 873**	**$ (363)**	**$ 223**	$ 1,142	$ (474)	$ 1,298
Natural gas derivative - Nymex	Financial instrument Asset and Liability recognized in the consolidated balance sheets.	**$ 1**	**$ (61)**	**$ —**	$ 67	$ (67)	$ —
	Total derivative instrument- level 3	**$ 874**	**$ (424)**	**$ 223**	$ 1,209	$ (541)	$ 1,298

23. Subsequent events

On March 25, 2020, the Company obtained a disbursement of the line of credit with Scotiabank bank for an amount of $7.5 million with maturity on September 25, 2020. The interest rate of this line of credit is LIBOR plus 2.75%.

During February, March and May 2020, the Company receive disbursements totaled $23.0 million.

COVID-19:

Last March 11, 2020 the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The quick evolution of the events, nationally and internationally, represents an unprecedented health crisis that will have macroeconomic and business effects. To face the economic and social impacts of COVID-19, among other measures the government of Dominican Republic has declared a state of emergency, through the authorization of the Resolution number 62-20 of March 19, 2020, granted by the National Congress. Contained in Decree 134-20. Sanitary and economic measures have been taken to mitigate and control the spread of the Coronavirus COVID-19 disease pandemic in the country.

Among the fiscal economic measures that would impact the Company's management in the Dominican Republic are:

Tax:
An extension is granted for the presentation and payment of the of the Income Tax of Legal Entities (IR-2) with a closing date of December 31, postponing the deadline from April 29, 2020 to May 29 2020; Taxpayers who submit a total to pay may pay income tax with four equal and consecutive installments, which will not be subject to interest monthly. Therefore, the filing and payment deadline is moved one month, and the corresponding payment of the tax is split into 4 installments that will be automatically generated as the ITBIS and will be consecutive. The ITBIS payment date has been moved to 10 days, but it is not affected the Company since it does not generate ITBIS for the generation of electricity, the ITBIS we pay is for withholdings at the time of payment.

23. Subsequent events (continued)

COVID-19 (continued)

Energy Market:

Through Resolution SIE-016-2020, distribution companies, isolated systems and owners of electrical networks that serve to regulated users are instructed to not suspend electricity supply for lack of payment during a period of declaration of a state of emergency in the national territory. This could have an impact on the cash flow of the distribution companies and therefore in the collections of the generation sector.

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

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

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

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

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