Consolidated Financial Statements

AES Andres B.V. and Subsidiaries

As of December 31, 2020 and 2019 and for the three years then ended
with Independent Auditor's Report

CONTENT

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Independent Auditor's Report

To the Shareholders of
AES Andres B.V. and Subsidiaries

Opinion

We have audited the consolidated financial statements of AES Andres B.V. and Subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of changes in stockholders´ equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020 and 2019 and its consolidated financial performance and its cash flows for each of the three years in the period ended December 31, 2020, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), the Code of Ethics issued by the Institute of Certified Public Accountants of the Dominican Republic (ICPARD Code), together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code and the ICPARD Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounts Receivables Trade:

Accounts receivables trade as of December 31, 2020 amounted to $40 million and is detailed in Note 6 to the consolidated financial statements and represents 5% of the Company's total assets as of December 31, 2020. The accounts receivables trade is mainly concentrated in the energy distribution companies in the Dominican Republic (Empresa Distribuidora de Electricidad del Este, SA - "EDEESTE", EDENORTE Dominicana, SA- "EDENORTE" and EDESUR Dominicana, SA "EDESUR"), which represents 85% of total accounts receivable invoiced as of December 31, 2020. The assessment of the recoverability of these accounts receivable includes, to a certain extent, a level of judgment from the Administration.

How We Addressed the Matter in Our Audit:

- We sent and obtained the confirmation of balances from the distribution companies, which were reconciled with the Company's accounting records.
- We analyzed the contracts and agreements reached with the distribution companies.
- We evaluated the integrity of the data and the assumptions used by the Administration to calculate the impairment estimate for doubtful accounts.
- We evaluated the adequacy of the disclosures in the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Rubén Tejeda.

Ernst & Young

Santo Domingo, Dominican Republic
April 25, 2021

AES Andres B.V. and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2020 and 2019
(Expressed in thousands of dollars of the United States of America)

Notes		2020	2019
	ASSETS		
	Current Assets		
4	Cash and cash equivalents	$ 50,095	$ 64,267
	Accounts receivables:		
5	Related parties	34,396	93,191
5	Other accounts receivable related party	28,043	9,552
6	Trade, net	39,535	64,964
14	Trade receivables - lease	161	—
7	Inventories, net	24,038	25,078
10	Other non-financial assets	1,844	1,136
11	Other financial assets	109	120
22	Income tax receivable	8,268	—
	Total current assets	186,489	258,308
	Non-current assets		
8	Property, plant and equipment, net	499,544	480,895
9	Intangible assets, net	3,326	3,815
6	Contract assets	3,215	—
14	Trade receivables - lease	5,355	—
14	Right-of-use asset, net	4,381	3,990
10	Other non-financial assets	5,765	2,917
11	Other financial assets	1,793	873
12	Investment in affiliate	44,856	47,544
	Total non-current assets	568,235	540,034
	TOTAL ASSETS	**$ 754,724**	**$ 798,342**

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

Notes	**LIABILITIES AND STOCKHOLDERS' EQUITY**	**2020**	**2019**
	Current liabilities		
	Accounts payable:		
13	Suppliers and other liabilities	$ 42,033	$ 63,527
5	Related parties	92,730	135,555
11	Line of credit	30,000	20,000
14	Lease liabilities	216	67
22	Income tax payable	—	35,444
11	Loans payable current, net	45,951	—
11	Other financial liabilities	107	61
	Total current liabilities	211,037	254,654
	Non-current liabilities		
11	Bonds payable, net	214,314	213,504
11	Loans payable, net	36,624	49,492
22	Deferred income tax, net	55,344	46,861
14	Lease liabilities	4,063	3,740
11	Other financial liabilities	664	363
15	Other non-financial liabilities	5,099	19
	Total non-current liabilities	316,108	313,979
	Total liabilities	527,145	568,633
	STOCKHOLDERS' EQUITY		
	Authorized capital	18	18
	Additional paid-in-capital	271,628	271,627
	Accumulated deficit	(60,273)	(58,984)
	Restricted retained earnings	16,163	17,010
	Subtotal	227,536	229,671
	Non-controlling interest	43	38
	Total stockholders' equity	227,579	229,709
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 754,724**	**$ 798,342**

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

AES Andres B.V. and Subsidiaries

Consolidated Statements of Income

For the years ended December 31, 2020, 2019 and 2018

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

Notes		2020	2019	2018
5, 18	**Revenues**	$ 539,896	$ 512,345	$ 551,445
	Operating costs and expenses			
5, 19	Costs of revenues	(390,631)	(336,414)	(429,811)
20	Operating, general and maintenance expense	(70,014)	(63,612)	(57,448)
	Total operating costs and expenses	(460,645)	(400,026)	(487,259)
	Operating income	79,251	112,319	64,186
	Other (expenses) income			
21	Interest expense, net	(21,529)	(14,443)	(13,190)
12	Equity loss in investment in affiliate	(687)	(1,160)	—
11	Debt discount amortization	(400)	(421)	(312)
23	Other income (expense), net	2,162	86,633	(4,140)
	Exchange gain, net	8,473	2,506	480
	Income before income tax expense	67,270	185,434	47,024
22	Income tax expense	(22,404)	(58,311)	(9,589)
	Net income	**$ 44,866**	**$ 127,123**	**$ 37,435**
	Non-controlling interest			
	Less: net income attributable to non-controlling interest	5	13	4
	Net income after non-controlling interest	44,861	127,110	37,431
		$ 44,866	$ 127,123	$ 37,435
17	Net income per share	**$ 247**	**$ 698**	**$ 206**

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

AES Andres B.V. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2020, 2019 and 2018

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

	Notes	Number of shares	Authorized capital	Additional paid-in capital	Accumulated deficit	Restricted retaining earnings	Subtotal	Non-controlling interest	Total stockholders' equity
Balance as of January 1, 2018		182	$ 18	$ 271,618	$ (49,275)	$ 20,804	$ 243,165	$ 21	$ 243,186
Revaluation effect	3	—	—	—	2,676	(2,676)	—	—	—
Net income		—	—	—	37,431	—	37,431	4	37,435
Dividends paid		—	—	—	(38,035)	—	(38,035)	—	(38,035)
Share-based compensation		—	—	1	—	—	1	—	1
Balance as of December 31, 2018		182	18	271,619	(47,203)	18,128	242,562	25	242,587
Balance as of January 1, 2019		182	$ 18	$ 271,619	$ (47,203)	$ 18,128	$ 242,562	$ 25	$ 242,587
Revaluation effect	3	—	—	—	1,118	(1,118)	—	—	—
Net income		—	—	—	127,110	—	127,110	13	127,123
Dividends paid	5	—	—	—	(140,009)	—	(140,009)	—	(140,009)
Share-based compensation		—	—	8	—	—	8	—	8
Balance as of December 31, 2019		182	18	271,627	(58,984)	17,010	229,671	38	229,709
Revaluation effect	3	—	—	—	847	(847)	—	—	—
Net income		—	—	—	44,861	—	44,861	5	44,866
Dividends paid	5	—	—	—	(46,997)	—	(46,997)	—	(46,997)
Share-based compensation		—	—	1	—	—	1	—	1
Balance as of December 31, 2020		**182**	**$ 18**	**$ 271,628**	**$ (60,273)**	**$ 16,163**	**$ 227,536**	**$ 43**	**$ 227,579**

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

AES Andres B.V. and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2020, 2019 and 2018
(Expressed in thousands of dollars of the United States of America)

Notes		2020	2019	2018
	Cash flows from operating activities			
	Net income	$ 44,866	$ 127,123	$ 37,435
	Adjustments to reconcile net income to net cash provided by operating activities:			
8, 20	Depreciation	25,242	21,972	23,396
9	Amortization of intangible assets	624	527	183
14	Right-of-use asset amortization	143	139	—
6	Allowance for doubtful accounts	5	(16)	32
21	Amortization of deferred financing costs	744	666	469
11	Debt discount amortization	400	421	312
11	(Gain) loss on derivative financial instruments	(572)	223	2,093
22	Income tax expense	22,404	58,311	9,589
23	Write-off of deferred financing costs due to early extinguishment of debt	—	1,415	—
	Loss on early extinguishment of debt	—	240	—
23	Loss on retirement of property, plant and equipment	351	6,645	22,324
23	Gain on asset sale	(2,130)	(1,586)	—
	Share based compensation	5	14	20
	Equity loss in investment in affiliate	687	1,160	—
21	Interest expense (income), net	20,785	13,777	12,721
	Exchange gain, net	(8,473)	(2,506)	(480)
	Changes in operating assets and liabilities:			
	Decrease in accounts receivable trade, net	24,146	7,998	1,555
	Decrease (increase) in accounts receivable related parties	58,795	17,702	(73,932)
	Increase in other accounts receivable related parties	(18,491)	(73,780)	(55,165)
	Decrease (increase) in inventories	1,040	(11,850)	3,996
	Increase (decrease) in other assets	(10,153)	10,093	689
	Increase in contract assets	(3,215)	—	—
	Increase in accounts payable suppliers and other liabilities	15,042	16,408	7,626
	(Decrease) increase in accounts payable related parties	(42,825)	(14,763)	103,682
	Increase (decrease) in other liabilities	347	(147)	(2,167)
	Interest received	1,278	2,848	3,362
	Interest paid	(22,872)	(20,611)	(17,702)
	Income tax paid	(53,174)	(7,291)	(16,993)
	Net cash provided by operating activities	**54,999**	**155,132**	**63,045**
	Carried forward.....	**54,999**	**155,132**	**63,045**

AES Andres B.V. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2020, 2019 and 2018

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

Notes		2020	2019	2018
	Brought forward….	**54,999**	**155,132**	**63,045**
	Cash flows from investing activities			
8	Acquisition of property, plant and equipment	(61,500)	(147,146)	(17,346)
	Advance payments for the acquisition of property, plant and equipment	(5,158)	(2,897)	(17,167)
9	Acquisition of intangible assets	(180)	(5,204)	(1,006)
	Proceeds from the sale of property, plant and equipment	—	—	9
	Proceeds from the sale of business	—	47,348	—
	Investment affiliate	—	(48,704)	—
12	Dividends received from affiliate	294	—	—
12	Reduction of investment affiliate	1,706	—	—
5	Insurance proceeds	—	110,649	8,744
	Net cash used in investing activities	**(64,838)**	**(45,954)**	**(26,766)**
	Cash flows from financing activities			
11	Proceeds from line of credit	62,500	125,000	25,000
11	Proceeds from new loans	33,000	60,000	14,000
11	Payment of line of credit	(52,500)	(105,000)	(25,000)
5	Dividends paid	(46,997)	(140,009)	(38,035)
11	Payment of financing costs and debt discount	—	(529)	(1,520)
	Payment of loan	—	(24,000)	—
	Penalty payment on early extinguishment of debt	—	(240)	—
	Proceeds from intercompany loan	—	4,210	—
	Payment of intercompany loan	—	(4,210)	—
	Payment of lease liabilities	(100)	(203)	—
	Prepayment of lease liabilities	(236)	(127)	—
	Net cash used in financing activities	**(4,333)**	**(85,108)**	**(25,555)**
	Net (decrease) increase in cash and cash equivalents	(14,172)	24,070	10,724
	Cash and cash equivalents at the beginning of the year	64,267	40,197	29,473
	Cash and cash equivalents at the end of the year	**$ 50,095**	**$ 64,267**	**$ 40,197**
	Supplementary disclosure			
	Acquisition of intangible assets not paid at year end	$ —	$ —	$ 676
	Property, plant and equipment purchases not paid at year end	$ 10,147	$ 26,916	$ 3,373

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

1. Organization and Nature of Operation

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

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

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

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

During 2019, some contracts expired with companies in the Dominican market that are currently permitted to generate their own electricity or contract directly with generators, or the unregulated market (commonly known as "Non-Regulated Users"). As of December 31, 2020 and 2019, the Company has a total of 23 and 16 contracts with Non-Regulated Users, with a total of 60 and 54 MW, respectively, of contracted capacity.

1. Organization and Nature of Operations (continued)

In January 2016, AES Andres B.V. relocated its place of effective management to Madrid, Spain and became resident for tax purposes in that country. Since its relocation, Andres B.V. is subject to the Spanish tax regime. AES Andres B.V., however, still remains incorporated under the laws of the Netherlands. The Company's administrative offices are located at Bravo Murillo Street 101, floor 05, 28020 Madrid, Spain.

In November 2019, the Company acquired 100% of the common stock of the company Parque Eólico Beata, S.R.L., through a purchase agreement. The Company paid $2.3 million to the previous shareholders of Parque Eólico Beata, S.R.L., representing the acquisition of an intangible asset. This company was created to develop a 50MW solar generation project in Matanzas, Bani, Peravia province, Dominican Republic, (Bayasol Project). Currently, the project is in the final phase of its construction and it is expected to start operations in March 2021.

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

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

2. Basis of Preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The consolidated financial statements were authorized by the Controller for issuance on April 25, 2021.

Basis for measurement

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

2. Basis of Preparation (continued)

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Andres and its subsidiaries AES Andres DR, S.A. and Parque Eólico Beata, S.R.L. The financial statements of the Company´s subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Intercompany balances and transactions have been eliminated in these consolidated financial statements.

Functional currency

The functional and reporting currency of the Company is the dollar of the United States of America, which is the currency used in the Company's activities and significant contracts. Transactions denominated in other currencies (mainly Dominican Pesos, RD$, local currency of the Dominican Republic) are recorded at the rate of exchange in effect at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted into the Company's functional currency at the rate of exchange in effect at the consolidated statements of financial position dates; the effect of changes in exchange rates is recognized in the consolidated statements of income. As of December 31, 2020, the exchange rate for U.S. dollar was RD$58.33 (2019: RD$52.96) and the annual average exchange rate for the year ended December 31, 2020 was RD$56.52 (2019: RD$51.29).

Estimates and significant accounting assumptions

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

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

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

3. Summary of Accounting Policies

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

Financial instruments

Initial recognition and measurement

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

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

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

Classification and measurement

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

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

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

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

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

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

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

Investments in debt instruments recognized at fair value through OCI are subsequently measured at fair value. Interest income, calculated using the effective interest method, exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. When the assets are derecognized, the gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

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

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

Evaluation of the business model

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

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

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Evaluation of the business model (continued)

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

Impairment of financial assets

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

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

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

The Company uses historical information and analyzed variables that affect and help to predict the behavior of the recoverability of financial assets, none of which showed an adequate correlation. However, the Company periodically performs qualitative risk analyzes to identify changes in the estimated losses. As of December 31, 2020 and 2019, the Company maintains allowance of doubtful accounts as disclosed in Note 6.

3. Summary of Accounting Policies (continued)

Financial asset derecognition

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

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

Cash and cash equivalents

The Company considers as cash and cash equivalents its petty cash, bank deposits and time deposits with initial maturity dates that are less than 3 months. Part of the cash and cash equivalents includes certificates of deposit used as collateral for employees financing, on which there is no restriction and are granted according to the established benefit policy.

Restricted Cash

Restricted cash as of December 31, 2020, included accounts retained by local authorities of $0.1 million (2019: $0.2 million).

Inventory

Inventories, which mainly consist of fuel, materials and spare parts, are recorded at the lower of their cost or net realizable value. The spare parts are used for the maintenance of generation equipment. Cost is determined using the average cost method. The value of inventories are reduced when an obsolescence loss is identified.

3. Summary of Accounting Policies (continued)

Property, plant and equipment

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

Depreciation

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

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

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

An item of property, plant and equipment is derecognized upon disposal or when the Company considers that no further economic benefits will be received from the asset in the future. Any loss or gain resulting from the disposal of an asset, calculated as the difference between its net carrying amount and the proceeds of the sale, is recognized in the consolidated statements of income of the period in which the transaction occurs.

Major and minor maintenance

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

3. Summary of Accounting Policies (continued)

Construction in progress

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

Intangible Assets

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

The estimated useful lives for licenses and software is 3 years.

Computer Applications Contracts hosted in the cloud

Computer application contracts hosted in the cloud are agreements in which the Company does not have ownership but accesses and uses them as needed through the internet or a dedicated line.

The Company assesses in the first instance whether a contract of this type contains a lease in accordance with the scope of IFRS 16 - Leases. If it is determined not, it goes on to analyze whether the contracts will provide resources over which the Company can exercise control (for example, an intangible asset).

When it is determined that control of the resources implicit in the contracts will not be obtained, the Company records the contracts for computer applications hosted in the cloud as a "Service Contract" and evaluates whether the implementation costs can be capitalized under other accounting standards.

The Company records the periodic fee agreed with the provider as operating, general and maintenance expenses, capitalizes a portion of the implementation costs associated with the contracts for computer applications hosted in the cloud (considered as service contracts), which are incurred to integrate its systems existing internal use or to make improvements to them; which are not eligible for capitalization as an intangible asset, any cost not associated with the implementation is recorded as operating, general and maintenance expenses as they are accrued; for example, training costs.

3. Summary of Accounting Policies (continued)

Computer Applications Contracts hosted in the cloud (continued)

The implementation costs are presented as “Other non-financial asset - prepaid assets” in the consolidated statement of financial position and once the implementation phase is completed, they are amortized to operating, general and maintenance expenses during the life of the contract.

Impairment of non-financial assets

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

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

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

Investment in affiliate

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

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

3. Summary of Accounting Policies (continued)

Investment in affiliate (continued)

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

Leases

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

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Useful lives
Land	35 years
Building	5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflect the exercise of a purchase option, amortization is calculated using the estimated useful lives of the assets. The right-of-use assets are also subject to impairment.

3. Summary of Accounting Policies (continued)

Leases (continued)

Lease liabilities

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

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low value assets

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

Lessor

For finance lease, the lessor at the commencement date, shall recognize a net investment in the sale, selling profit or loss arising from the sale and initial direct costs derecognized the underlying asset.

Amounts due from lessees under finance lease are recorded as receivable at the amount of the Company's net investment in the lease. Finance lease income is allocated to accounting periods as to reflect a constant period rate of return on the Company's net investment in the lease.

3. Summary of Accounting Policies (continued)

Contract asset

A contract asset is initially recognized for revenue earned from the sale of LNG on a conditional basis. Once the LNG has been supplied and the customer has accepted it, the amount recognized as a contract asset is reclassified to trade receivables.

Deferred financing costs

Financing costs related to long-term debt are deferred and amortized using the effective interest method, over the term of such financings. The total net balance of deferred financing costs is presented as a direct reduction from the face amount of the related debt. The Company recorded amortization expense of $744, $666 and $469 net of capitalization, for the years ended December 31, 2020, 2019 and 2018, respectively.

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

Financial liabilities

Recognition and measurement

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

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

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

3. Summary of Accounting Policies (continued)

Derecognition of financial liabilities

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

Provisions

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

Net income per share

Net income per share measures the performance of an entity over the reported period and it is calculated by dividing net income by the amount of the weighted average shares outstanding during the year. The issued and outstanding shares is 182 for the years 2020, 2019 and 2018.

Revenue recognition

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

The electricity is sold to distribution companies, non-regulated users and other spot market agents. The LNG and services transportation are sold to industrial customers.

The Company's generation contracts, based on specific facts and circumstances, can have one or more performance obligations as the promise to transfer energy, capacity, LNG and other services may or may not be distinct depending on the nature of the market and terms of the contract. As the performance obligations are generally satisfied over time and use the same method to measure progress, the performance obligations meet the criteria to be considered a series.

3. Summary of Accounting Policies (continued)

Revenue recognition (continued)

In measuring progress toward satisfaction of a performance obligation, the Company applies the "right to invoice" practical expedient when available and recognizes revenue in the amount to which the Company has a right to consideration from a customer that corresponds directly with the value of the performance completed to date.

For contracts determined to have multiple performance obligations, we allocate revenue to each performance obligation based on its relative standalone selling price using a market or expected cost plus margin approach.

Additionally, the Company allocates variable consideration to one or more, but not all, distinct goods or services that form part of a single performance obligation when (1) the variable consideration relates specifically to the efforts to transfer the distinct good or service and (2) the variable consideration depicts the amount to which the Company expects to be entitled in exchange for transferring the promised good or service to the customer.

Revenue from generation contracts is recognized using an output method, as energy and capacity delivered best depicts the transfer of goods or services to the customer. Performance obligations including energy or ancillary services are generally measured by the MWhs delivered; the capacity is measured using MWhs.

When energy or capacity is sold or purchased in the spot market, the Company assesses the facts and circumstances to determine gross versus net presentation of spot revenues and purchases. Generally, the nature of the performance obligation is to sell surplus energy or capacity above contractual commitments, or to purchase energy or capacity to satisfy deficits. Generally, on an hourly basis, a generator is either a net seller or a net buyer in terms of the amount of energy or capacity transacted in the spot market. In these situations, the Company recognizes revenue for the hours where the generator is a net seller and cost of sales for the hours where the generator is a net buyer.

Revenue from the sale of natural gas has an initially expected duration of one year or less and only contains a performance obligation, which the Company satisfies over time by delivering millions of Btu. Customers make payments in advance for gas purchases, which are presented in the consolidated statements of financial position under accounts payable and accrued liabilities.

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

3. Summary of Accounting Policies (continued)

Interest income

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

Income tax expense

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

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

Commitments and contingencies

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

Derivative Financial Instruments

The Company records all derivatives on the consolidated statements of financial position at fair value, regardless of the purpose or intent for holding them. The accounting for changes in fair value of the derivatives varies, depending on whether the derivative is considered to be a hedge for accounting purposes, and whether the hedging instrument is a fair value or a cash flow hedge. If the financial derivative instrument is classified for accounting hedge purposes, it may be: (1) a fair value hedge of existing assets or liabilities or firm commitments, or (2) a cash flows hedge related to existing assets or liabilities or expected transactions.

3. Summary of Accounting Policies (continued)

Derivative Financial Instruments (continued)

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value on the date of the consolidated statement of financial position. Any gain or loss is immediately recognized unless the derivative is designated as a hedging instrument, in which case the recognition in profit or loss through time will depend on the nature of the hedge relationship.

The derivative is presented as a non-current asset or liability if the remaining maturity goes beyond twelve months and it is not expected to be realized or settled before that time. Other derivatives are presented as current assets or liabilities, since the maturity is less than 12 months.

The Company assesses the existence of embedded derivatives in contracts for financial and non-financial instruments to determine if their characteristics and risks are closely related to the main contract, as long as the set is not classified as an asset or liability at fair value through profit or loss. If they are not closely related, they are recorded separately accounting for the variations in value in the consolidated income statement.

Severance benefits

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

Fair value of financial instruments

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

Restricted retained earnings

In 2009 with the first-time adoption of IFRS, the Company applied the fair value or revaluation option as deemed cost to certain buildings and electric generation assets. As of December 31, 2020, the amount for this concept is $16,163 (2019: $17,010), net of effects of accumulated depreciation, asset disposals and deferred income tax transferred to retained earnings in 2020 by $847 (2019: $1,118).

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

3. Summary of Accounting Policies (continued)

Operating segments

Segment information is presented consistently with the internal reports provided to Management, who makes decisions for the Company and who is responsible for assigning resources and assessing the performance of operating segments. Management identifies its operating segments related to the sale of electricity and LNG based on the market in which it participates, that is, the Dominican market, to make strategic decisions. This financial information by operating segments is detailed in Note 24.

Standards issued but not yet effective

The Company does not believe any impact associated with the new and amended standards and interpretations issued but not yet effective, will be material to the consolidated financial statements of the Company.

4. Cash and cash equivalents

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

	2020	2019
Cash in US dollars	$ 46,895	$ 59,167
Cash in Dominican pesos	1,169	1,756
Cash in EURO	83	171
Cash equivalents		
Term deposits in Dominican Pesos, average annual interest rate of 4.2% as of December 31, 2020 (2019: 6.8%)	1,948	3,173
Total	**$ 50,095**	**$ 64,267**

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

5. Balances and Transactions with Related Parties

Natural gas sale and purchase agreements

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

ABS purchases the fuel from a third party and sells it to Andres at cost plus a fixed fee of $10 thousand per month, which is presented in the consolidated statements of income under operating, general and maintenance expense, included in contracted services. In addition, during 2020, ABS invoiced to the Company the services of tugboats which totaled $2.1 million (2019: $2.3 million and 2018: $1.8 million) which are presented in costs of revenues. On December 30, 2003, the Company entered into the Amendment No. 1 to the LNG Sales Contract with ABS to change the pricing structure of the contract in order to reflect more properly the variability of the cost of natural gas, by adding $0.20 cent per MMBtu (millions of British Thermal Units) to the cost of purchase.

As of January 7, 2014, AES Andres B.V. agreed with ABS to assign this contract to AES Andres (BVI) LTD., an affiliated entity under common control, under the same terms and conditions. Meanwhile AES Andres B.V. and AES Andres (BVI) LTD., signed an LNG purchase contract which expires in 2023. On April 9, 2014, a "Novation Agreement" to the Side Letter Agreement dated August 9, 2013, was signed between the Company, AES Andres DR, S.A. and BP Gas Marketing Limited, with the purpose that the new entity assume all obligations of the Branch at the effective date September 1, 2014. Under this agreement AES Andres (BVI) LTD. buys fuel from ABS and sells it to the AES Andres DR, S.A. at cost plus $1.60 per MMBtu, plus a fixed fee of $15 thousand per month. During 2020, 2019 and 2018, such costs totaled $0.2 million, which is presented in the consolidated statements of income under operating, general and maintenance expense, included in contracted services.

The LNG purchase cost associated with this contract is presented in the consolidated statements of income as costs of revenues of $292.4 million as of December 31, 2020 (2019: $317.0 million and 2018: $277.4 million).

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

5. Balances and transactions with related parties (continued)

In 2002, Andres signed both a natural gas sale and purchase agreement ("the Gas Purchase Contract") and a Natural Gas Transportation Contract with DPP that commenced upon completion of the LNG facility and the pipeline in March 2003. Both contracts expire in April 2023. The revenues associated with these contracts are included in the consolidated statements of income as natural gas sales totaling $66.1 million for the year ended December 31, 2020 (2019: $90.2 million and 2018: $95.6 million), and as natural gas transportation totaling $8.6 million for the year ended December 31, 2020 (2019: $8.6 million and 2018: $8.4 million).

On May 10, 2017, the Company entered into a new contract of energy with DPP by which the Company purchases energy and firm capacity assigned. This contract began on June 1, 2017 with an indefinite duration, unless both parties agree on its suspension. The purchases associated with this contract consist of energy purchases that are included in the consolidated statements of income as costs of revenue of $13.7 million for the year ended December 31, 2020 (2019: $31.1 million and 2018: $107.5 million).

During 2020, the Company sold energy to DPP in the spot market totaling $0.1 million (2019: $0.01 million and 2018: $0).

During 2020, the Company purchased energy from Empresa Generadora de Electricidad Itabo, S.A. (Itabo) in the spot market, totaling $1.7 million (2019: $1.1 million and 2018: $2.3 million) The Company did not sell energy to Itabo during 2020 and 2019, and in 2018 it sold $0.7 million.

Administrative Agreements

The Company entered into a management agreement (the "Services Agreement") on December 17, 2009 with AES Solutions, LLC. ("Solutions"), a related company owned by the Parent Company, through which Solutions is responsible to provide technical assistance and transfer technology necessary to ensure the competitiveness of Andres in the Dominican energy market. The contract has a validity of 3 years and after this period it is expected to be renewed annually. Andres will have to pay for this contract, the actual cost assumed by Solutions plus 4% of said cost. Fees incurred related to this contract are presented in the consolidated statements of income under operating, general and maintenance expense, included in contracted services totaling $2.8 million from January 1, 2019 to June 30, 2019 and $5.0 million for the year 2018.

On July 1, 2019, this contract was assigned to AES Latin América S. de R.L., a related company owned by subsidiaries of the Parent Company. The expenses for fees related to this contract from July 1, 2019 to December 31, 2019 totaled $4.4 million and a balance payable due of $1.8 million at December 31, 2019. For the year ended December 31, 2020 the total expenses totaled $3.2 million and a balance payable due of $0.1 million.

5. Balances and transactions with related parties (continued)

Others

The Company has comprehensive risk insurance contracted with AES Global Insurance Corporation (AGIC), a related company owned by the Parent Company, which covers certain operating risks including damage to machinery and business interruption. For this contract, the Company has recognized in operating, general and maintenance expense in the consolidated statements of income, insurance cost of $12.2 million for the year ended December 31, 2020 (2019: $7.9 million and 2018: $5.3 million).

On September 3, 2018, lightning affected the Andres 319MW combined cycle natural gas facility in the Dominican Republic resulting in significant damage to its steam turbine and generator. The Company has business interruption and property damage insurance coverage, subject to pre-defined deductibles, under its existing programs. In September 2019, it restarted operations. On March 12, 2020, the steam turbine had a new damage and a repair period began until October 2020 when it restarted operations again.

During 2019 and 2018, the Company has registered $281.6 million to be collected from the insurance company related to the above mentioned event. From this amount, $20.1 million corresponds to property damage, $97.1 million to recovery expense and $164.4 million to business interruption (energy purchases and lost margin). In December 2018, as a result of the event mentioned above the Company expected to collect $281.6 million form the insurance company. From this amount, the Company collected $20 million ($8.7 million for property damage and $11.3 million for business interruption). During 2019, the Company collected $252 million ($110.0 million for property damage and recovery expense and $142.0 million for business interruption). The total amount to be collected as of December 31, 2019 is $9.6 million and is presented in the consolidated statement of financial position as other receivable - related parties. During 2019, the Company recognized in the consolidated statement of income as insurance claims an amount of $89.2 million within other income (expenses). Additionally, $96.3 million was recognized as a business interruption and is included as a reduction of costs of revenues. For the event in March 2020, the Company registered $28.0 million, $ 25.7 million corresponds to business interruption and $ 2.3 million to expenses incurred in reprogramming fuel purchases. During 2020 the Company collected $9.6 million from 2019 outstanding balance and the account receivable as of December 31, 2020 is $28.0 million related to the event of March 2020.

As of December 31, 2020, the Company has an accounts payable to its Parent Company of $0.08 million (2019: $0.03 million) related to the reimbursement of salaries and benefits for executives and other direct costs.

5. Balances and transactions with related parties (continued)

Others (continued)

On May 1, 2017, the Company entered into a service agreement with Fluence Energy, LLC, a related company owned by the Parent Company, through which Fluence shall temporarily provide technical services that are detailed in said contract, to work on a project developed by the Company. The term of this agreement is one year and will be renewed annually unless terminated by any of the parties. The total expense related to this contract is $0.1 million for years ended December 31, 2020, 2019 and 2018 and is included in the consolidated statements of income as operating, general and maintenance expense.

The Company made donations to Fundación AES Dominicana in 2020 for $0.4 million (2019: $0.4 million and 2018 $0.6 million) which are presented in the consolidated statements of income under operating, general and maintenance expense as contracted services.

On August 2, 2016, the Company entered into an expense reimbursement agreement with Gas Natural Atlántico, S.R.L., who is managing the construction of a gas plant, and is owned by the Parent Company. The Company shall temporarily provide the technical personnel detailed in said contract to work on the development, construction, operation and initiation of the commercial operations of the project. During the term of the agreement, the Company will be responsible for the costs and payments of these employees. This agreement is effective as of October 1, 2015 for a maximum total amount of $1.1 million in effect until the date of substantial termination of the generation plant. In 2019, an additional amount of $1.1 million was approved. During 2020, this contract was ceased (2019: $1.1 million and 2018: $0.1 million). The total amounts of 2019 were collected in 2020.

In February 2020, one LNG sales contract was executed with Gas Natural Atlántico, S.R.L. for 0.6 TBTU, and during 2019, two LNG sales contracts were executed with Gas Natural Atlántico, S.R.L., one in August for 1.6 TBTU and one in September for 0.5 TBTU. Revenue from these contracts for the year ended December 31, 2020 was $1.6 million (2019: $11.8 million) and is presented in the consolidated statements of income.

During 2020, the Company paid dividends of $47.0 million (2019: $140.0 million and 2018: $38.0 million). The distribution of dividends of Andres DR is based on fiscal accounting.

5. Balances and transactions with related parties (continued)

Construction Management Agreement

On September 23, 2019, the Company signed a construction management agreement with Enadom, a related company, through which the Company will provide assistance in engineering, purchasing and services of construction. The term of this contract was until the construction of the Eastern Gas Pipeline completed during 2020, and the total amount was $3.9 million. During the year ended December 31, 2019, the Company recognized $2.4 million net of costs incurred at the time of the pipeline transfer. On October 7, 2020, the Company signed an amendment to this contract to provide assistance in the construction of the second natural gas storage tank project for an amount of $5.1 million.

Management agreement

The Company, with Domi Trading, S.L., a related company, signed a management agreement on September 23, 2019 with Enadom, through which both companies are responsible for providing general assistance in the process of operation, finance, human resources, insurance, information technology, and others in order to ensure Enadom's competitiveness in the Dominican market. The contract is for a term of ten years and it will be automatically renewed for five more years. Enadom must pay $0.2 million plus taxes annually from this contract from the start date until it obtains the commercial operation date of the Gasoducto del Este project, after which the amount to be paid will be $0.4 million per year plus taxes. For the year ended December 31, 2020, the revenues from fees related to this contract is presented in the consolidated statements of income for an amount of $0.3 million and $0.1 million for the period from September 1, 2019 to December 31, 2019.

Operation and maintenance agreement

On September 23, 2019, the Company signed an operation and maintenance agreement with Enadom to provide support in functions related to the operations and maintenance activities of the eastern gas pipeline. The start date of this contract will be the commercial operation date of the eastern gas pipeline, which was in February 2020. For the year ended December 31, 2020, the revenues from fees related to this contract is presented in the consolidated statements of income for an amount of $0.6 million.

5. Balances and transactions with related parties (continued)

The costs related with the followings agreements signed with Enadom for the year ended December 31, 2020 totaled an amount of $12.5 million and are presented in the consolidated statements of income as costs of revenue.

- ***Interconnection and shared infrastructure agreement:*** On September 23, 2019, the Company signed an agreement with Enadom, with the purpose of establishing the rights and obligations in relation to the interconnection of the eastern gas pipeline with the Company's gas terminal. The start date of this contract was the commercial operation date of the eastern gas pipeline, which was in February 2020.

- ***Sale and Purchase Contract of regasified natural gas:*** On September 23, 2019, the Company signed a contract with Enadom, for the sale of regasified natural gas, which will be valid for 12 years and will begin on the date of commercial operation of the eastern gas pipeline. The purpose of this contract is to execute the gas sale contract that the Company had with Compañía de Electricidad San Pedro de Macoris, S.A. (CESPM) S.L. and which was transferred to Enadom as part of the joint business process with Domi Trading, S.L. In October 2020, the Company signed an amendment where AES Andres DR, S.A will supply temporarily the gas to CESPM until Enadom obtains the license for the sale of natural gas.

- ***Regasified Natural Gas Transportation Contract:*** On September 23, 2019, the Company signed a contract with Enadom, which will be valid for 10 years, beginning in February 2020 the date of commercial operation of the eastern gas pipeline, the purpose of this contract is that the Company receive transportation service through the eastern gas pipeline.

During 2020, the Company invoiced Enadom an amount of $2.0 million related with logistics costs incurred for rescheduling purchases of LNG.

As of December 31, 2020, the Company has an accounts receivable for an amount of $5.8 million related to logistic cost invoiced and contract services.

5. Balances and transactions with related parties (continued)

Global service agreement

The Company signed a Corporate Global Services agreement on January 1, 2020 with AES Big Sky, LLC, a related company owned by AES subsidiaries through which AES Big Sky is responsible for providing assistance in technology services, human resources, operations and commercial support necessary to ensure Andres competitiveness in the Dominican energy market, the services will be provided by AES Big Sky directly or through AES Big Sky affiliates or subcontractors. The contract is valid for 5 years and will be automatically renewed for successive periods of one (1) year, unless one of the Parties notifies at least ninety (90) days before the expiration of the period current at that time. Andres will have to pay for this contract the real cost assumed by AES Big Sky plus taxes. Fees incurred related to this contract are presented in the consolidated statements of income under operating, general and maintenance expense, included in consultancies and legal fees totaling $2.5 million for the year ended December 31, 2020, and a balance receivable of $0.8 million for credit notes received at the end of 2020.

Agreement implementation software

On February 27, 2020, the Company jointly with other AES subsidiaries signed an agreement with Uplight, Inc., a related company for the implementation of software “DCEP” (AES Digital Customer Engagement Portal for C&I customers), a platform of market related to electricity sector industry owned by the supplier, the contract was valid until December 31, 2020. The costs incurred in the implementation of this software was a total amount $1.0 million of which $0.5 million is presented in the consolidated statements of income under operating, general and maintenance expense included in other expenses and $0.5 million correspond to internal use software. As of December 31, 2020, there is a balance payable of $1.0 million.

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5. Balances and transactions with related parties (continued)

As a result of the operations and contracts mentioned above and other less significant transactions carried out with affiliates, related party accounts receivable and payable as of December 31, 2020 and 2019 are as follows:

	2020	2019
Accounts receivables:		
AES Andres (BVI) Ltd.	$ 17,835	$ 6
Dominican Power Partners	9,127	74,873
Energía Natural Dominicana ENADOM, S.R.L.	5,784	5,040
AES Big Sky, L.L.C.	762	—
AES Grand Dominicana, Ltd.	297	—
AES Fonseca Energía, Ltda. de C.V.	124	124
AES Africa Power Company B.V.	115	115
Others	217	134
AES Hispanola Holdings II BV	57	11
AES Global Power Holding B.V.	49	46
Empresa Generadora de Electricidad Itabo, S.A.	28	91
Gas Natural Atlántico S. de R.L.	1	12,751
Total accounts receivables related parties	**$ 34,396**	**$ 93,191**
Other accounts receivable related party:		
AES Global Insurance Corporation	$ 28,043	$ 9,552
Total other accounts receivable related party	**$ 28,043**	**$ 9,552**

	2020	2019
Accounts payable:		
Dominican Power Partners	$ 92,082	$ 128,215
Atlantic Basin Services, Ltd.	423	351
AES Latin América S. de R.L.	79	1,805
Empresa Generadora de Electricidad Itabo, S.A.	75	197
Others	71	127
AES Andres (BVI) Ltd.	—	4,860
Total accounts payable related parties	**$ 92,730**	**$ 135,555**

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

5. Balances and transactions with related parties (continued)

The transactions with related parties during 2020, 2019 and 2018, are summarized below:

Affiliate	Transaction type	Revenues 2020	Revenues 2019	Revenues 2018	Costs and Expenses 2020	Costs and Expenses 2019	Costs and Expenses 2018
AES Andres (BVI) Ltd.	Purchase of LNG	$ —	$ —	$ —	$ (292,563)	$ (317,019)	$ (277,441)
Atlantic Basin Services, Ltd.	Other costs of LNG	—	—	—	(2,144)	(2,339)	(1,756)
Empresa Generadora de Electricidad Itabo, S. A.	Energy, firm capacity and frequency regulation	34	31	724	(1,675)	(1,111)	(2,302)
Dominican Power Partners	Energy, firm capacity and frequency regulation, LNG and other services	75,192	99,146	104,668	(13,669)	(31,088)	(107,540)
Fluence Energy, LLC	Other services	—	—	—	(120)	(120)	(120)
AES Latin América S. de R.L.	Other services	—	—	—	(3,154)	(4,377)	—
AES Solutions, LLC	Other services	—	—	—	—	(2,787)	(5,018)
AES Big Sky, L.L.C.	Other services	—	—	—	(2,502)	—	—
Fundación AES Dominicana	Donations	—	—	—	(360)	(363)	(648)
AES Global Insurance Corporation	Other services	—	—	—	(12,161)	(7,895)	(5,322)
Gas Natural Atlántico, S.R.L.	Sale of LNG, other services	1,621	11,842	—	—	(1,094)	(148)
Energía Natural Dominicana ENADOM, S.R.L.	Contract services	3,032	2,488	—	(12,549)	—	—
Total		**$ 79,879**	**$ 113,507**	**$ 105,392**	**$ (340,897)**	**$ (368,193)**	**$ (400,295)**

Remuneration of key personnel:

The compensation of the Company's executives during the years ended December 31, 2020, amounted to $1.1 million (2019: $1.0 million and 2018: $0.9 million). These amounts include fixed monthly compensation, variable bonuses according to performance, long-term compensation and other compensation.

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

6. Accounts receivables trade, net

The accounts receivable trade, net balances as of December 31, 2020 and 2019, consist of the following:

	2020	2019
Spot and PPA electricity market agents	$ 14,984	$ 33,298
Non - regulated users	3,387	2,788
Subtotal of accounts receivables	18,371	36,086
Other receivables	21,185	28,894
Allowance for doubtful accounts	(21)	(16)
Total	**$ 39,535**	**$ 64,964**

	2020	2019
Allowance for doubtful accounts		
Beginning balance	$ 16	$ 32
Increase	5	—
Decrease	—	(16)
Total allowance for doubtful accounts	**$ 21**	**$ 16**

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

Other receivables include unbilled revenue.

A detail of the age of accounts receivable, including those with a delay in their recovery but not impaired and including an impairment estimate for doubtful accounts for a part of those with an age of 91 days or more after December 31 of each period, are presented below:

	2020	2019
Current	$ 39,491	$ 58,495
31 to 60 days	19	6,435
91 days and more, net of allowance for doubtful accounts	25	34
Total	**$ 39,535**	**$ 64,964**

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

6. Accounts receivables trade, net (continued)

Contract Asset

The Company signed a 10-year LNG supply contract in which the price formula contains a fixed and a variable component and, in the third year of the contract the fixed component has a variation, therefore as a result of the analysis of the revenue recognition, fixed consideration will be recognized on a straight-line basis. As of December 31, 2020, the Company maintains a non-current contract asset balance of $3.2 million related to the recognition of revenue on a straight-line basis.

Sector Agreements

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

7. Inventories, net

Inventories, net balance as of December 31, 2020 and 2019, consist of the following:

		2020		2019
LNG	$	11,632	$	14,750
Spare parts and other materials		10,819		10,339
Inventory in transit		1,779		227
Allowance for obsolescence		(192)		(238)
Total	**$**	**24,038**	**$**	**25,078**

The cost associated with the consumption of LNG during 2020 was $314 million (2019: $309 million and 2018: $249 million), which is included as part of costs of revenues in the consolidated statements of income. The cost associated with the consumption of spare parts and other materials during 2020 was $1.4 million (2019: $1.7 million and 2018: $1.8 million).

During 2020, there were adjustments for impairment of inventories of $0.2 (2019: $0.1 million and 2018: $0.2 million), which are shown under operating, general and maintenance expense in the consolidated statements of income.

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

8. Property, plant and equipment, net

Property, plant and equipment, net, is detailed as follows:

	As of December 31, 2020						
	Land	**Buildings**	**Generation plant**	**Spare parts**	**Office equipment and others**	**Construction in progress**	**Total**
Cost:							
Beginning balance	$ 41,064	$ 16,427	$ 629,923	$ 19,461	$ 5,253	$ 5,814	$ 717,942
Additions	—	—	—	—	193	47,435	47,628
Reductions	(3,386)	(82)	(1,009)	—	(42)	—	(4,519)
Reclassifications	—	531	5,962	(159)	497	(6,831)	—
Ending balance	**$ 37,678**	**$ 16,876**	**$ 634,876**	**$ 19,302**	**$ 5,901**	**$ 46,418**	**$ 761,051**
Accumulated depreciation:							
Beginning balance	$ —	$ 5,282	$ 221,038	$ 6,274	$ 4,453	$ —	$ 237,047
Additions	—	396	24,425	—	421	—	25,242
Reductions	—	(29)	(711)	—	(42)	—	(782)
Reclassifications	—	—	923	(923)	—	—	—
Ending balance	—	5,649	245,675	5,351	4,832	—	261,507
Net balance	**$ 37,678**	**$ 11,227**	**$ 389,201**	**$ 13,951**	**$ 1,069**	**$ 46,418**	**$ 499,544**

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

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

As of December 31, 2019

	Land	Buildings	Generation plant	Spare parts	Office equipment and others	Construction in progress	Total
Cost:							
Beginning balance	$ 40,686	$ 16,504	$ 502,557	$ 19,410	$ 5,019	$ 13,600	$ 597,776
Additions	—	—	2,208	177	59	188,309	190,753
Reductions	—	(77)	(18,014)	(41)	(117)	—	(18,249)
Reductions for business sale	—	—	—	—	(172)	(52,166)	(52,338)
Reclassifications	378	—	143,172	(85)	464	(143,929)	—
Ending balance	**$ 41,064**	**$ 16,427**	**$ 629,923**	**$ 19,461**	**$ 5,253**	**$ 5,814**	**$ 717,942**
Accumulated depreciation:							
Beginning balance	$ —	$ 4,930	$ 213,300	$ 4,342	$ 4,107	$ —	$ 226,679
Additions	—	373	21,175	—	424	—	21,972
Reductions	—	(21)	(11,464)	(41)	(78)	—	(11,604)
Reclassifications	—	—	(1,973)	1,973	—	—	—
Ending balance	—	5,282	221,038	6,274	4,453	—	237,047
Net balance	**$ 41,064**	**$ 11,145**	**$ 408,885**	**$ 13,187**	**$ 800**	**$ 5,814**	**$ 480,895**

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

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

As of December 31, 2018	Land	Buildings	Generation plant	Spare parts	Office equipment and others	Construction in progress	Total
Cost:							
Beginning balance	$ 39,791	$ 16,504	$ 538,373	$ 18,861	$ 4,780	$ 1,690	$ 619,999
Additions	—	—	64	3,892	47	16,184	20,187
Reductions	—	—	(42,289)	(121)	—	—	(42,410)
Reclassifications	895	—	6,409	(3,222)	192	(4,274)	—
Ending balance	**$ 40,686**	**$ 16,504**	**$ 502,557**	**$ 19,410**	**$ 5,019**	**$ 13,600**	**$ 597,776**
Accumulated depreciation:							
Beginning balance	$ —	$ 4,556	$ 209,736	$ 5,402	$ 3,666	$ —	$ 223,360
Additions	—	374	22,581	—	441	—	23,396
Reductions	—	—	(20,029)	(48)	—	—	(20,077)
Reclassifications	—	—	1,012	(1,012)	—	—	—
Ending balance	—	4,930	213,300	4,342	4,107	—	226,679
Net balance	**$ 40,686**	**$ 11,574**	**$ 289,257**	**$ 15,068**	**$ 912**	**$ 13,600**	**$ 371,097**

The costs of interest capitalized during the year ended December 31, 2020, amounted to $1.0 million (2019: $4.9 million and 2018: $0.5 million). The interest rate used to determine the amount of finance costs that were eligible to capitalize as of December 31, 2020 was 0.5% (2019: 0.8% and 2018: 0.8%), which is the average annual financing rate.

The main construction in progress as of December 31, 2020 correspond to the solar project Bayasol.

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

9. Intangible assets, net

The following table summarizes the balances comprising intangible assets in the accompanying consolidated statements of financial position as of the end of the years indicated:

	2020		
	Cost	Accumulated amortization	Carrying amount
Internal use software	$ 3,839	$ (2,845)	$ 994
License project	2,332	—	2,332
Total	**$ 6,171**	**$ (2,845)**	**$ 3,326**

	2019		
	Cost	Accumulated amortization	Carrying amount
Internal use software	$ 3,704	$ (2,221)	$ 1,483
License project	2,332	—	2,332
Total	**$ 6,036**	**$ (2,221)**	**$ 3,815**

	2018		
	Cost	Accumulated amortization	Carrying amount
Internal use software	**$ 3,571**	**$ (1,694)**	**$ 1,877**

The movement of intangible assets is as follows:

	Internal use software	License project	Total
Balance as of January 1, 2018	$ 378	$ —	$ 378
Additions	1,682	—	1,682
Amortization	(183)	—	(183)
Balance as of December 31, 2018	1,877	—	1,877
Additions	133	2,332	2,465
Amortization	(527)	—	(527)
Balance as of December 31, 2019	1,483	2,332	3,815
Additions	249	—	249
Reclassification	(114)	—	(114)
Amortization	(624)	—	(624)
Balance as of December 31, 2020	**$ 994**	**$ 2,332**	**$ 3,326**

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

9. Intangible assets, net (continued)

The following table summarizes the estimated amortization expense for 2021 through 2024:

2021	$	638
2022		237
2023		49
2024		70
Total	**$**	**994**

10. Other non-financial assets

Other non-financial assets balances as of December 31, 2020 and 2019, consist of the following:

		2020		**2019**
Current:				
Other receivable taxes	$	16	$	26
Prepayments to vendors		411		1,005
Advance to employees		31		37
Other prepaid expenses		115		45
Prepaid insurance		37		23
Other account receivable guarantee steam turbine		1,206		—
Prepaid assets		28		—
Total current other non-financial assets	**$**	**1,844**	**$**	**1,136**
Non-current:				
Advance payments for the acquisition of property, plant and equipment	$	5,158	$	2,897
Prepaid assets		587		—
Guarantee deposit		20		20
Total non-current other non-financial assets	**$**	**5,765**	**$**	**2,917**

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

11. Other financial assets and financial liabilities

11.1 Other financial assets

Other financial assets balance current and non-current as of December 31, 2020 and 2019, consist of the following:

	2020	2019
Current:		
Restricted cash	$ 109	$ 119
Natural gas derivative - Nymex	—	1
Total current other financial assets	**$ 109**	**$ 120**
Non-current:		
Embedded derivative - BP	873	873
Embedded derivative - Natural gas sales	920	—
Total non-current other financial assets	**$ 1,793**	**$ 873**

11.2 Financial liabilities

Derivative balances current and non-current as of December 31, 2020 and 2019, consist of the following:

	2020	2019
Financial instruments at fair value		
Current		
Natural gas derivative - Nymex	$ 61	$ 61
Embedded derivative - Natural gas sales	46	—
Total current derivative	**$ 107**	**$ 61**
Non-current		
Embedded derivative - Natural gas sales	413	—
Embedded derivative - BP	251	363
Total non-current derivative	**$ 664**	**$ 363**
Total derivative	**$ 771**	**$ 424**

Financial instruments through profit and loss consist of two embedded derivatives (note 11.4).

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11.2 Financial liabilities (continued)

Line of credit

On December 6, 2019, Scotiabank disbursed to the Company of $50 million with an interest rate of LIBOR plus 1.5% of which $30 million was paid by December 31, 2019. During 2019, the Company requested $75 million from the credit lines and repaid it during the year. In 2020, the Company requested $62.5 million with an interest rate of LIBOR plus a spread and repaid $32.5 million. As of December 31, 2020, $30 million remains payables (2019: $20 million) which are presented in the consolidated statements of financial position.

International Bonds - bonds payable, net

On May 11, 2016, the Company issued $220.1 million in bonds in international markets under Rule 144A and Regulation S, with a single and definitive payment due in May 2026 at an interest rate of 7.950% per annum. Interest payments are semi-annual from November 2016. The total debt issuance costs amounted to $8.5 million.

Bonds payable, net as of December 31, 2020 and 2019 were as follows:

		2020		2019
International Bonds	$	220,100	$	220,100
Deferred financing cost, net		(2,925)		(3,335)
Unamortized discount		(2,861)		(3,261)
Total bonds payable, net	**$**	**214,314**	**$**	**213,504**

The deferred financing cost, net as of December 31, 2020 and 2019 consists of:

		2020		2019
Deferred financing costs at the beginning of the year	$	3,335	$	3,765
Amortization of deferred financing costs during the year		(410)		(430)
Total deferred financing costs, net at the end of the year	**$**	**2,925**	**$**	**3,335**

The unamortized discount as of December 31, 2020 and 2019 consists of:

		2020		2019
Unamortized discount at the beginning of the year	$	3,261	$	3,682
Amortization of discount during the year		(400)		(421)
Total unamortized discount at the end of the year	**$**	**2,861**	**$**	**3,261**

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

11.2 Financial liabilities (continued)

Loans payable, net

On October 31, 2018, AES Andres DR, S.A. executed a loan agreement for up to $88 million with Banco Centroamericano de Integración Económica and Banco Múltiple BHD León, S.A., and Banco Múltiple BHD León, as Administrative Agent. In September 2019, this loan was extinguished early and the total amount of deferred financing costs were written off for an amount of $1.7 million, which are included as part of interest expense, net in the consolidated statements of income as write off of deferred financing costs due to early debt repayment.

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

On November 5, 2019, the Company signed a loan agreement of $50 million with Banco Múltiple BHD León S.A up to an amount of $30 million jointly with BHD International Bank (Panama) S.A. up to an amount of $20 million with a variable interest rate of LIBOR 3 months + a margin of 3.25%, maturity date established is September 15, 2029 and will be paid quarterly. This loan was acquired in order to finance the construction of the Bayasol solar energy project up to an installed capacity of 50MW. At the end of 2019, disbursements of $5 million had been processed, and for 2020 $33 million.

As of December 31, 2020 and 2019, the Company maintains obligations in the form of loans, which are detailed below:

	2020	2019
Loans payable	$ 83,000	$ 50,000
Deferred financing cost	(425)	(508)
Total loans payable, net	**82,575**	**49,492**
Less:		
Loans payable - current	45,984	—
Deferred financing cost - current	(33)	—
Loans payable - current, net	**45,951**	**—**
Loans payable - non-current, net	**$ 36,624**	**$ 49,492**

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11.2 Financial liabilities (continued)

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

	2020	2019
2021	$ 45,984	$ 45,130
2022	3,732	491
2023	4,009	528
2024	4,294	565
2025 to expiration date	24,981	3,286
Total	**$ 83,000**	**$ 50,000**

The deferred financing cost, net as of December 31, 2020 and 2019 consists of:

	2020	2019
Deferred financing cost at the beginning of the year	$ 508	$ 1,509
Write off - early extinguishment of debt	—	(1,415)
Payment of financing cost	—	529
Capitalized financing cost	(23)	(14)
Amortization of financing cost during the year	(60)	(101)
Total deferred financing cost, net at the end of the year	**$ 425**	**$ 508**

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

- Financial Ratios to Incur Additional Debt: refers to ratios that the Company must comply with in order to incur in additional debt, except for the exceptions stipulated in the relevant financing agreement.
- Financial Ratios to Pay Dividends: refers to ratios that the Company must comply with in order to make a dividend payment, except for the exceptions stipulated in the relevant financing agreement.
- Debt Service Coverage Ratio: has to be greater than 2.5x and Debt to EBITDA ratio has to be less than 3.5x.

As of December 31, 2020, the Company is in compliance with all of its commitments and restrictions in relation to such financing arrangements.

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11.2 Financial liabilities (continued)

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

	Balance as of January 1, 2020	Cash flows-received	Cash flows-payments	Amortization of deferred financing costs	Early extinguishment of debt	Other adjustments	Balance as of December 31, 2020
Line of credit	$ 20,000	$ 62,500	$ (52,500)	$ —	$ —	$ —	$ 30,000
Loans payable current, net	—	—	—	—	—	45,951	45,951
Bonds payable, net	213,504	—	—	810	—	—	214,314
Loan payable, net	49,492	33,000	—	83	—	(45,951)	36,624
Lease liabilities	3,807	—	(336)	—	—	808	4,279
Total	**$ 286,803**	**$ 95,500**	**$ (52,836)**	**$ 893**	**$ —**	**$ 808**	**$ 331,168**

	Balance as of January 1, 2019	Cash flows-received	Cash flows-payments	Amortization of deferred financing costs	Early extinguishment of debt	Other adjustments	Balance as of December 31, 2019
Line of credit	$ —	$ 125,000	$ (105,000)	$ —	$ —	$ —	$ 20,000
Bonds payable, net	212,653	—	—	851	—	—	213,504
Loan payable, net	12,491	60,000	(24,529)	115	1,415	—	49,492
Lease liabilities	—	—	(152)	—	—	3,959	3,807
Total	**$ 225,144**	**$ 185,000**	**$ (129,681)**	**$ 966**	**$ 1,415**	**$ 3,959**	**$ 286,803**

11.3 Hedging activities and derivatives

Embedded derivative

As a result of the price formulas included in the contracts for the purchase of LNG and the sale of energy, the Company is exposed to embedded derivatives.

The Company maintains a contract to purchase LNG until the year 2023, through AES Andres (BVI) LTD., which in turn has a contract with ABS and ABS with BP Gas Marketing Limited ("BP"). BP has the option of delivering to ABS one twelfth of the total LNG contracted, through the delivery of Fuel Oil No 2, whereby Andres will pay the price contracted, adjusted by an indexer. The indexer's formula is based on the changes in the plant's efficiency (heat rate), additional maintenance and reduction of the plant's capacity as a result of the Fuel Oil No. 2 instead of the LNG. This fuel substitution option is BP's decision and cannot be rejected by ABS.

On November 29, 2016, Atlantic Basin Services, Ltd and AES Andres DR, SA, signed the LNG Purchase and Sale agreement and the Joint Marketing Agreement with the LNG supplier, in which the general terms and conditions were agreed of the purchase and sale of LNG. Through additional Confirmation Agreements, quantities and prices of LNG are established to supply each client.

In May 2018, a Confirmation Agreement for the purchase of LNG was issued to supply a Client. During 2020, the Company began the LNG delivery with the beginning of operations. This agreement contains the consideration of an adjustment to the price of LNG subject to factors that are not intrinsically related, which is why an implicit derivative is associated with this Confirmation Agreement. As of December 31, 2020, an other financial asset non-current of this derivative is recognized.

Derivative - price hedging

In December 2018, Andres signed a contract with Citibank, NA for a price of 1,740,000 MMbtu that purchased between January 1 and December 31, 2020. As of December 31, 2019, a current asset is recognized for the fair value of this derivative. For 2020, there is not balance of this derivative.

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11.4 Fair Value

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

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

	Book Value		Fair Value	
	2020	2019	2020	2019
Financial assets				
Other financial asset	$ 1,793	$ 873	$ 1,793	$ 873
Trade receivables - lease	$ 5,517	$ —	$ 5,517	$ —
Financial liabilities				
Other liabilities	$ 5,870	$ 443	$ 5,870	$ 443
Line of credit	$ 30,000	$ 20,000	$ 30,000	$ 20,000
International bonds	$ 220,100	$ 220,100	$ 231,109	$ 225,995
Loans payable	$ 83,000	$ 50,000	$ 84,560	$ 52,283

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

- The carrying amount of certain financial assets, including cash and equivalents, restricted cash, accounts receivable, and certain financial liabilities including accounts payable to suppliers and related parties, other current liabilities and line of credit due to their short maturity nature, is considered equal to their fair value.

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

- The Company calculates the fair value of the loans based on information available as of the date of the consolidated statements of financial position. The fair value is estimated based upon interest rates and other features of the loan. These loans were contracted at a variable rate, therefore, the Company considers that its book value resembles is a close approximation of its fair value.

11.4 Fair Value (continued)

- For the calculation of fair value of the embedded derivatives (other financial assets), the Company uses Excel as valuation tool. The option model used to calculate the amount of the Company's embedded derivative is an option to exchange active multiples.

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

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

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

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

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

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

The assumptions used by the Company to calculate the fair value of derivative instruments fall under Level 3 of the hierarchy as of The assumptions used by the Company to calculate the fair value of derivative instruments fall under Level 3 of the hierarchy as of December 31, 2020 and 2019.

The Company has not made reclassifications of levels. Any difference between the balance as of December 31, 2020 and 2019, only represents changes in the fair value of the derivative instruments.

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11.4 Fair Value (continued)

Hierarchy of fair value of reasonable financial instruments

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

The fair value hierarchy consists of the following three levels:

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

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

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

The classification of the derivative is presented below:

		2020			**2019**		
		Derivative instrument Asset	Derivative instrument Liability		Derivative instrument Asset	Derivative instrument Liability	
Derivative instruments	Classification	Current and non-current	Current and non-current	Gain (2020)	Current and non-current	Current and non-current	Loss (2019)
Embedded derivative - LNG sales	Financial instrument asset and liability recognized in the consolidated statements of financial position	$ 920	$ (459)	$ (461)	$ —	$ —	$ —
Embedded derivative - BP	Financial instrument asset and liability recognized as fair value with change in earning - costs of revenue (gain on derivative financial instruments)	873	(251)	(111)	873	(363)	223
	Total derivative instrument - level 3	**$ 1,793**	**$ (710)**	**$ (572)**	**$ 873**	**$ (363)**	**$ 223**

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12. Investment in affiliate

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

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

Affiliate	Commercial activity	% of equity participation 2020	% of equity participation 2019	December 31 2020	December 31 2019
Domi Trading S.L. and subsidiary	Natural gas commercialization	50.0%	50.0%	$ 44,856	$ 47,544

For the year ended December 31, 2020

Affiliate	Assets	Liabilities	Equity	Revenues	Expenses	Net Loss	Equity Participation
Domi Trading S.L. and subsidiary	$ 108,345	$ 20,112	$ 88,232	$ 11,812	$ (8,908)	$ (1,374)	$ (687)

For the year ended December 31, 2019

Affiliate	Assets	Liabilities	Equity	Revenues	Expenses	Net Loss	Equity Participation
Domi Trading S.L. and subsidiary	$ 100,285	$ 16,679	$ 93,607	$ —	$ (2,319)	$ (2,319)	$ (1,160)

For the year ended December 31, 2020 and 2019, the Company has recorded in relation to its 50% share in earnings of Domi Trading S.L. and subsidiary, losses of $(687) and $(1,160), respectively. These amounts are presented as equity loss in investment in affiliate in the consolidated statements of income.

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

During 2020, the Company received dividends from the affiliate of $0.3 million and reduced the amount of investment by $1.7 million.

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13. Accounts payable suppliers and other liabilities

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

	2020	2019
Energy suppliers	$ 11,227	$ 15,125
Contract liabilities	12,174	6,605
Accrued interest	2,536	2,643
Local suppliers	1,791	19,441
Incentive compensation payable	1,105	335
International suppliers	6,151	14,266
Others	7,049	5,112
Total	**$ 42,033**	**$ 63,527**

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

14. Leases

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019 and recognized a right-of-use asset and a lease liability measured at the present value of lease payments to be made over the lease term related to this lease. (see note 3).

As a result of the implementation, the Company identified lease contracts for various items (land and buildings) used in its operations.

Land:

- The Company has a land lease which was signed on November 28, 2018. Since November 1, 2019, this sublease contract entered into force which corresponds to a 1,325,903 Mts2 land with a term until October 31, 2054.

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14. Leases (continued)

Buildings:

- The Company had a lease contract for its corporate office with a term until June 1, 2021. The Company had the option to apply an early termination clause giving notice six months in advance. In April 2020, the Company decided to apply the early termination clause. The lease expense under this contract was $209 in 2018, which is presented as part of operating, general and expense in the consolidated statement of income.
- In March 2020, the Company began a new lease for corporate office and parking with a term until September 30, 2024.

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

	Land	Building	Total
As of January 1, 2019	$ —	$ 174	$ 174
Additions	3,973	—	3,973
Amortization expense	—	(139)	(139)
Amortization expense capitalized	(18)	—	(18)
As of December 31, 2019	3,955	35	3,990
Additions	48	600	648
Amortization expense	—	(143)	(143)
Amortization expense capitalized	(114)	—	(114)
As of December 31, 2020	**$ 3,889**	**$ 492**	**$ 4,381**

Below are the carrying amounts of lease liabilities current and non-current:

	2020	2019
As of January 1	$ 3,807	$ 162
Additions	618	3,975
Accretion of interest	216	39
Rent concession payments	(26)	—
Payments	(336)	(369)
As of December 31	**$ 4,279**	**$ 3,807**
Current	**$ (216)**	**$ (67)**
Non-current	**$ (4,063)**	**$ (3,740)**

The maturity analysis of lease liabilities is disclosed in Note 11.2.

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14. Leases (continued)

The following are the amounts recognized in 2020 and 2019 consolidated statements of income:

	2020	2019
Amortization expense of right-of-uses assets (including in operating, general and maintenance expense)	$ 143	$ 139
Interest expense on lease liabilities (including in interest expense, net)	216	39
Amortization expense of right-of-uses assets capitalized	114	18
Expense relating to leases of low-value assets and short-term lease (including in operating, general and maintenance expense)	1,661	70
Total amount recognized in consolidated statements of income	**$ 2,134**	**$ 266**

Lessor

On September 2, 2020, Andres DR and Endom entered into a lease agreement for the rent of a portion of land, owned by Andres DR, located in Santo Domingo, Dominican Republic. The portion of land leased is 65,692.64 m2 that will be used for the construction of the second LNG storage tank and 56,600.00 m2 for temporary building just during the construction period. The land must be exclusively used for the construction and operation of a second LNG storage tank with associated auxiliary system and additional bays for LNG truck loading station, which will be interconnected. The term is 10 years with automatic renewal for additional periods through the commercial operation life of the second tank, expected to be fifty years. In the event of the commercial operation of the second tank expires, the contract will terminate automatically, without notifications.

The rent of the leased land is required from an effective date (start of construction or notice to proceed date "NTP") and shall be determinate as follow:

- From the start of construction or signing of NTP until the commissioning (expected for a period of 28 months since the NTP), $0.3 million per year, adjusted by CPI. (proportionately, $0.2 million corresponds to the portion of land leased for the construction of the second LNG storage tank and $0.1 million corresponds to the portion of land leased for the temporary building during construction period).
- After the commercial operation date of the second tank, $0.6 million per year, adjusted by CPI.

The contract is a lease, since Enadom has the right to obtain substantially all of the economic benefits from use of the two portions of land leased and has the right to direct how and for what purpose the land is used throughout the period of use. For the portion of land for the second LNG storage tank (50-year term), the Company shall classify the lease as a finance lease.

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14. Leases (continued)

Lessor (continued)

For finance lease, the lessor at the commencement date, shall recognize a net investment in the sale, selling profit or loss arising from the sale and initial direct costs and derecognize the underlying asset. Amounts due from lessees under finance lease are recorded as a receivable at the amount of the Company's net investment in the lease.

The following table sets out a maturity analysis of receivables, showing the un-discounted lease payments to be received after the reporting date.

		2020
Less than one year	$	161
One to two years		161
Two to three years		454
Three to four years		600
Four to expiration date		27,600
Total of undiscounted lease payments		28,976
Unearned income		(23,460)
Net investment as of December 31, 2020	**$**	**5,516**
Current	**$**	**161**
Non-current	**$**	**5,355**

The Company recognized a gain from the sale of land of $2.1 million in 2020.

Finance lease income is allocated to accounting periods as to reflect a constant period rate of return on the Company's net investment in the lease.

15. Other non-financial liabilities

As of December 31, 2020 and 2019, the following summarizes the other non-financial liabilities balances:

		2020		2019
Long-term compensation	$	6	$	—
Long-term contingent legal reserves		17		19
Long-term service contract (maintenance agreement see Note 16)		5,076		—
Total	**$**	**5,099**	**$**	**19**

16. Commitments and contingencies

Commitments

Contract for the sales of energy

For the year ended December 31, 2020, revenues associated with contracts with distribution companies consist of sales of energy and capacity, EDE Este of $54.6 million (2019: $55 million and 2018: $69.1 million), EDE Norte of $52.7 million (2019: $54.4 million and 2018: $52.4 million), and EDE Sur of $71.6 million (2019: $80.8 million and 2018: $77.1 million), related to the following contracts:

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

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

Gas Purchase and Natural Gas Transportation Contracts

- As described in Note 5, the Company has natural gas purchase and natural gas transportation contracts with DPP.

- On November 29, 2016, the Company entered into a one-year LNG supply contract with Transcontinental Capital Corporation (Bermuda), Ltd. (Seaboard), for the purpose of establishing the terms and conditions under which the Company will provide LNG to Seaboard. The Agreement was effective from January to December 2017 and was extended by mutual agreement between the parties.

The Company signed new contracts through for the sale of Regasified Natural Gas with the following clients: Soluciones en Gas Natural and Línea Clave International until December 2021. In addition, the Company signed contracts to supply LNG to Soluciones en Gas Natural, Línea Clave International, Tropigas Dominicana, S.R.L., Propanos y Derivados, S.A. and Platter Investment, S.A., all with maturity in December 2021. The price for these contracts is variable.

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16. Commitments and contingencies (contingencies)

Contract for the sale of LNG (various)

The Company signed a contract for the supply of LNG with Consorcio Energético Punta Cana-Macao, S.A. dated May 7, 2018, for a period of 4 years, beginning as of January 2019. Through this contract, Andres undertook to deliver an amount of 3.3 TBTU per contract year with a minimum of 90% and a maximum of 110% of that amount.

The Company signed an agreement to supply LNG with Empresa Generadora de Electricidad Haina, S.A., on November 14, 2019, for a term of 10 years, since the beginning of the commercial operations of the plant Quisqueya II actually converting to natural gas. With this contract, Andres promised to deliver a quantity not greater than 12 TBTU per contract year.

The Company signed an agreement to supply LNG to Pueblo Viejo Dominicana Corporation ("Barrick"), in May 2018, for a term of 10 years, since the beginning of the commercial operations. With this contract, Andres promised to deliver a quantity between 9 and 12 TBTU per contract year.

Purchase Obligation

On November 29, 2016, the Company in conjunction with ABS signed an agreement with ENGIE, S.A. (ENGIE), where ENGIE is responsible for the supply of LNG and its maritime transport and Andres buys LNG for its own use, as well as for the resale of LNG and regasified LNG to third parties, with maturity until December 31, 2023. The contractual amounts for the term of this contract will be established by annual confirmation notices.

The Company maintains a contract to purchase LNG until the year 2023, through AES Andres (BVI) LTD., which in turn has a contract with ABS and ABS with BP Gas Marketing Limited ("BP"). The probability of incurring a net loss related to the take-or-pay obligation is considered remote. AES Andres DR, S.A. has guaranteed a total of $100 million under the LNG Contract and it is valid for the duration of the contract (Note 5).

The amounts set forth in the following table represent the total contract amounts through 2023 (undiscounted) for the term of the LNG Contract based on the NYMEX price on December 31, 2020.

Year	Commitment (in 000's)
2021	$ 147,442
2022	146,646
2023	36,373
Total	**$ 330,461**

16. Commitments and contingencies (contingencies)

Maintenance Agreement

In 2018, AES Andres DR, S.A. and Mitsubishi Hitachi Power Systems Americas, Inc. entered into a maintenance agreement for the periods between 2018 to 2031. The total amount to be paid for this contract amounts to $34.6 million during its term. As of December 31, 2020, the Company has received spare parts totaling $2.2 million related to this contract, and the accounts payable amounted $7.1 million ($1.3 million current and $5.8 million non-current) as of December 31, 2020.

Contract for the construction of solar plant

On September 9, 2019, the Company signed a turnkey agreement with contractors TSK Electrónica y Electricidad S.A and TSK República Dominicana S.R.L, for the construction and start up the project Bayasol by an amount of $39.8 million including a photovoltaic energy plant of 50MW. The project, which is expected begin operations on March 2021, was reduced in February 2020 to the amount of $38.9 million.

Letters of Credit

In May 2020, Andres DR negotiated a standby letter of credit in favor of BP Gas Marketing Limited with Banco Latinoamericano de Comercio Exterior to guarantee the import of natural gas for the amount of $16.5 million with an expiration on May 18, 2021.

Guarantees

Since May 11, 2016, the Company has given unconditional and irrevocable guarantor (the due and punctual payment of the principal and interest) of the international bonds issued by Dominican Power Partners (DPP) in the amount of $50 million, with maturity date of May 2026. As of December 31, 2020, the Company was not requested to execute this guarantee.

Since December 13, 2016, the Company is joint guarantor (the due and punctual payment of the principal and interest) of a program of corporate bonds issued in the Dominican Republic in favor of its related party DPP for up to $300 million. As of December 31, 2019, DPP has placed $260 million. As of December 31, 2020, the Company was not requested to execute this guarantee.

Lines of credit

The Company maintains a pre-approved credit facility, for an amount of up to $60 million with Scotiabank. As of December 31, 2020, $30 million was available under the credit facility.

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16. Commitments and contingencies (contingencies)

Litigation and Claims

The Company is involved in one civil lawsuit seeking repair of damages. The total claim amount is $107. The Company after consultation with its legal adviser, as of December 31, 2020 recorded a reserve of $17 (2019: $19) in the consolidated statements of financial position (see Note 15).

17. Net income per share

The net income per share was calculated for the years ended December 31, as follows:

	2020	2019	2018
Net income	$ 44,866	$ 127,123	$ 37,435
Total weighted average shares	182	182	182
Net income per share	**$ 247**	**$ 698**	**$ 206**

18. Revenues

The revenues for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Electricity sales - contracts	$ 222,192	$ 237,495	$ 266,105
Electricity sales - spot market	7,567	19,487	50,675
Natural gas sales	297,678	243,420	225,117
Natural gas transportation	8,598	8,561	8,444
Other sales (non-electricity)	3,861	3,382	1,104
Total revenues	**$ 539,896**	**$ 512,345**	**$ 551,445**

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19. Costs of revenues

The costs of revenues for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Fuel purchased for resale and related costs	$ 248,528	$ 196,391	$ 190,097
Fuel and related costs used for generation	65,159	113,035	92,892
Transmission charges	12,989	13,006	14,372
Electricity purchases	64,527	13,759	131,152
(Gain) loss on derivative financial instruments	(572)	223	1,298
Total costs of revenue	**$ 390,631**	**$ 336,414**	**$ 429,811**

20. Operating, general and maintenance expense

The operating, general and maintenance expense for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Depreciation and amortization	$ 25,866	$ 22,499	$ 23,579
Maintenance expenses	8,090	8,529	7,328
Contracted services	3,778	7,833	5,950
Salaries, wages and benefits	7,129	5,712	5,782
Insurance	12,562	8,309	5,758
Consultants and legal fees	5,399	2,229	2,691
Tax on assets	2,832	3,222	2,080
Facilities management expenses	992	970	968
Safety and vigilance services	291	238	484
Supplies and consumables used in generation	337	280	298
Amortization of right-of-use assets	143	139	—
Property rental	—	—	209
Travel and transportation	77	287	184
Other taxes	11	29	147
Management fees	120	120	120
Expenses related to leases of low value and short-term contracts	1,661	70	—
Others	726	3,146	1,870
Total	**$ 70,014**	**$ 63,612**	**$ 57,448**

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21. Interest expense, net

The interest expense, net for the years ended December 31, 2020, 2019 and 2018 is as follows:

	2020	2019	2018
Interest expense - financial	$ (22,033)	$ (15,098)	$ (17,291)
Interest expense - commercial	(164)	(717)	(168)
Subtotal	(22,197)	(15,815)	(17,459)
Amortization of deferred financing costs	(744)	(666)	(469)
Write off of deferred financing costs due to early debt repayment	—	(1,415)	—
Interest income - commercial	1,135	2,361	3,946
Interest income - financial	277	1,092	792
Subtotal	1,412	3,453	4,738
Total interest expense, net	**$ (21,529)**	**$ (14,443)**	**$ (13,190)**

Accounts receivable and accounts payable within the electricity sector spot market, denominated in Dominican Pesos, are subject to the local active interest rate for domestic currency plus a penalty of eighteen percent (18%) as established in Article 355 of the General Law of Electricity Sector. The average interest rate applied to spot market accounts receivable and payables in US dollars as of December 31, 2020 was 4.82% (2019: 5.77% and 2018: 6.08%) and in Dominican pesos as of December 31, 2020 was 9.85% (2019: 12.44% and 2018: 12.06%).

22. Income tax

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

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

In 2019, the Company acquired the company Parque Eólico Beata, S.R.L., which is active for tax purposes in Dominican Republic and reporting informatively without operations in its tax compliance.

22. Income tax (continued)

Current income tax

Current income tax for the fiscal years ended December 31, 2019 and 2018 at AES Andres B.V. was determined considering the Law 27/2014 of the Corporate Income Tax and its regulations in Spain. The applicable tax rate at December 31, 2020, 2019 and 2018 was 25% of the net taxable income.

Current income tax at AES Andres DR, S.A. is calculated based on what is established in Law 11-92, Tax Code of the Dominican Republic, its regulations and its modifications. The tax rate used to determine the income tax at December 31, 2020, 2019 and 2018 was 27% of the net taxable income.

Tax on assets

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

Dividends

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

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22. Income tax (continued)

Loss carryforward

According to Article I of Law No. 557-05, which modifies letter K or Article No. 287 of the Tax Code of the Dominican Republic, applicable as of January 1, 2006, losses incurred by corporations in their economic activities may be compensated during the following fiscal periods, without exceeding five (5) years. However, only 20% may be compensated per year. In the fourth year, this 20% may not exceed 80% of the net taxable income, and in the fifth year it must not exceed 70%. The portion not used each year cannot be used in the following periods. As of December 31, 2020 and 2019, Andres DR does not have loss carryforwards.

As of December 31, 2020 and 2019, the following summarizes the income tax receivable (payable):

		2020		2019
Income tax advances	$	20,626	$	19,059
Tax on assets		(2,832)		(3,222)
Current income tax expense		(9,526)		(51,281)
Income tax receivable (payable)	**$**	**8,268**	**$**	**(35,444)**

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

		2020		2019
Assets:				
Accruals	$	190	$	129
Total deferred tax asset		**190**		**129**
Liabilities:				
Accelerated tax depreciation, asset revaluation and inflationary effects		(53,573)		(45,616)
Derivative financial instruments		(1,184)		(156)
Other temporary differences		(777)		(1,218)
Total deferred tax liability		**(55,534)**		**(46,990)**
Net non-current deferred income tax liability	**$**	**(55,344)**	**$**	**(46,861)**

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22. Income tax (continued)

The reconciliation between the statutory income tax rate with the effective income tax rate of the Company as a percentage of profit before tax for the years ended December 31, 2020 and 2019, detailed below:

	2020	2019	2018
Statutory income tax rate	25 %	25 %	25 %
Permanent differences:			
Difference between statutory rate (Spain-Dominican Republic)	2 %	2 %	2 %
Retention of remittance to Main Office	3 %	1 %	5 %
Foreign exchange effect	(7)%	(1)%	(4)%
Other temporary differences	10 %	4 %	(7)%
Effective income tax rate	**33 %**	**31 %**	**21 %**

The income tax returns of the subsidiary AES Andres DR, S.A. are subject to review by the tax authorities for the past three years including the year ended December 31, 2020, according to the current tax regulations.

The income tax expense for the years ended December 31, 2020, 2019 and 2018 is comprised as follows:

	2020	2019	2018
Current	9,526	51,281	$ 13,319
Deferred	12,878	7,030	(3,730)
Total income tax expense	**$ 22,404**	**$ 58,311**	**$ 9,589**

In 2009, with the first time adoption of IFRS, the Company's applied the fair value or revaluation as deemed cost to certain buildings and electric generation assets and the adjustment was $46.7 million corresponding to the increase in the fair value of these assets recorded against restricted retained earnings. As established by IAS 12, it is required to record a deferred income tax liability on property, plant and equipment carried at fair value. The deferred tax calculation for the period ended as of December 31, 2020 amounts to $5.8 million (2019: $6.7 million) and its impact is included in the component accelerated tax depreciation, asset revaluation and inflationary effects of deferred tax liabilities.

The application of the deferred income tax liability is made through the annual depreciation expense recorded in excess of the revalued assets, which is recorded in the consolidated statements of income.

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22. Income tax (continued)

The Company adjusts its depreciable assets for inflation to determine the tax base, as allowed by the current tax code. Additionally, the Company uses a tax benefit through the application of accelerated depreciation, according to the method established in current legislation, for tax purposes. Therefore, the difference between the tax and accounting base of depreciable property, plant and equipment, according to IFRS includes both effects.

23. Other income (expense), net

Other income (expense), net for the years ended December 31, 2020, 2019 and 2018 is comprised as follow:

	2020	2019	2018
Gain (loss) on retirement of property, plant and equipment	$ 1,779	$ (6,645)	$ (22,324)
Reimbursement for disposal of fixed assets	—	2,718	17,974
Insurance claims	—	89,218	—
Loss on early extinguishment of debt	—	(240)	—
Others	383	1,582	210
Total	**$ 2,162**	**$ 86,633**	**$ (4,140)**

- Income for insurance claims of $89.2 million are related to amounts received from the insurance company for recovery damages caused by the lightning event.
- Other income includes $1.6 million related to transfer of project of Gasoducto del Este to Enadom in September 2019.

24. Segments

According to Management, the Company is organized into two business units or operating segments, as follows:

- Sale of energy, which produces and sells energy, capacity and other related services.
- Sale of LNG, whose purpose is to resell the LNG and to obtain profit from its transportation.

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24. Segments (continued)

Management analyzes the operating results of the segments separately, so that it can make decisions on the application of resources and the assessment of its performance. The segments' performance is assessed in relation to its operating results and is measured consistently with the operating results included in the consolidated statements of income. However, the Company's financial costs and income, as well as its income tax, are assessed as a whole, that is, from the Company's point of view, and are not assigned to a particular segment.

The balances of operating income costs and expenses, as well as assets and liabilities per segment, consist of:

	2020		
	Sale of energy	**Sale of LNG**	**Total segments**
Revenues	$ 233,620	$ 306,276	$ 539,896
Operating costs and expenses			
Costs of revenues	$ (142,675)	$ (248,528)	$ (391,203)
Operating income	**$ 90,945**	**$ 57,748**	**$ 148,693**
Assets and Liabilities			
Contract assets	**$ 3,215**	**$ —**	**$ 3,215**
Accounts receivable LNG	**$ —**	**$ 126**	**$ 126**
Contract liabilities	**$ —**	**$ (11,816)**	**$ (11,816)**

	2019		
	Sale of energy	**Sale of LNG**	**Total segments**
Revenues	$ 260,364	$ 251,981	$ 512,345
Operating costs and expenses			
Costs of revenues	$ (139,800)	$ (196,391)	$ (336,191)
Operating income	**$ 120,564**	**$ 55,590**	**$ 176,154**
Assets and Liabilities			
Accounts receivable LNG	**$ —**	**$ 682**	**$ 682**
Contract liabilities	**$ —**	**$ (6,605)**	**$ (6,605)**
Client deposits	**$ (1,000)**	**$ —**	**$ (1,000)**

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24. Segments (continued)

	2018		
	Sale of energy	**Sale of LNG**	**Total segments**
Revenues	$ 316,780	$ 233,561	$ 550,341
Operating costs and expenses			
Costs of revenues	$ (238,416)	$ (190,097)	$ (428,513)
Operating income	**$ 78,364**	**$ 43,464**	**$ 121,828**
Assets and Liabilities			
Accounts receivable LNG	**$ —**	**$ 177**	**$ 177**
Contract liabilities	**$ —**	**$ (652)**	**$ (652)**
Client deposits	**$ (1,220)**	**$ —**	**$ (1,220)**

Revenues from transactions with DPP related to the sale of natural gas and the transportation of natural gas for the year ended December 31, 2020 amounted to $74.7 million (2019: $100.9 million and 2018: $104.1 million).

25. Risk and capital management

The Company's main financial liabilities, excluding derivatives, include bonds payable, loans payable, income tax payable, interests and accounts payable. The main objective of these financial liabilities is to finance the Group's operations and offer guarantees to back its operations. The Company has cash, cash equivalents and accounts receivable that are the direct result of its operations. The Company is exposed to market risk, fuel price risk, interest rate risk, credit risk, liquidity risk and exchange rate risk.

The Company's senior management oversees the management of these risks with the support of the Financial Risk Committee, which assesses financial risks and the management framework used, guaranteeing that the identification, measurement and administration of financial risk is based on the policies and procedures established by the Company. All of the activities with derivative instruments with risk management purposes are carried out by specialists' teams that have the knowledge, experience and adequate supervision. The Company has a policy not to trade derivative financial instruments with speculative purposes.

25. Risk and capital management (continued)

Top Management reviews and agrees on policies for managing each of these risks, which are summarized below.

Market risk

Market risk is the risk that the fair value or future cash flows for financial instruments fluctuate due to changes in market prices. For the Company, market risk is affected mainly by: fuel price risk, interest rate risk, credit risk, liquidity risk and exchange rate risk.

The pandemic COVID-19 has severely affected global economic activity, including electricity and energy consumption, causing significant volatility and negative pressure on financial markets. For the year ended December 31, 2020, the pandemic COVID-19 has had an impact on the demand for electric power and, as a result, on the Company's financial results and operations. The magnitude and duration of the pandemic COVID-19 is unknown at this time and may have material and adverse effects on our results of operations, financial condition and cash flows in future periods. In response to the pandemic COVID-19, Company's Management implemented changes that was determined in the best interest of our employees, as well as the communities in which we operate. This includes employees working from home to the extent possible, while additional security measures are in place for employees continuing critical work on site. Likewise, the Company carried out the formalities timely in order to minimize the impact, considering that it is a conjunctural situation that, according to the most current estimates and the position treasury to date, does not compromise the financial situation and operations of the Company.

Fuel price risk

The Company maintains contracts for the sale of energy and capacity with related companies, distribution companies and large clients, in order to minimize the exposure to the risk of changes in the spot market prices.

With regard to the development of the natural gas market, the Dominican government declared in 2008 the use of natural gas as a national priority. AES Andres has a competitive advantage over the rest of the market, since it has the only reception dock capable of receiving and storing this type of fuel. AES Andres is actively working to develop a natural gas market, therefore on January 17, 2010, the Company began to operate the first LNG distribution terminal. For the year ended December 31, 2020, sales of LNG to third parties unrelated to AES Andres amounted to $229.9 million (2019: $139.3 million and 2019: $129.5 million), the above mentioned amounts do not included taxes. The Company's Management monitors the risk through proper planning of fuel purchases with suppliers in the short term.

25. Risk and capital management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuate due to changes in market interest rates.

The Company issued bonds for $220.1 million in May 2016. These bonds were issued in the international market with a maturity in May 2026 at a fixed annual interest rate of 7.950%, with only one payment upon maturity of the capital and semi-annual interest payments. The Company´s profits and losses are not exposed to significant risk of interest rate fluctuations because 100% of its bonds have fixed interest rates.

The lines of credit and loans are exposed to fluctuations in the LIBOR rate as, this is an international reference rate that fluctuates based on interbank market conditions. The Company does not expect significant impacts on its consolidated financial statements as a result of the volatility of the LIBOR rate on the cash flows associated with this financing. (see Note 11.2).

Credit risk

This is the risk that a debtor or issuer of a financial asset owned by the Company does not fulfill a payment, fully and on time, in conformity with the terms and conditions agreed at the time the Company acquired or originated the financial asset.

Distribution companies owned by the Government of the Dominican Republic (distros), and DPP (related company) are the main clients of the Company. Sales contracts to DPP represented the 14% of total revenues during the year ended December 31, 2020 (2019: 20% and 2018: 19%) and sales contracts to distros represented 81% of total revenues during the year ended December 31, 2020 (2019: 80% and 2018: 75%). The balance of current accounts receivable from the distros represents 8% of total current assets as of December 31, 2020 (2019: 14% and 2018: 16%), and DPP represents 5% of total current assets as of December 31, 2020 (2019: 29% and 2018: 98%).

Additionally, DPP, Pueblo Viejo Dominicana Corporation and Empresa Generadora de Electricidad Haina, S.A. are the Company's main clients, for the LNG sales segment, and sales of LNG under contracts represented 31% of the total revenues during the year ended December 31, 2020 (2019: 25% and 2018: 23%).

Company´s Management has financial instruments with a moderate risk, since it concentrates its sales in one distributor and a related company that in turn concentrates its sales on the same distributor, which depends on a subsidy granted by the Dominican government to cover its cash shortages. The Government is currently focused on seeking self-sustainability for the electricity sector and attempting to achieve governmental efficiency, therefore to date accounts receivable have not been penalized.

25. Risk and capital management (continued)

Financial instruments and cash deposits: the credit risk of balances with banks and financial institutions is managed by the treasury department in conformity with the Company's policy. Investments of fund surpluses are only conducted with authorized parties and within the credit limits assigned to each entity. Top management reviews these limits annually, and these may be updated during the year, subject to approval by the Finance Committee. These limits are established to minimize the concentration of risk and to mitigate potential financial losses from a counterpart's non-compliance.

The maximum exposure of the credit risk components of the consolidated statement of financial position as of December 31, 2020 and 2019 is the carrying amount.

Liquidity risk

This is the risk that the Company will be unable to fulfill all of its obligations due to impairment in the quality of the client portfolio, excessive concentration of liabilities, lack of liquidity of assets, or the financing of long-term assets with short-term liabilities, among others. Historically in the Dominican Republic, distributors have presented weak operating performance related to their levels of energy losses and collection from clients, problems that affect their payment capacity to generators, thus the electric sector is highly dependent on the government subsidy and decisions regarding its regulation.

To mitigate the risk of liquidity and credit concentration, the Company may make sales of accounts receivable due or near maturity. These sales are mainly made on the government portfolio at par value or with premium, with the purpose of covering the commitments generated by the operations and reducing the use of cash provided by financing activities. During the year ended December 31, 2019, the Company sold accounts receivable amounting to $4.2 million (2018:$34.5 million). During 2020, the Company did not sell accounts receivable.

The Company monitors liquidity risk by planning cash flows and constant follow-up on the accounts receivable to ensure compliance with the commitments.

As of December 31, 2020, Andres had a balance of cash and cash equivalents in the amount of $50.1 million (2019: $64.3 million). This balance includes cash and certificates of deposit with maturities of less than three months.

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25. Risk and capital management (continued)

Liquidity risk (continued)

The table below summarizes the maturity profile of the financial liabilities based on contractual undiscounted payments as of December 31, 2020 and 2019:

	Less than 3 months	*From 3 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*Total*
As of December 31, 2020					
Accounts payable - related parties	$ 79	$ 92,651	$ —	$ —	$ 92,730
Accounts payable - suppliers and other liabilities	5,749	36,284	—	—	42,033
Line of credit	—	30,000	—	—	30,000
Loans payable	—	45,984	—	37,016	83,000
Lease liabilities	—	216	169	3,894	4,279
Bonds payable	—	—	—	220,100	220,100
Other financial liabilities	—	107	5,763	—	5,870
Total	**$ 5,828**	**$ 205,242**	**$ 5,932**	**$ 261,010**	**$ 478,012**

	Less than 3 months	*From 3 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*Total*
As of December 31, 2019					
Accounts payable - related parties	$ 1,933	$ 133,622	$ —	$ —	$ 135,555
Accounts payable - suppliers and other liabilities	8,584	54,943	—	—	63,527
Loans payable	—	—	—	50,000	50,000
Lease liabilities	—	80	40	3,700	3,820
Bonds payable	—	—	—	220,100	220,100
Other financial liabilities	—	—	363	—	363
Total	**$ 10,517**	**$ 169,612**	**$ 4,052**	**$ 230,522**	**$ 473,365**

Exchange rate risk

Exchange rate risk is the risk that the fair value or future cash flows of financial instruments fluctuates as a result of variation in exchange rates. The Company's exposure to exchange risk is mainly related to the operating activities (when revenues and expenses are denominated in a currency different from the functional currency). However, given that the Company's functional currency is the dollar, and that its revenues, costs and investments in property, plant and equipment are determined mainly in US dollars.

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25. Risk and capital management (continued)

Exchange risk (continued)

The main balance denominated in Dominican pesos corresponds to accounts receivable from the spot market. For the year ended December 31, 2020, approximately 97% (2019: 96% and 2018: 91%) of the Company's revenues were denominated in dollars.

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

	Exchange rate variation	Effect on income before income tax expense		Effect on total stockholders' equity	
As of and for the year ended December 31, 2020	**5%**	**$**	**64**	**$**	**224**
	(5)%	**$**	**(71)**	**$**	**(232)**
As of and for the year ended December 31, 2019	5%	$	182	$	227
	(5)%	$	(190)	$	(235)

Capital management

The main objective of the Company's capital management is to ensure that it maintains a solid credit rating and capital indicators to support the business and maximize value to the shareholders. The Company manages its capital structure and makes adjustments in light of the changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the payment of dividends to shareholders, capital returns to shareholders or issue new shares. No changes were made to the objectives, policies, and procedures during the year ended December 31, 2020.

26. Subsequent events

Subsequent events were evaluated by Management until April 25, 2021, date on which the consolidated financial statements were authorized by Management for issuance.

Insurance claim
On January 15, 2021, the Company received $19.5 million related to the event of March 2020 of the steam turbine.

Loan payable
On February 26, 2021, the Company received $4.0 million related to the loan acquired to finance the construction of the Bayasol solar energy project. On March 10, 2021, the Company received $3.0 million further related to the same loan.

26. Subsequent events

Line of credit
In March and April 2021, the Company paid $30 million to reduce the amount outstanding on the line of credit.

Derivative instrument
In March, 2021, the Company, entered into three rate swap transactions, with Citibank, N.A. and The Bank of Nova Scotia, with the purpose of cover the Company's exposure to interest rate volatility by exchanging a 3-month LIBOR for a fixed interest rate of 1.990% for notional amount of $100 million; 1.925% for notional amount of $100 million and 1.965% for notional amount of $100 million. The commencement date of the rate swap transactions is from June 30, 2022, for a period of 10 years.

The derivatives has been designated as a cash flow hedge instrument, therefore the unrealized portion is presented in the Company's consolidated financial statements as other accumulated comprehensive income.

Change of name
On April 2, 2021, according to ordinary general stockholders' meeting, the company Parque Eólico Beata, S.R.L change its name as AES Dominicana Renewable Energy, S.R.L.

International bonds
On April 19, 2021, the Company commenced an offer to purchase for cash any and all of the $220.1 million outstanding international bonds pursuant to the terms of, and subject to the conditions set forth in, an offer to purchase dated as of April 19, 2021 and related documents. The Tender Offer is conditional upon our receiving the financing necessary for the payment of the purchase price offered thereby and accrued interest to tendering holders of the international bonds, plus fees and expenses, and other general conditions set forth in the Tender Offer Documents. The Company expects to finance the Tender Offer with the proceeds from the issuance of the Notes and may waive any of these conditions at its sole discretion. The Company cannot assure you that the Tender Offer will be consummated.

Santanasol project
On April 7, 2021, the Company issued a note to proceed related to the developing a 50 MWh photovoltaic farm in the Dominican Republic. The total cost of the Santanasol project is expected to be approximately $45.0 million. On or around May 2021, Andres DR expects to enter into a credit facility with a commercial bank to finance the project.