AES Andres B.V. and Subsidiaries

(An indirectly owned subsidiary of The AES Corporation)

Independent Auditor's Report
Consolidated Financial Statements
For the year ended December 31, 2021

AES Andres B.V. and Subsidiaries

(An indirectly owned subsidiary of The AES Corporation)

Consolidated Financial Statements

Content **Page (s)**

Ernst & Young, S. R. L.
RNC No. 1-31-20492-9
Torre Empresarial Reyna II
Suite 900, piso 9
Pedro Henríquez Ureña No. 138
Santo Domingo, República Dominicana.

Tel: (809) 472-3973
Fax: (809) 381-4047

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of AES Andres B.V. and Subsidiaries, (the Company), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in stockholders´ equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the international Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), the Code of Ethics issued by the Institute of Certified Public Accountant of the Dominican Republic (ICPARD Code), together with the ethical requirements that are relevant to our audit of the 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.

Key audit matters (continued)

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, 2021 amount to $63.3 million are detailed in Note 7 to the consolidated financial statements and represent 7% of the Company's total assets as of December 31, 2021. The accounts receivables trade are mainly concentrated in the energy distribution companies in the Dominican Republic (Empresa Distribuidora de Electricidad del Este, S. A. - "EDEESTE", EDENORTE Dominicana, S. A.- "EDENORTE" and EDESUR Dominicana, S. A. "EDESUR", which represent 41% of total accounts receivable as of December 31, 2021. The assessment of the recoverability of these accounts receivable includes, to a certain extent, a level of judgment from the Administration.

How We Addressed the Matter in Our Audit:

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

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

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

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 Maylen A. Guerrero Pimentel.

Ernst + Young

Santo Domingo, Dominican Republic
April 22, 2022

AES Andres B.V. and Subsidiaries

(An indirectly owned subsidiary of The AES Corporation)

Consolidated Statements of Financial Position

As of December 31, 2021 and 2020

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

Notes	**ASSETS**	**2021**	**2020**
	Current Assets:		
5	Cash and cash equivalents	$ 42,805	$ 50,095
6	Account receivable related parties	121,336	34,396
6	Interests receivable related party	568	—
6	Other accounts receivable related party	—	28,043
7	Account receivable trade, net	63,290	39,535
15	Account receivables for financial lease	161	161
7	Contracts assets	179	—
8	Inventories, net	30,943	24,038
11	Other non-financial assets	1,048	1,729
12.1	Other financial assets	241	224
24	Income tax receivable	—	8,268
	Total current assets	260,571	186,489
	Non-current assets:		
9	Property, plant and equipment, net	529,558	499,544
10	Intangible assets, net	3,715	3,326
7	Contract assets	10,337	3,215
15	Account receivables for financial lease	5,740	5,355
15	Right-of-use asset, net	7,007	4,381
11	Other non-financial assets	256	5,765
12.1	Other financial assets	1,800	1,793
13	Investment in affiliate	49,883	44,856
6	Loan receivable related party	51,988	—
	Total non-current assets	660,284	568,235
	Total assets	**$ 920,855**	**$ 754,724**

AES Andres B.V. and Subsidiaries
(An indirectly owned subsidiary of The AES Corporation)
Consolidated Statements of Financial Position (continued)
As of December 31, 2021 and 2020
(Expressed in thousands of dollars of the United States of America)

Notes	LIABILITIES AND STOCKHOLDERS' EQUITY	2021	2020
	Current liabilities:		
14	Account payable suppliers and other liabilities	$ 50,628	$ 42,094
6	Account payable related parties	156,963	92,730
24	Income tax payable	6,111	—
12.2	Other financial liabilities	648	46
12.2	Line of credit payable	—	30,000
6	Loans and interests payable related party	30,403	—
12.2	Loans payable current, net	11,647	45,951
15	Lease liabilities	423	216
	Total current liabilities	256,823	211,037
	Non-current liabilities:		
12.2	Bonds payable, net	295,838	214,314
12.2	Loans payable non-current, net	74,348	36,624
24	Deferred income tax	51,333	55,344
15	Lease liabilities	6,659	4,063
12.2	Other financial liabilities	507	664
16	Other long-term liabilities	4,923	5,099
	Total non-current liabilities	433,608	316,108
	Total liabilities	690,431	527,145
	Stockholders' equity		
18	Authorized capital	18	18
18	Additional paid-in-capital	271,646	271,628
	Accumulated deficit	(55,434)	(60,273)
18	Restricted retained earnings	14,767	16,163
12.3	Other comprehensive income	(622)	—
	Subtotal	230,375	227,536
	Non-controlling interest	49	43
	Total stockholders' equity	230,424	227,579
	Total liabilities and stockholders' equity	**$ 920,855**	**$ 754,724**

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

AES Andres B.V. and Subsidiaries

(An indirectly owned subsidiary of The AES Corporation)

Consolidated Statements of Income

For the years ended December 31, 2021 and 2020

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

Notes		2021	2020
6, 20	**Revenues**	$ 874,972	$ 539,896
	Operating costs and expenses		
6, 21	Cost of fuel, electricity purchases, transmission costs and others	(676,772)	(390,631)
22	Operating, general and maintenance expense	(51,204)	(44,148)
9, 10	Depreciation and amortization	(26,638)	(25,866)
	Total operating costs and expenses	(754,614)	(460,645)
	Operating income	120,358	79,251
	Other (expenses) income		
23	Interest expense, net	(23,251)	(21,529)
13	Equity participation in investment in affiliate	5,027	(687)
12.2	Debt discount amortization	(105)	(400)
25	Other (expense) income, net	(10,457)	2,162
	Exchange (loss) gain, net	(1,176)	8,473
	Income before income tax expense	**90,396**	**67,270**
24	Income tax expense	(33,948)	(22,404)
	Net income	**$ 56,448**	**$ 44,866**
	Attributable to:		
	Non-controlling interest	6	5
	Attributable to shareholders of the parent company	56,442	44,861
		$ 56,448	**$ 44,866**
19	Net income per share (expressed in dollars of the United States of America)	**$ 310**	**$ 247**

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

AES Andres B.V. and Subsidiaries

(An indirectly owned subsidiary of The AES Corporation)

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2021 and 2020

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

	Note	Number of shares	Authorized capital	Additional paid-in capital	Accumulated deficit	Restricted retaining earnings	Other comprehensive incomes	Subtotal	Non-controlling interest	Total stockholders' equity
Balance as of January 1, 2020		182	$ 18	$ 271,627	$ (58,984)	$ 17,010	$ —	$229,671	$ 38	$ 229,709
Net income		—	—	—	44,861	—	—	44,861	5	44,866
Effect of revaluation due to deemed cost	18	—	—	—	847	(847)	—	—	—	—
Dividends paid	6	—	—	—	(46,997)	—	—	(46,997)	—	(46,997)
Capital increase		—	—	1	—	—	—	1	—	1
Balance as of December 31, 2020		182	18	271,628	(60,273)	16,163	—	227,536	43	227,579
Net income		—	—	—	56,442	—	—	56,442	6	56,448
Effect of revaluation due to deemed cost	18	—	—	—	1,396	(1,396)	—	—	—	—
Dividends paid	6	—	—	—	(52,999)	—	—	(52,999)	—	(52,999)
Changes in the fair value of derivative instruments	12.3	—	—	—	—	—	(622)	(622)	—	(622)
Capital increase		—	—	18	—	—	—	18	—	18
Balance as of December 31, 2021		**182**	**$ 18**	**$ 271,646**	**$ (55,434)**	**$ 14,767**	**$ (622)**	**$230,375**	**$ 49**	**$ 230,424**

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

AES Andres B.V. and Subsidiaries

(An indirectly owned subsidiary of The AES Corporation)

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

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

Notes		2021	2020
	Cash flows from operating activities:		
	Net income	$ 56,448	$ 44,866
	Adjustments to reconcile net income to net cash provided by operating activities:		
9	Depreciation	25,937	25,242
10	Amortization of intangible assets	701	624
15	Amortization of right-of-use assets	218	143
15	Interest expense on lease liabilities	329	216
7	Allowance for doubtful accounts	172	5
8	Allowance for inventory obsolescence	91	(46)
24	Income tax expense	33,948	22,404
	Stock-based compensation	13	5
	Exchange loss (gain), net	1,176	(8,473)
25	Loss on retirement of property, plant and equipment	1,843	351
25	Gain on sale of disposals of property, plant and equipment	(72)	(2,130)
12.3	Loss (gain) on derivative financial instruments	341	(572)
13	Equity participation in investment in affiliate	(5,027)	687
12.2	Debt discount amortization	105	400
23	Amortization of deferred financing costs	1,208	744
23, 25	Loss of early extinguishment of debt	14,364	—
23	Interest expense, net	16,469	20,785
		148,264	**105,251**
	Changes in operating assets and liabilities:		
	(Increase) decrease in accounts receivable trade, net	(24,470)	24,146
	(Increase) decrease in accounts receivable related parties	(87,509)	58,795
	Decrease (increase) in other accounts receivable related parties	28,043	(18,491)
	(Increase) decrease in inventories	(6,996)	1,086
	Decrease (increase) in other assets	8,363	(10,153)
	Increase in contracts assets	(7,301)	(3,215)
	Increase in accounts payable suppliers and other liabilities	11,607	14,826
	Increase (decrease) in accounts payable related parties	64,636	(42,825)
	Increase in other liabilities	384	347
	Cash provided by operating activities	**135,021**	**129,767**
	Carried forward.....	**$ 135,021**	**$ 129,767**

AES Andres B.V. and Subsidiaries

(An indirectly owned subsidiary of The AES Corporation)

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

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

Notes		2021	2020
	Brought forward....	**$ 135,021**	**$ 129,767**
	Income tax paid	(27,528)	(53,174)
	Interest received	543	1,278
	Interest paid	(20,271)	(22,872)
	Net cash provided by operating activities	**87,765**	**54,999**
	Cash flows from investing activities:		
9	Acquisition of property, plant and equipment	(59,130)	(61,500)
11	Advance payments for the acquisition of property, plant and equipment	(30)	(5,158)
10	Acquisition of intangible assets	(337)	(180)
6	Loan to related party	(51,988)	—
13	Dividends received from affiliate	—	294
13	Reduction of investment affiliate	—	1,706
	Net cash used in investing activities	**(111,485)**	**(64,838)**
	Cash flows from financing activities:		
12.2	Proceeds from line of credit	30,000	62,500
12.2	Proceeds from new loans	353,500	33,000
6	Proceeds from intercompany loan	30,000	—
12.2	Payment of line of credit	(60,000)	(52,500)
12.2	Payments of deferred financing costs	(5,086)	—
12.2	Payment of loans	(269,724)	—
12.2, 25	Penalty payment on early extinguishment of debt	(8,790)	—
15	Payment of lease liabilities	(471)	(100)
15	Prepayment of lease liabilities	—	(236)
6	Dividends paid	(52,999)	(46,997)
	Net cash provided by (used in) financing activities	**16,430**	**(4,333)**
	Net decrease in cash and cash equivalents	(7,290)	(14,172)
	Cash and cash equivalents at the beginning of the year	50,095	64,267
	Cash and cash equivalents at the end of the year	**$ 42,805**	**$ 50,095**
	Supplementary disclosure of non-cash operating activities:		
	Property, plant and equipment purchases not paid at year end	**$ 4,278**	**$ 10,147**
	Acquisition of intangible assets not paid at year end	**$ 753**	**$ —**

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

1. Organization and nature of operation

AES Andres B.V. and its subsidiaries (referred to in these consolidated financial statements as "the Company" or "Andres") are a group of companies an indirect owned subsidiary of The AES Corporation (the Parent Company or AES). AES Andres B.V. was formed and incorporated in 1999 in accordance with the laws of The Netherlands, as a private limited liability company with a branch registered in the Dominican Republic. On September 1, 2014, AES Andres B.V., signed an agreement to transfer all assets and liabilities from its branch in the Dominican Republic to AES Andres DR, S.A. (Andres DR), a commercial company organized and established on March 31, 2014 under the laws of the Dominican Republic. In addition, it was agreed that due to the transfer of assets and liabilities, AES Andres B.V. received 111,923 shares and AES DPP Holdings, Ltd. received 1 share of AES Andres DR, S. A. As of December 31, 2021 and 2020, AES Andres B.V. owns 99.99% of the shares of the entity AES Andres DR, S.A.

Andres consists of 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. These assets were constructed in Punta Caucedo, Dominican Republic. Gas operations began in March 2003 and the power plant began commercial operations in December 2003 and the energy storage solution project concluded in June 2017 and was put into service in December 2017 according to the resolution issued by the Superintendence of Electricity ("SIE"). During the year 2018, Andres began the construction of the gas pipeline of its LNG terminal located in San Pedro de Macoris, which was transferred in September 2019 to Energía Natural Dominicana Enadom, S. R. L. (ENADOM), a related company, through an agreement for the assignment of the project.

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

During 2021, new contracts were signed with customers in the large entities market, which are allowed to generate their own electricity or contract directly with generators, or the unregulated market (commonly known as "Non-Regulated Users"). As of December 31, 2021 and 2020, the Company has a total of 30 contracts with Non-Regulated Users (2020: 23), with a total of 84 MW in 2021 (2020: 60 MW) of contracted capacity.

1. Organization and nature of operations (continued)

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

The main objective of AES Dominicana Renewable Energy, S.R.L. is the construction of a power generation plant from primary renewable photovoltaic solar energy sources, with an installed capacity of 50MW (Bayasol Project) in Matanzas, Bani, Peravia province, Dominican Republic, as well as the operation and administration of these assets. In addition, it is empowered to carry out the commercial, financial and legal management directly or indirectly related to these activities in accordance with the laws of the Dominican Republic, and to carry out any legal commercial activity related to the main object.

The Bayasol project is a solar plant built on the basis of turnkey engineering, procurement and construction contracts. This project was completed in March 2021 and was capitalized partially in April 2021 and in July 2021 completed the capitalization.

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

In January 2016, AES Andres B.V. relocated its place of effective management to Madrid, Spain and became resident for tax purposes in that country. Since its relocation, Andres B.V. is subject to the Spanish tax regime. AES Andres B.V., however, still remains incorporated under the laws of the Netherlands. The Company's administrative offices are located at Paseo de la Castellana street 216, floor 8, 28046 Madrid, Spain.

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

1. Organization and nature of operations (continued)

The consolidated financial statements of the Company as of December 31, 2021 were authorized by the Management for issuance on April 22, 2022.

2. Basis of preparation

(a) Basis of preparation

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

(b) Principles of consolidation

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

(c) Functional currency

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

Monetary assets and liabilities denominated in foreign currencies are converted into the Company’s functional currency at the rate of exchange in effect at the consolidated statements of financial position dates; the effect of changes in exchange rates is recognized in the consolidated statements of income in the line exchange gain, net. As of December 31, 2021, the exchange rate for U.S. dollar was RD$57.55 (2020: RD$58.33) and the annual average exchange rate for the year ended December 31, 2021 was RD$57.22 (2020: RD$56.52).

2. Basis of preparation (continued)

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

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classify all other liabilities as non-current.

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

(e) Use of estimates and assumptions

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

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

3. Summary of significant accounting policies

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

(a) Financial instruments

Initial recognition and measurement

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

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

Financial assets are classified, at initial recognition, as: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The Companies do not choose to irrevocably designate the measurement of financial assets at fair value through profit or loss or other comprehensive income.

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

Offsetting of financial instruments

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

Classification and measurement

Financial assets:

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

3. Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Classification and measurement (continued)

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

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

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

A financial asset is measured at fair value through other comprehensive income if the following conditions are met:

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

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

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

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

3. Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Financial asset: evaluation of the business model

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

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

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

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

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

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

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

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

3. Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

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

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

Financial asset derecognition

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.

Cash and cash equivalents

The Company considers as cash and cash equivalents its petty cash, bank deposits and time deposits with initial maturity dates that are less than three months. 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 included accounts that has limited disposal due to restrictions imposed by local authorities (see note 12.1).

Account receivable

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

3. Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Account receivable (continued)

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

Impairment of financial assets

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

For the determination and valuation of the expected credit losses, the Company adopted the simplified approach and the presumption of "default" after 90 days, for all customers with the exception of accounts receivable from government customers for which the default was defined as of 365 days. In the case of accounts receivable from related parties, non-compliance will be from 365 days, however, some balances may be excluded when there is evidence of conditions that could reasonably justify their exclusion, such as payment agreements or settlements of new guarantees, among others.

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

With the objective of incorporating prospective information, the Company uses historical information and analyzed variables that affect and help to predict the behavior of the recoverability of financial assets, none of which showed an adequate correlation. However, the Company periodically performs qualitative risk analyzes to identify changes in the estimated losses.

3. Summary of significant accounting policies (continued)

(b) Financial liabilities: Recognition and measurement

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

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

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

Derecognition of financial liabilities

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

(c) Derivative Financial Instruments

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

3. Summary of significant accounting policies (continued)

(c) 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.

(d) Fair value of financial instruments

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

(e) 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.

(f) Property, plant and equipment

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

3. Summary of significant accounting policies (continued)

(f) Property, plant and equipment (continued)

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

When assets are sold or written off, the corresponding cost and accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is reflected in the consolidated statements of income. When property, plant and equipment have different useful lives, they are accounted for separately.

Depreciation

Depreciation is calculated according to the useful lives of the respective assets using the straight-line method.

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

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

Major and minor maintenance

Disbursements for major maintenance represent the reconditioning of the plant or other assets. These expenses are capitalized and amortized based on the useful life of each asset.

Minor maintenance expenses are charged directly to the consolidated statements of income.

3. Summary of significant accounting policies (continued)

(f) Property, plant and equipment (continued)

Construction in progress

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

(g) Intangible Assets

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

The estimated useful lives are as follow:

Licenses	3 years
Software	3 years
Concession	25 years

(h) Impairment of non-financial assets

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

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

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

3. Summary of significant accounting policies (continued)

(i) Computer Applications Contracts hosted in the cloud

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

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

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

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

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

(j) Investment in affiliate

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

3. Summary of significant accounting policies (continued)

(j) Investment in affiliate (continued)

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

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

(k) Leases

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

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (the date the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, 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
Corporate office and parking	5 years

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

3. Summary of significant accounting policies (continued)

(k) 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 applies the short-term lease recognition exemption to its short-term asset and equipment leases (that is, those leases that have a lease term of 12 months or less from the commencement date and do not contain a Purchase option). The low-value asset recognition exemption also applies to office equipment leases that are considered low-value. Payments for short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the term of the lease.

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.

3. Summary of significant accounting policies (continued)

(k) Leases (continued)

Lessor (continued)

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

(l) Contract asset

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

(m) Deferred financing costs

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

(n) Provisions

A provision is recognized when the Company has a present obligation, legal or constructive, as the result of a past event, and it is probable that the Company will require cash resources to settle the obligation 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.

(o) Severance benefits

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

3. Summary of significant accounting policies (continued)

(p) Commitments and contingencies

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

(q) Revenue recognition

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

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

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

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

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.

3. Summary of significant accounting policies (continued)

(q) Revenue recognition (continued)

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.

(r) Interest expense

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

(s) Income tax expense

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

3. Summary of significant accounting policies (continued)

(s) Income tax expense (continued)

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

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

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

(t) Net income per share

Net income per share measures the performance of an entity over the reported period and it is calculated by dividing the earnings for common shareholders by the weighted average number of common shares outstanding during the year. Outstanding shares for the years 2021 and 2020 were 182 and there is no difference between basic and diluted profit.

(u) Operating segments

Segment information is presented consistently with the internal reports provided to Management, who makes decisions for the Company and who is responsible for assigning resources and assessing the performance of operating segments. Management identifies its operating segments related to the sale of electricity and LNG based on the market in which it participates, that is, the Dominican market, to make strategic decisions. This financial information by operating segments is detailed in Note 26.

4. Changes in accounting policies

The accounting policies adopted by the Company to prepare their consolidated financial statements as of December 31, 2021 are consistent with those used to prepare the consolidated financial statements at December 31, 2020.

(I) Changes in new standard and interpretation year 2021.

Modifications to International Financial Reporting Standards and interpretations were applied in 2021, but did not have a significant impact on the consolidated financial statements of the Companies. The modifications and interpretations are:

- Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

(II) Changes in new standard and interpretation - Not yet effective as of December 31, 2021

The new and amended standards and interpretations that are issued but not yet effective as of the date of issue of the Company' consolidated financial statements are listed as follow. This list of standards and interpretations issued are those that the Management reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Companies intend to adopt these standards or interpretations when they become effective.

Property, Plant and Equipment: *Proceeds before Intended Use – Amendments to IAS 16*

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

4. Changes in accounting policies (continued)

Onerous Contracts: *Costs of Fulfilling a Contract – Amendments to IAS 37*

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

IFRS 9 Financial Instruments: *Fees in the '10 per cent' test for derecognition of financial liabilities*

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

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

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

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

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

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

4. Changes in accounting policies (continued)

Definition of Accounting Estimates: *Amendments to IAS 8*

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

In February 2021, the IASB issued amendments to IAS 1 as well as Practice Statement No. 2 Making Judgments on Materiality or Relative Importance, in which it provides guidance and examples to help entities apply materiality judgments on financial statements. accounting policy disclosures. The amendments are intended to help entities provide accounting policy disclosures that are more useful by replacing the requirement that entities disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how Entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023, and early application is permitted. Because the amendments to Practice Statement No. 2 provide non-mandatory guidance on applying the definition of materiality to accounting policy information, an effective date for these amendments is not required.

5. Cash and cash equivalents

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

	2021	2020
Cash in US dollars	$ 31,856	$ 46,895
Cash in Dominican pesos	10,914	1,169
Cash in Euro	35	83
Cash equivalents:		
Term deposits and investment certificates in dominican pesos, maturing in less than 3 months, with an average annual rate of 4.2% in 2020.	—	1,948
Total	**$ 42,805**	**$ 50,095**

Term deposits and investment certificates as of December 31, 2020 include deposits for $0.2 million that are used as collateral for loans to employees, on which there is no restriction. As of December 31, 2021, restricted deposit certificates for $0.01 million are presented as other non-current financial assets, used as collateral for loans to employees (see note 12.1).

6. Balances and transactions with related parties

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

The Company has an LNG purchase agreement with the related company AES Andres (BVI) Ltd., which in turn has a fuel purchase agreement with the related company Atlantic Basin Services, Ltd. (ABS), and the latter acquires the fuel through BP Gas Marketing Ltd (BP), and sells it to the Company at cost, plus a fixed monthly fee of $15,000. For the years ended December 31, 2021 and 2020, fixed fees amounted to $0.2 million and $0.2 million, respectively, and are presented under operating, general and maintenance expenses as contracted services (see note 22). Likewise, they were recorded as part of the cost of fuel purchases in the consolidated statement of income for $471.4 million and $292.4 million, respectively (see note 21).

AES Andres DR, S. A. granted a guarantee (effective until 2023) for a maximum amount of $100 million to BP in reference to the LNG Purchase Agreement signed between ABS and BP, with the purpose of guaranteeing timely payments of all debts and obligations payable under this contract.

During the year ended December 31, 2021, the Company invoiced to AES Andres (BVI) Ltd. $27.3 million for compensation the cancellation of a shipment by BP, when exercising the contractual option to deliver diesel fuel for natural gas, based on the agreement signed between AES Andres (BVI) Ltd. and BP. This amount is presented in the consolidated statement of income as income of natural gas.

The Company maintains contracts for the sale and purchase of LNG and transportation of LNG with the related Dominican Power Partner ("DPP"), which expire in the year 2023. For the year ended December 31, 2021, the revenues associated with the sale of natural gas presented in the income statement amounted to $97.6 million (2020: $66.1 million) and revenues corresponding to the transportation of natural gas were $8.6 million (2020: $8.6 million) (see note 20).

In the year ended December 31, 2020, the Company executed an LNG sale contract with the related company Gas Natural Atlántico S.de R.L for 0.6 TBTU, for which revenues of $1.6 million were recognized. In September 2021, the Company signed two new agreements for the purchase and sale of LNG with Gas Natural Atlántico S.de R.L, where the parties agree to sell and purchase LNG between them at prices and quantities agreed in individual contractual notifications detailing the terms and particular conditions of each transaction. For the year ended December 31, 2021, the Company recognized revenue for natural gas of $26.6 million and made natural gas purchases of $60.8 million included in the cost of fuel in the consolidated statement of income.

6. Balances and transactions with related parties (continued)

Purchase Power Agreement (PPA)

The Company maintains an energy purchase power agreement with DPP through which the Company purchases energy and assigned firm capacity. This contract began on June 1, 2017 and remains in force indefinitely unless both parties agree to its suspension. For the year ended December 31, 2021, energy purchases related to this contract amounted to $11.4 million (2020: $13.7 million) (see note 21).

During the year ended December 31, 2021, the Company sold energy in the spot market to DPP for $0.7 million (2020: $0.1 million) and purchased energy from it on the spot market for $0.01 million (2020 there were no purchases in this period).

For the period from January 1 to April 8, 2021 and the year ended December 31, 2020, the Company sold energy in the spot market to Empresa Generadora de Electricidad Itabo, S. A. ("ITABO") for $0.6 million and $0.1 million, respectively. Likewise, during the period from January 1 to April 8, 2021, there were no energy purchases in the spot market, and purchases for the year ended December 31, 2020 were $$1.7 million.

Natural gas operations agreement - Atlantic Basin Services, Ltd.

On April 1, 2018, the Company signed an expense reimbursement agreement with the related Atlantic Basin Services, Ltd. for costs incurred in the use of tugboats in the unloading operations of LNG ships at the terminal, valid until on December 31, 2023. For the year ended December 31, 2021, costs related to this agreement recognized as part of cost of sales in the income statement amounted to $2.8 million (2020: $2.1 million).

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

6. Balances and transactions with related parties (continued)

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

The Company maintains a management agreement with AES Latin America S. de R.L., to provide general assistance in the processes of operation, finance, business planning, human resources, insurance, information technology, among others to ensure competitiveness. For the year ended December 31, 2021, expenses related to this contract amounted to $5.2 million (2020: $3.2 million) included in the statements of income in operating, general and maintenance expenses as contracted services (see note 22). Additionally, this agreement establishes that the Company invoices as other income, certain costs incurred by local personnel, which amounted to $0.5 million for the year ended December 31, 2021 (2020: there were no billings for this concept).

Insurance agreement - AES Global Insurance Corporation

The Company maintains an insurance against all risks with the related AES Global Insurance Corporation, which covers all operational risks including machinery breakdown and business interruption. The expense for this concept for the year ended December 31, 2021 was $15.8 million (2020: $12.2 million) included in the insurance under operating, general and maintenance expenses of the income statement (see note 22).

On March 12, 2020, the steam turbine of Andres DR had a damage with a period of repair until October 2020, when it restarted operations again. For this event, the Company recognized $28.0 million in the income statements as insurance claims of which $25.7 million correspond to business interruption, amount included reducing electricity purchases in the consolidated statement of income and $2.3 million to expenses incurred in rescheduling fuel purchases included in others in the general, operation and maintenance expenses of the consolidate statement of income. The account receivable from AES Global Insurance Corporation as of December 31, 2020 was $28.0 million, this amount was fully collected in March 2021.

Construction Management Agreement - ENADOM

On October 7, 2020, the Company signed an amendment to the construction management agreement with ENADOM dated September 23, 2019, to provide assistance in the construction of the second natural gas storage tank project in the amount of $5.1 million. For the year ended December 31, 2021, the Company recovered expenses incurred related to this contract by $0.7 million (2020: no transactions in this period).

6. Balances and transactions with related parties (continued)

Management Agreement - ENADOM

The Company, with Domi Trading, S.L., a related company, signed a management agreement on September 23, 2019 with ENADOM, through which both companies are responsible for providing general assistance in the processes of operation, finance, human resources, insurance, information technology and others in order to ensure ENADOM competitiveness in the Dominican market.

The contract is for a term of ten years and it will be automatically renewed for five more years and must pay $0.2 million plus taxes annually from this contract from the start date until it obtains the commercial operation date of the gasoducto del este project, after which the amount to be paid will be $0.4 million per year plus taxes, this amount will be adjusted for inflation each year. For the year ended December 31, 2021, the Company recognized revenue related to this contract of $0.4 million (2020: $0.3 million included as others operating income in the revenue line item in the income statement.

Operation and maintenance agreement - ENADOM

On September 23, 2019, Andres DR signed an operation and maintenance agreement with ENADOM to provide support in functions related to the operations and maintenance activities of the eastern gas pipeline. The start date of this contract will be the commercial operation date of the eastern gas pipeline, which was in February 2020 and the annual amount will be $0.7 million adjusted for inflation annually. For the year ended December 31, 2021, the Company recognized revenue related to this contract of $0.7 million (2020: $0.7 million) included as other operating income under revenue in the consolidated statement of income.

Lease Agreement - ENADOM

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

6. Balances and transactions with related parties (continued)

Lease Agreement - ENADOM (continued)

The price established in the contract will be at the start of construction or signature of the NTP until commissioning (forecast for a period of 28 months from the NTP), $0.3 million per year, adjusted for inflation, (proportionally, $0.2 million corresponds to the portion of land leased for the construction of the second LNG storage tank and $0.1 million corresponds to the portion of land leased for the temporary building during the construction period). After the date of commercial operation of the second tank, $0.6 million per year, adjusted for inflation (see note 15).

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

On September 23, 2019, the Company signed a contract with ENADOM for the sale of regasified natural gas, which will be valid for 12 years from February 2020, the date on which the commercial operation of eastern pipeline. This agreement is to execute the gas sales contract that the Company had with Compañía de Electricidad San Pedro de Macoris, S.A. (CESPM) and which was transferred to ENADOM as part of the joint business process with Domi Trading, S.L. In October 2020, an amendment to the contract was signed where it is agreed that AES Andres DR, S.A will temporarily supply the gas to CESPM until ENADOM obtains the license for the sale of natural gas.

On September 23, 2019, the Company signed a contract with ENADOM, for 10 years beginning in February 2020 the date of commercial operation of the eastern gas pipeline, the purpose of this contract is that the Company receive transportation service through the eastern gas pipeline.

For the year ended December 31, 2021 the costs related to this contracts recognized in the statements of income as costs of revenue amounted $27.6 million (2020: $12.5 million).

During the year ended December 31, 2020, the Company invoiced ENADOM $2.0 million related to logistics costs incurred to rescheduling LNG purchases and are presented in the income statement under other operating income.

Lands sold - ENADOM

In October 2021, the Company sold 9 lands corresponding to valve stations of the Gasoducto del Este project for the amount of $0.6 million (see note 9).

6. Balances and transactions with related parties (continued)

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

The Company signed a global corporate services agreement on January 1, 2020 with the related AES Big Sky, L.L.C., for technology, human resources, operations and commercial services necessary to ensure competitiveness in the Dominican energy market. The services will be provided by AES Big Sky directly or through its affiliates or subcontractors. The contract is valid for 5 years and will be automatically renewed for successive periods of one year, in agreement with the parties. The established payment is the actual cost assumed by AES Big Sky plus applicable taxes. For the year ended December 31, 2021, fee expenses related to this contract included in the statements of income under operating, general and maintenance expenses as contracted services amount to $3.8 million in 2021 (2020: $2.5 millions). As of December 31, 2020, there was a balance receivable of $0.8 million for credit notes received at the end of 2020 that were offset by invoices received and paid in 2021.

Guarantee agreement - DPP

On April 7, 2017, the Company obtained a guarantee contract with DPP, through which it acts as guarantor of the Corporate Bond Issuance Program approved by and registered with the Superintendence of Securities of the Dominican Republic obtained by DPP on December 13 2016. DPP agreed to pay a guarantee fee equivalent to 0.15% of the total bonds issued on the last day of the corresponding calendar year. For the year ended December 31, 2021, the Company recorded guarantee revenue of $0.4 million (2020: $0.4 million), which is included in the consolidated statements of income under revenues.

Loan and interest receivable - DPP

On May 4, 2021, the Company signed a loan agreement with its affiliate DPP for a maximum amount of $52.0 million, the rate is defined as the reference rates of the United States of America published by the Wall Street Journal plus the spread of the Emerging Bonds index for the Dominican Republic (at the end of 2021 this rate was 6.52%). Interest will be received semi-annually, while the principal will be received at maturity on May 4, 2028. As of December 31, 2021, interest receivable from this loan amounts to $0.6 million and is recorded in the consolidated statements of financial position as part of current assets in the line item of interest receivable related party. For the year ended December 31, 2021, the interest income related to this loan amounts to $2.6 million and is presented in the consolidated statements of income under interest expense, net. (see note 23).

6. Balances and transactions with related parties (continued)

Loans and interest payable - DPP

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

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

The funds received from both loans were used for the remaining payment of the loan with Banco Múltiple BHD León S.A. (see note 12.2).

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

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

Others

On May 1, 2017, the Company entered into a service agreement with Fluence Energy, LLC ("FLUENCE"), a related company owned by The AES Corporation, through which FLUENCE will temporarily provide technical services detailed in the contract, to work on Battery project development in the Company. The term of this agreement is one year and will be renewed annually unless terminated by any of the parties. The expense for these services for the year ended December 31, 2021 were $0.1 million (2020: $0.1 million) and are presented in the statements of income in the line item operating, general and maintenance expense as contracted services.

The Company made donations to Fundación AES Dominicana in 2021 for $0.5 million (2020: $0.4 million) which are presented in the statements of income under operating, general and maintenance expense as charitable contributions.

Dividends

During the year ended December 31, 2021, the Company through its subsidiary Andres DR paid dividends of $53.0 million (2020: $47.0 million) representing $291,203 per share (2020: $258,225 per share). The distribution of dividends of Andres DR is based on tax accounting in Dominican pesos.

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

6. Balances and transactions with related parties (continued)

As a result of the operations and contracts mentioned above and other less significant transactions carried out with related party accounts receivable and payable as of December 31, 2021 and 2020 are as follows:

	2021	2020
Accounts receivables related parties:		
AES Andres (BVI) Ltd.	$ 74,707	$ 17,835
Dominican Power Partners	26,391	9,127
Gas Natural Atlántico S. de R.L.	18,458	1
Energía Natural Dominicana ENADOM, S.R.L.	913	5,780
Others	570	222
AES Fonseca Energía, Ltda. de C.V.	124	124
AES Africa Power Company B.V.	115	115
AES Hispanola Holdings II BV	58	57
AES Big Sky, L.L.C.	—	762
AES Grand Dominicana, Ltd.	—	297
AES Global Power Holding B.V.	—	49
Empresa Generadora de Electricidad Itabo, S.A.	—	27
Total accounts receivables related parties	**$ 121,336**	**$ 34,396**
Interests receivable related party:		
Dominican Power Partners	$ 568	$ —
Total interests receivable related party	**$ 568**	**$ —**
Other accounts receivable related party:		
AES Global Insurance Corporation	$ —	$ 28,043
Total other accounts receivable related party	**$ —**	**$ 28,043**
Loan receivable related party:		
Dominican Power Partners	$ 51,988	$ —
Total loan receivable related party	**$ 51,988**	**$ —**

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

6. Balances and transactions with related parties (continued)

		2021		2020
Accounts payable related parties:				
Dominican Power Partners	$	107,342	$	92,082
Gas Natural Atlantico S. De R.L.		27,996		—
AES Andres (BVI) Ltd.		18,728		—
Atlantic Basin Services, Ltd.		2,796		423
AES Distributed Energy Inc.		89		—
Others		12		107
AES Latin América S. de R.L.		—		79
Empresa Generadora de Electricidad Itabo, S.A.		—		39
Total accounts payable related parties	**$**	**156,963**	**$**	**92,730**
Loans and interests payable related party:				
Dominican Power Partners - loans payable	$	30,000	$	—
Dominican Power Partners - interests payable		403		—
Total loans and interests payable related party	**$**	**30,403**	**$**	**—**

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

6. Balances and transactions with related parties (continued)

The transactions with related parties during 2021, 2020, are summarized below:

		Revenues		Costs and Expenses	
Affiliates:	**Transaction type**	**2021**	**2020**	**2021**	**2020**
Energía Natural Dominicana ENADOM, S.R.L.	Contract services	$ 1,846	$ 3,032	$ (27,579)	$ (12,549)
AES Andres (BVI) Ltd.	Purchase of LNG and others	27,250	—	(471,532)	(292,563)
Atlantic Basin Services, Ltd.	Other costs of LNG	—	—	(10,402)	(2,144)
Empresa Generadora de Electricidad Itabo, S. A.	Energy, firm capacity and frequency regulation	595	79	—	(1,651)
Dominican Power Partners	Energy, firm capacity, LNG, frequency regulation and interest on loans	109,939	75,192	(11,880)	(13,669)
AES Latin America S. de R.L.	Other services	468	—	(5,203)	(3,154)
Fluence Energy, LLC	Other services	—	—	(120)	(120)
Fundación AES Dominicana	Charitable contributions	—	—	(504)	(360)
Gas Natural Atlántico, S.R.L.	Sale of LNG, other services	26,635	1,621	(60,834)	—
AES Global Insurance Corporation	Other services	—	—	(15,780)	(12,161)
AES Big Sky, L.L.C.	Other services	—	—	(3,842)	(2,502)
Total		**$ 166,733**	**$ 79,924**	**$ (607,676)**	**$ (340,873)**

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

Remuneration of key personnel:

The compensation of the Company's executives during the years ended December 31, 2021 and 2020, amounted to $2.1 million and $1.1 million, respectively. These amounts include fixed monthly compensation, variable bonuses according to performance, long-term compensation and other compensation.

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

7. Accounts receivable trade, net

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

	2021	2020
Spot and PPA electricity market agents	$ 30,510	$ 14,984
Non - regulated users	4,340	3,387
	34,850	18,371
Other receivables	28,633	21,185
Allowance for doubtful accounts	(193)	(21)
Accounts receivable trade, net	**$ 63,290**	**$ 39,535**

The movement of the estimate of allowance for doubtful accounts is detailed below:

	2021	2020
Beginning balance at the year	$ 21	$ 16
Increase	172	5
Ending balance at the year	**$ 193**	**$ 21**

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:

	2021	2020
Current	$ 58,950	$ 39,491
31 to 60 days	4,282	19
61 to 90 days	2	—
91 days and more, net of allowance for doubtful accounts	56	25
Total	**$ 63,290**	**$ 39,535**

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

7. Accounts receivable trade, net (continued)

Contract Asset

The Company has contract assets related to:

- The Company signed a 10-year LNG supply contract with Pueblo Viejo Dominicana Coporation ("Barrick") (see note 17), in which the price formula contains a fixed and a variable component and, in the third year of the contract the fixed component has a variation, therefore as a result of the analysis of the revenue recognition, fixed consideration will be recognized on a straight-line basis.

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

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

	2021	2020
Current contract assets		
LNG supply agreement - compressor purchase	$ 179	$ —
Total current contract assets	**$ 179**	**$ —**
Non-current contract assets		
LNG supply agreement	$ 8,726	$ 3,215
LNG supply agreement - compressor purchase	1,611	—
Total non-current contract assets	**$ 10,337**	**$ 3,215**

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

8. Inventories, net

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

	2021	2020
Liquefied natural gas	$ 21,235	$ 11,632
Spare parts and other materials	9,751	10,819
Inventory in transit	240	1,779
Subtotal	31,226	24,230
Allowance for obsolescence	(283)	(192)
Total	**$ 30,943**	**$ 24,038**

The cost associated with the consumption of liquefied natural gas ("LNG") during the year ended December 31, 2021 was $573 million (2020: $314 million), which is included as part of cost of sales in the consolidated statement of income. (see note 21).

The cost associated with the consumption of spare parts and other materials during the year ended December 31, 2021 was $0.8 million (2020: $1.4 million) which is included in the consolidated statement of income in operating, general and maintenance expenses in the maintenance expense category. (see note 22).

During the year ended December 31, 2021, adjustments of $0.2 million (2020: $0.2 million) were recorded corresponding to impairment of inventories, which is included in operating, general and maintenance expenses in the consolidated statement of income in the maintenance expense category. (see note 22).

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

9. Property, plant and equipment, net

The movement of property, plant and equipment, during the years ended as of December 31, 2021 and 2020 is as follows:

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

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

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

	As of December 31, 2020						
	Land	**Buildings**	**Generation plant**	**Spare parts**	**Office equipment and others**	**Construction in progress**	**Total**
Cost:							
At the beginning of the year	$ 41,064	$ 16,427	$ 629,923	$ 19,461	$ 5,253	$ 5,814	$ 717,942
Additions	—	—	—	—	193	47,435	47,628
Retirements	(3,386)	(82)	(1,009)	—	(42)	—	(4,519)
Reclassifications	—	531	5,962	(159)	497	(6,831)	—
At the end of the year	**$ 37,678**	**$ 16,876**	**$ 634,876**	**$ 19,302**	**$ 5,901**	**$ 46,418**	**$ 761,051**
Accumulated depreciation:							
At the beginning of the year	$ —	$ 5,282	$ 221,038	$ 6,274	$ 4,453	$ —	$ 237,047
Additions	—	396	24,425	—	421	—	25,242
Retirements	—	(29)	(711)	—	(42)	—	(782)
Reclassifications	—	—	923	(923)	—	—	—
At the end of the year	—	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**

The costs of interest capitalized during the year ended December 31, 2021, amounted to $1.6 million (2020: $1.0 million). The interest rate used to determine the amount of financing costs that were eligible to be capitalized as of December 31, 2021 was 0.4% (2020: 0.5%), which is the average annual financing rate.

Transfers of assets to related party in 2021 correspond to land sold to ENADOM and recognized in accounts receivable related parties. (see note 6).

The main construction in progress as of December 31, 2021 correspond basically to the Santanasol solar project and improvements to the LNG terminal.

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

10. Intangible assets, net

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

	2021		
	Cost	Accumulated amortization	Carrying amount
Licenses and software systems	$ 4,929	$ (3,484)	$ 1,445
Concession Bayasol project	2,332	(62)	2,270
Total intangible assets, net	**$ 7,261**	**$ (3,546)**	**$ 3,715**

	2020		
	Cost	Accumulated amortization	Carrying amount
Licenses and software systems	$ 3,839	$ (2,845)	$ 994
Concession Bayasol project	2,332	—	2,332
Total intangible assets, net	**$ 6,171**	**$ (2,845)**	**$ 3,326**

The movement of intangible assets is shown of the following:

	Licenses and software systems	Concession Bayasol project	Total
Balance as of January 1, 2020	$ 1,483	$ 2,332	$ 3,815
Additions	249	—	249
Reclassifications	(114)	—	(114)
Amortization of the year	(624)	—	(624)
Balance as of December 31, 2020	994	2,332	3,326
Additions	1,090	—	1,090
Amortization of the year	(639)	(62)	(701)
Balance as of December 31, 2021	**$ 1,445**	**$ 2,270**	**$ 3,715**

The Concession of Bayasol project corresponds to the amount paid by the Company at the date of the acquisition of AES Dominicana Renewable Energy, S.R.L, which will be amortized over a period of 25 year.

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

10. Intangible assets, net (continued)

The following table summarizes the estimated amortization expense by category of intangible assets from 2022 to 2042:

2022	$	1,069
2023		445
2024		203
2025		91
2026 and forward		1,907
Total	**$**	**3,715**

11. Other non-financial assets

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

		2021		2020
Current:				
Prepayments to vendors	$	664	$	411
Prepaid assets		204		28
Prepaid insurance		69		37
Advance to employees		66		31
Other receivable taxes		45		16
Other account receivable guarantee steam turbine		—		1,206
Total current other non-financial assets	**$**	**1,048**	**$**	**1,729**
Non-current:				
Prepaid assets	$	206	$	587
Advance payments for the acquisition of property, plant and equipment		30		5,158
Guarantee deposit		20		20
Total non-current other non-financial assets	**$**	**256**	**$**	**5,765**

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

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

12. Other financial assets and financial liabilities

12.1 Other financial assets

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

	2021	2020
Current:		
Restricted cash	$ 110	$ 109
Deferred financing cost - letter of credit	131	115
Total current other financial assets	**$ 241**	**$ 224**
Non-current:		
Embedded derivative - BP	$ —	$ 873
Embedded derivative - Natural gas sales	1,697	920
Restricted certificate of deposit	103	—
Total non-current other financial assets	**$ 1,800**	**$ 1,793**

In 2021, the Company reclassified certificates of cash deposits and long-term cash equivalents, since they are used as collateral for loans to employees and these funds are not expected to be used in a 12-month period.

12.2 Financial liabilities

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

	2021	2020
Current		
Natural gas derivative - Nymex	$ 648	$ —
Embedded derivative - Natural gas sales	—	46
Total current derivative	**$ 648**	**$ 46**
Non-current		
Embedded derivative - BP	$ 139	$ 251
Embedded derivative - Natural gas sales	368	413
Total derivatives	**$ 507**	**$ 664**

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

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

12. Other financial assets and financial liabilities (continued)

12.2 Financial liabilities (continued)

Line of credit payable

As of December 31, 2019, the Company had a balance of line of credit by $20.0 million. During the year ended as of December 31, 2020 the Company requested $62.5 million with an interest rate of LIBOR plus an spread between 1.5% and 2.7%, of which $52.5 million was paid and as of December 31, 2020 remains payable an amount by $30.0 million. During the year ended December 31, 2021, the Company requested $30.0 million at LIBOR interest plus 1.95% and repaid the total outstanding balance of $60.0 million.

International Bonds - 2021

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

International Bonds - 2016

On May 11, 2016, the Company issued $220.1 million in bonds in international markets under Rule 144A and Regulation S, with combined definitive payments due in May 2026 at an interest rate of 7.95% per annum. Interest payments were semi-annual from November 2016. The total debt issuance costs amounted to $8.5 million. On July 19, 2021 the Company repaid this international bonds with the funds received from the international bonds 2021. As consequence of the repayment of this debt, the Company paid $8.8 million of penalty. This amount is presented in the consolidated statement of income in the line other (expense) income, net (see note 25).

Bonds payable, net as of December 31, 2021 and 2020 are detailed of the following:

		2021		2020
International Bonds	$	300,000	$	220,100
Deferred financing cost		(4,162)		(2,925)
Discount		—		(2,861)
Bonds payable, net	**$**	**295,838**	**$**	**214,314**

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

12. Other financial assets and financial liabilities (continued)

12.2 Financial liabilities (continued)

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

	2021	2020
Deferred financing costs	$ 2,925	$ 3,335
Write off - early extinguishment of debt - international bond (note 23)	(2,818)	—
Payment of deferred financing costs	4,539	—
Amortization of deferred financing costs	(484)	(410)
Total deferred costs of international bonds - net, at the end of the year	**$ 4,162**	**$ 2,925**

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

	2021	2020
Unamortized bond discount	$ 2,861	$ 3,261
Write off - early extinguishment of debt - international bond (note 23)	(2,756)	—
Amortization of discount	(105)	(400)
Total unamortized discount at the end of the year	**$ —**	**$ 2,861**

Loans payable, net

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. This loan was paid on June 29, 2021.

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 2021, disbursements of $45.0 million had been processed.

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

12. Other financial assets and financial liabilities (continued)

12.2 Financial liabilities (continued)

Loans payable, net (continued)

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

On June 10, 2021, the Company signed a loan agreement of $36.0 million with Banco Scotiabank Dominican Republic with an annual fixed interest rate of 4.0% with a maturity of 5 years from the disbursement. This loan was acquired in order to finance the construction of the Santanasol solar energy project up to an installed capacity of 50 MW. At the end of 2021, disbursements of $20.0 million had been processed. The capital payments are established in the contract based on percentages of the amounts owed, starting from the year 2022 and the amounts to be paid in a period of one year are presented as part of current liabilities.

The Company paid costs for the issuance of this loan of $0.5 million, which are deferred and amortized under the effective interest method over the term of the debt.

The balances as of December 31 are detailed below:

	2021	2020
Loans payable	$ 91,500	$ 83,000
Loan repayment	(4,666)	—
Loans payable	86,834	83,000
Deferred financial costs	(839)	(425)
Total loans payable, net	**85,995**	**82,575**
Less:		
Loans payable, current	11,647	45,984
Deferred financial costs - current	—	(33)
Loans payable current	**11,647**	**45,951**
Loan payable non-current	**$ 74,348**	**$ 36,624**

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

12. Other financial assets and financial liabilities (continued)

12.2 Financial liabilities (continued)

Loans payable, net (continued)

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

Year	Commitments
2022	$ 11,647
2023	11,468
2024	11,741
2025	19,564
2026	9,964
2027	9,078
2028	8,064
2029	5,308
Total	**$ 86,834**

Deferred financing costs, net as of December 31, 2021 and 2020, are detailed below:

	2021	2020
Deferred financing costs	$ 425	$ 508
Payment of financing costs	547	—
Capitalized financing costs	(12)	(23)
Amortization of the year	(121)	(60)
Total deferred financing cost on loans, net at the end of the year	**$ 839**	**$ 425**

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.

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

12. Other financial assets and financial liabilities (continued)

12.2 Financial liabilities (continued)

Loans payable, net (continued)

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

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

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

	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
Loan 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**

12. Other financial assets and financial liabilities (continued)

12.3 Hedging activities and derivatives

Embedded derivative

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

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

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

As of December 31, 2021, the Company recognized that the embedded derivative asset based on the contract with BP concluded in this year (2020: $0.9 million) and an embedded derivative liability by $0.1 million (2020: $0.3 million), a total loss by $0.8 million in 2021 (2020: a gain by $0.1 million) recorded in the consolidated statement of income.

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

On November 29, 2016, Atlantic Basin Services, Ltd and the Company, signed the LNG Purchase and Sale Agreement and a Joint Marketing Agreement with the LNG supplier, in which the general terms and conditions were agreed. The quantities and prices of LNG of each client are establish through additional Confirmation Agreements.

As of December 31, 2021, the Company recognized an embedded derivative asset based on the LNG contract by $1.7 million (2020: $0.9 million) and an embedded derivative liability by $0.4 million (2020: $0.4 million), a total gain by $0.8 million in 2021 (2020: $0.5 million) recorded in the consolidated statement of income.

12. Other financial assets and financial liabilities (continued)

12.3 Hedging activities and derivatives (continued)

Derivative - price hedging

In December 2018, the Company signed a contract with Citibank, NA for a price of 1,740,000 MMbtu that will be purchased between January 1 and December 31, 2020. As of December 31, 2020, there are no balances of assets or liabilities related to this derivative.

In September 2021, the Company signed a contract with Citibank, NA for a price of 600,000 MMbtu, 1,710,000 MMbtu, 1,560,000 MMbtu and 2,310,000 MMbtu that will be purchased between October 2021 and December 2022. The Company recognized for this derivative a loss by $0.4 million recorded in the consolidated statement of income in the line cost of sales for the year ended as of December 31, 2021. As of December 31, 2021, the Company maintains an embedded derivative liability by $0.6 million.

Derivative - interest hedge

In March, 2021, the Company, entered into three rate swap transactions, with Citibank, N.A. and The Bank of Nova Scotia, with the purpose of cover the Company's exposure to interest rate volatility by exchanging a 3-month LIBOR for a fixed interest rate of 1.990% for notional amount of $100.0 million; 1.925% for notional amount of $100.0 million and 1.965% for notional amount of $100.0 million. The commencement date of the rate swap transactions is from June 30, 2022, for a period of 10 years.

As a result of the 2021 bond issuance (note 12.2), the Company canceled the hedging instruments. The amount of liquidation of these instruments was $0.8 million, which are presented in the consolidated statement of financial position as other comprehensive losses net of taxes for $0.6 million, this balance will be amortized in a straight line in a term of 10 years, from from June 30, 2022.

12.4 Fair Value

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

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

12. Other financial assets and financial liabilities (continued)

12.4 Fair Value (continued)

The estimated values for financial instruments, excluding those held with related parties, as of December 31, 2021 and 2020, are detailed below:

	Book Value		Fair Value	
	2021	2020	2021	2020
Financial assets				
Other financial asset	$ 1,800	$ 1,793	$ 1,800	$ 1,793
Trade receivables - lease	$ 5,901	$ 5,516	$ 5,901	$ 5,516
Financial liabilities				
Other liabilities	$ 6,078	$ 5,870	$ 6,078	$ 5,870
Lease liabilities	$ 7,082	$ 7,082	$ 4,279	$ 4,279
Line of credit payable	$ —	$ 30,000	$ —	$ 30,000
Bonds payable	$ 300,000	$ 220,100	$ 305,934	$ 231,109
Loans payable	$ 86,834	$ 83,000	$ 87,009	$ 84,560

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.

- 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.

12. Other financial assets and financial liabilities (continued)

12.4 Fair Value (continued)

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

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

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

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

Future rates and prices are generally obtained from published information provided by pricing services for an instrument with the same duration as the derivative instrument being valued. In situations where significant inputs are not observable, the Company uses relevant techniques to best estimate the inputs, such as regression analysis or from prices for similarly traded instruments available in the market. Additionally, the Company uses observable commodity data that are highly liquid and long-term data to estimate the models' future data, as long as they are closely related to the data being used for future prices in the valuation model. Credit risk is also incorporated in all of the derivative calculations and is estimated by the Company using credit margins and risk premiums that are observable in the market, as appropriate, or estimated loan costs based on information published by banks, industries and/or other financing executed in similar projects.

The assumptions used by the Company to calculate the fair value of derivative instruments fall under Level 2 of the hierarchy as of December 31, 2021 and 2020.

<u>Hierarchy of fair value of reasonable financial instruments</u>

The Company has not made reclassifications of levels. Any difference between the balance as of December 31, 2021 and 2020, only represents changes in the fair value of the derivative instruments.

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

12. Other financial assets and financial liabilities (continued)

12.4 Fair Value (continued)

Hierarchy of fair value of reasonable financial instruments (continued)

All assets and liabilities measured at fair value or on which the Company makes fair value disclosures are classified within the fair value hierarchy. Such classification is based on the lower level of information used to determine such value and which is significant for the determination of fair value as a whole. Derivative financial instruments recognized at fair value in the consolidated statement of financial position are classified according to the following hierarchies:

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

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

The classification of the derivative is presented below:

		2021				2020			
		Derivative asset	Derivative liability			Derivative asset	Derivative liability		
Derivative instruments	Classification	Non-current	Current	Non-current	(Gain) loss	Non-current	Current	Non-current	(Gain) loss
Embedded derivative - LNG sales	Financial instrument asset and liability recognized in the consolidated statements of financial position	$ 1,697	$ —	$ (368)	$ (775)	$ 920	$ (46)	$ (413)	$ (461)
Embedded derivative - BP	Financial instrument Asset and Liability recognized as fair value with change in earnings - cost of revenue	—	—	(139)	761	873	—	(251)	(111)
Derivative - price hedge	Financial assets and liabilities at fair value in the income statement. Cost of revenue	—	(648)	—	355	—	—	—	—
	Total derivative Level 2	**$ 1,697**	**$ (648)**	**$ (507)**	**$ 341**	**$ 1,793**	**$ (46)**	**$ (664)**	**$ (572)**

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

13. Investment in affiliate

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

As of December 31, 2021 and 2020 the investment in affiliate is shown below:

		% of equity participation		December 31	
Affiliate	**Activity**	**2021**	**2020**	**2021**	**2020**
Domi Trading S.L. and subsidiary	Natural gas commercialization	50.0%	50.0%	$ 49,883	$ 44,856

For the year ended December 31, 2021							
Affiliate	Assets	Liabilities	Equity	Revenues	Expenses	Net Loss	Equity Participation
Domi Trading S.L. and subsidiary	$ 180,546	$ 80,288	$ 100,258	$ 27,579	$ (17,525)	$ 10,054	$ 5,027

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)

During the year ended December 31, 2020, the Company received affiliate dividends of $0.3 million and a reduction in the investment amount of $1.7 million. During 2021 no dividend payment was received.

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

14. Accounts payable suppliers and other liabilities

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

	2021	2020
Contract liabilities	$ 23,678	$ 12,174
International suppliers payable	9,174	6,151
Energy suppliers payable	5,762	11,227
Others liabilities	5,349	5,833
Accrued interest payable	3,004	2,536
Local suppliers payable	1,885	1,791
Incentive compensation payable	1,776	1,105
Short-term maintenance agreement (see note 17)	—	1,277
Total	**$ 50,628**	**$ 42,094**

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

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

15. Leases

The Company maintains lease agreements as lessee and lessor.

<u>*Lessee*</u>

For the years ended December 31, 2021 and 2020, the Company maintains the following lease agreements:

Corporate offices and parking lots:

- The Company maintains a lease agreement for its corporate offices and parking lots since March 2020 until September 30, 2024. The previous lease agreement was canceled in advance at the beginning of the year 2020 accordance with contractual stipulations.

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

15. Leases (continued)

Land:

- On March 2021 began a lease contract for a portion of land for the construction of the Santanasol solar project for a period of 15 years renewable for an additional 20 years, this contract was signed in June 2020 by the Company.

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

	Land	Corporate offices and parking lots	Total
As of January 1, 2020	$ 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
Additions	2,858	87	2,945
Amortization expense	(77)	(141)	(218)
Amortization expense capitalized	(101)	—	(101)
Balance as of December 31, 2021	**$ 6,569**	**$ 438**	**$ 7,007**

Below are the carrying amounts of lease liabilities

	2021	2020
Balance as of January 1	$ 4,279	$ 3,807
Additions	2,945	618
Accretion of interest	329	216
Rent concession payments	—	(26)
Payments	(471)	(336)
Balance as of December 31	**$ 7,082**	**$ 4,279**
Leases liabilities - current	**$ 423**	**$ 216**
Leases liabilities - non-current	**$ 6,659**	**$ 4,063**

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

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

15. Leases (continued)

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

	2021	2020
Amortization expense of right-of-uses assets	$ 319	$ 257
Interest expense on lease liabilities	329	216
Expense related to short-term leases	—	1,554
Expense relating to leases of low-value assets and short-term lease (included in operating, general and maintenance expense)	87	1,661
Amortization expense of right-of-uses assets capitalized	(101)	(114)
Total amount recognized in consolidated statements of income	**$ 634**	**$ 3,574**

Lessor

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

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

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

After the commercial operation date of the second tank, $0.6 million per year, adjusted by CPI.

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

15. Leases (continued)

Lessor (continued)

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

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

		2021		2020
Less than one year	$	161	$	161
One to two years		454		161
Two to three years		600		454
Three to four years		600		600
From the fourth year		27,000		27,600
Total of undiscounted lease payments		28,815		28,976
Unearned income		(22,914)		(23,460)
Net investment as of December 31	**$**	**5,901**	**$**	**5,516**
Account receivables for finance lease - current	**$**	**161**	**$**	**161**
Account receivables for finance lease - non-current	**$**	**5,740**	**$**	**5,355**

The Company recognized a gain from the sale of land of $2.1 million in 2020 recorded in other (expense), income net (see note 25). 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.

16. Other non-financial liabilities

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

		2021		2020
Long-term maintenance agreement (see note 17)	$	4,904	$	5,076
Long-term contingent legal reserves		17		17
Long-term compensation		2		6
Total	**$**	**4,923**	**$**	**5,099**

17. Commitments and contingencies

Commitments

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

In February 2017, as a result of the tender carried out by the Corporación Dominicana de Empresas Eléctricas Estatales (CDEEE), the Company signed power purchase agreements (PPA) that came into force as of April 20, 2017 for a period of 5 years with the 3 electricity distribution companies in the country, EDE Norte (for 82.5 MW), EDE Sur (for 110 MW) and EDE Este (for 82.5 MW). The Company is remunerated for the contracted capacity and the energy supplied, which is subject to the demand of these electricity distributors.

For the year ended December 31, 2021, revenues associated with contracts with distribution companies consist of sales of energy and capacity, EDE Este of $60.8 million (2020: $54.6 million), EDE Norte of $60.0 million (2020: $52.7 million) and EDE Sur of $75.5 million (2020: $71.6 million).

On October 31, 2021, the Company signed a contract of energy with EDE Sur for a period of 15 years with an extension of 5 years and could be extended for an additional 5 years upon agreement between the parties. The contract is for all the energy generated by the Bayasol solar plant, the agreed start date is January 1, 2022.

Contract for the Sale and Transportation of Natural Gas

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

Contract for the Sale of Liquefied Natural Gas (LNG)

Below are the main LNG sales contracts with third parties:

- On November 29, 2016, the Company entered into a LNG supply contract with Transcontinental Capital Corporation (Bermuda), Ltd. (Seaboard) and can be extended by mutual agreement between the parties.

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

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

17. Commitments and contingencies (contingencies)

Contract for the Sale of Liquefied Natural Gas (LNG) (continued)

- Contract for the supply of LNG with Consorcio Energético Punta Cana-Macao, S.A. dated May 7, 2018, for a period of 4 years, beginning as of January 2019. Through this contract, 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.

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

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

Fuel Purchase obligation

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

The Company maintains a contract to purchase LNG until the year 2023, through AES Andres (BVI) LTD., which in turn has a contract with ABS and ABS with BP Gas Marketing Limited ("BP"). The probability of incurring a net loss related to the take-or-pay obligation is considered remote. AES Andres DR, S.A. has guaranteed a total of $100 million under the LNG Contract and it is valid for the duration of the contract (see note 6).

The amounts 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, 2021.

Year	Commitment
2022	$ 195,790
2023	50,277
Total	**$ 246,067**

17. 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 of which $1.3 million current and $5.1 million non-current. (see notes 14 and 16).

As of December 31, 2021, the Company did not receive spare parts related to this contract and has account payable non-current by $4.9 million. (see note 16).

Contract for the construction of solar plant - Bayasol

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. In February 2020 was signed an amendment to the contract to reduce the total amount to $38.9 million. In September and October 2020 and December 2021 were signed amendments to the contract for a total amount of $0.2 million and the total cost increase to $39.1 million. As of December 31, 2021 the account payable of this contract is $2.9 million and is presented in the consolidated statement of financial position in the line accounts payable supplier and other liabilities. (see note 14).

Contract for the construction of solar plant - Santanasol

On April 7, 2021, the Company asigned 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 Santanasol by an amount of $20.8 million.

17. Commitments and contingencies (contingencies)

Letters of Credit

- In 2021, the Company 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 an amount of 16.5 million and expired on May 18, 2022.

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

Guarantees

Since December 13, 2016, the Company is joint guarantor of a program of corporate bonds issued in the Dominican Republic in favor of its related party DPP for up to $300.0 million. As of December 31, 2021, DPP has placed $260.0 million.

Lines of credit

The Company maintains a pre-approved credit facility, for an amount of up to $60.0 million with Scotiabank. As of December 31, 2021remains available in its entirety.

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, 2021, Management has included a provision for $17 (2020: $17) for this contingency (see note 16).

18. Equity

Authorized capital

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

Additional paid in capital

Some employees of the Company are granted with a long-term compensation plan established by The AES Corporation Inc., which was made up of a cash amount in a period of three years after they were granted, if they still remain with the Company. This compensation is based on meeting certain financial targets manage by the Company. For the year ended December 31, 2021, an expense for this concept was recorded for $0.018 million (2020: $0.001 million), which are reported in the line of operating, general and maintenance expenses in the caption salaries and other benefits.

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, 2021, the amount for this concept is $14,767 (2020: $16,163), net of effects of accumulated depreciation, asset disposals and deferred income tax transferred to retained earnings in 2021 by $1,396 (2020: $847).

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

19. Net income per share

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

	2021	2020
Number of shares issued and outstanding at the beginning and end of the year	182	182
Basic calculation of earnings per share:		
Net income	$ 56,448	$ 44,866
Total outstanding shares	182	182
Net income per share (expressed in dollars of the United States of America)	**$ 310**	**$ 247**

20. Revenues

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

	2021	2020
Electricity sales - contracts	$ 274,649	$ 222,192
Electricity sales - spot market	19,876	7,567
Natural gas sales	569,317	297,678
Natural gas transportation	8,581	8,598
Other operating income	2,549	3,861
Total revenues	**$ 874,972**	**$ 539,896**

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

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

	2021	2020
Fuel purchased for resale and related costs	$ 449,723	$ 248,528
Fuel and related costs used for generation	123,079	65,159
Transmission charges	12,116	12,989
Electricity purchases	91,513	64,527
Loss (gain) on derivative financial instruments (note 12.3)	341	(572)
Total costs of sales	**$ 676,772**	**$ 390,631**

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

22. Operating, general and maintenance expense

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

	2021	2020
Insurance (note 6)	$ 16,841	$ 12,562
Salaries, wages and benefits	8,615	7,129
Consultants and legal fees	6,604	5,399
Contracted services (note 6)	5,951	3,778
Maintenance expenses	4,911	8,090
Tax on assets (note 24)	3,606	2,832
Facilities management expenses	1,248	992
Charitable contributions (note 6)	504	360
Supplies and consumables used in generation	469	337
Safety and vigilance services	247	291
Amortization of right-of-use assets (note 15)	218	143
Management fees	120	120
Travel and transportation	92	77
Expenses related to leases of low value (note 15)	87	1,661
Other taxes	1	11
Others	1,690	366
Total	**$ 51,204**	**$ 44,148**

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

23. Interest expense, net

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

	2021	2020
Interest expense - financial	$ (19,374)	$ (21,817)
Interest expense - commercial and others	(79)	(164)
Interest expense - leases (note 15)	(329)	(216)
Interest expense - related parties (note 6)	(448)	—
Subtotal	(20,230)	(22,197)
Amortization of deferred financing costs (note 12.2)	(1,208)	(744)
Write off of deferred financing costs and discount due to early extinguishment of debt (note 12.2)	(5,574)	—
Interest income - commercial	555	1,135
Interest income - financial	649	277
Interest income - related parties (note 6)	2,557	—
Subtotal	3,761	1,412
Total	**$ (23,251)**	**$ (21,529)**

Accounts receivable and accounts payable within the electricity sector spot market, denominated in Dominican Pesos, are subject to the local active interest rate for domestic currency plus a penalty of 18% as established in Article 355 of the General Law of Electricity Sector. The average interest rate applied to spot market accounts receivable and payables in US dollars as of December 31, 2021 was 3.25% (2020: 4.82%) and in Dominican pesos as of December 31, 2021 was 9.22% (2020: 9.85%).

The amortization of deferred financing costs includes $0.6 million (2020: $0.3 million) corresponding to the costs of the letter of credit in favor of BP Gas Marketing Limited and in favor of Banco Popular Dominicano, S.A. (see note 17).

24. Income tax

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

24. Income tax (continued)

The Subsidiaries AES Andres DR, S. A. and AES Dominicana Renewable Energy, S.R.L. (formerly Parque Eólico Beata, S.R.L.) is also subject to the tax regime applicable to Dominican business activities, as provided in the Tax Code of the Dominican Republic, Law 11-92 of May 31, 1992 and its amendments.

Current income tax

Current income tax for the fiscal year ended December 31, 2016 at AES Andres B.V. was determined considering Law 27/2014 on Corporation Tax and its regulations. The tax rate applicable as of December 31, 2021 and 2020, was 25% of the net taxable income.

The current income tax in AES Andres DR, S.A. and in AES Dominicana Renewable Energy, S.R.L. (formerly Parque Eólico Beata, S.R.L.) is calculated based in the Law 11-92, Tax Code of the Dominican Republic, its regulations and amendments. The tax rate used to determine the income tax as of December 31, 2021 and 2020 was 27% of the net taxable income on the respective dates.

Tax on assets

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

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

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

24. Income tax (continued)

Dividends

Pursuant to Law 253-12 of November 13, 2012, the 10% withholding tax is established for branches and permanent establishments when they remit their profits to their Central Office or Main Offices. As a result of the application of the Agreement between the Dominican Republic and the Kingdom of Spain to avoid double taxation and to avoid tax evasion with respect to income taxes, the dividends paid by AES Andres DR, SA to its parent company AES Andres BV are:not subject to the 10% withholding tax because the latter is the beneficial owner with more than 75% of the share capital of the subsidiary that pays the dividends.

Loss carryforward

According to Article I of Law No. 557-05, which modifies letter K or Article No. 287 of the Tax Code of the Dominican Republic, applicable as of January 1, 2006, losses incurred by corporations in their economic activities may be compensated during the following fiscal periods, without exceeding five (5) years.

However, only 20% may be compensated per year,in the fourth year, this 20% may not exceed 80% of the net taxable income, and in the fifth year it must not exceed 70%. The portion not used each year cannot be used in the following periods. As of December 31, 2021 and 2020, AES Andres DR, S.A. does not have loss carryforwards and in the case of AES Dominicana Renewable Energy, S.R.L. (formerly Parque Eólico Beata, S.R.L.) has tax losses carried forward to 2021 for $2,109 (2020: $3,655).

The income tax (payable) receivable is detailed below:

	2021	2020
Income tax advances	$ 36,200	$ 20,626
Tax on assets (note 22)	(3,606)	(2,832)
Current income tax expense	(38,705)	(9,526)
Total (payable income tax) income tax advance	**$ (6,111)**	**$ 8,268**

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

24. Income tax (continued)

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

	2021	2020
Assets:		
Other temporal differences	$ 4,369	$ —
Accruals	347	190
Total deferred tax asset	**4,716**	**190**
Liabilities:		
Accelerated tax depreciation, asset revaluation and inflationary effects	(52,710)	(53,573)
Derivative financial instruments	(3,339)	(1,184)
Other temporary differences	—	(777)
Total deferred tax liability	**(56,049)**	**(55,534)**
Total deferred tax liability, net	**$ (51,333)**	**$ (55,344)**

The reconciliation between the statutory income tax rate with the effective income tax rate of the Company as a percentage of income before tax for the years ended December 31, 2021 and 2020, detailed below:

	2021	2020
Statutory income tax rate	25 %	25 %
Permanent differences:		
Difference between statutory rate (Spain-Dominican Republic)	2 %	2 %
Retention of remittance to Main Office	2 %	3 %
Foreign exchange effect	1 %	(7)%
Other temporary differences	8 %	10 %
Effective income tax rate	**38 %**	**33 %**

The income tax returns of the subsidiaries AES Andres DR, S.A. and AES Dominicana Renewable Energy, S.R.L. (formerly Parque Eólico Beata, S.R.L.) are subject to review by the tax authorities for the past three years including the year ended December 31, 2021, according to the current tax regulations.

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

24. Income tax (continued)

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

	2021	2020
Current	$ 38,705	$ 9,526
Deferred	(4,757)	12,878
Total income tax expense	**$ 33,948**	**$ 22,404**

The Company's Management applied the fair value as an exception to the attributed cost and the adjustment of $46.7 million corresponding to the increase in the fair value of these assets recorded against restricted retained earnings. As established by IAS 12, it is required to record a deferred income tax liability on property, plant and equipment recorded at fair value. The deferred tax calculation for the period ended December 31, 2021 amounts to $5.3 million (2020: $5.8 million). The application of the deferred income tax liability is made through the annual depreciation expense recorded in excess of the revalued assets, which is recorded in the consolidated income statement.

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

In compliance with current transfer pricing regulations, the Company reviewed the transactions with related parties and estimates that the operations carried out during the years ended December 31, 2021 and 2020 do not have a significant impact on the income tax provision.

25. Other (expense) income, net

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

	2021	2020
Loss on early extinguishment of debt (note 12.2)	$ (8,790)	$ —
Loss on retirement of property, plant and equipment	(1,843)	(351)
Gain on retirement of property, plant and equipment	72	2,130
Other income	104	383
Total	**$ (10,457)**	**$ 2,162**

25. Other (expense) income, net (continued)

In 2020, the gain from the sale of assets corresponds to the land for the construction of the second tank project in ENADOM.

26. Segments

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

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

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

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

26. Segments (continued)

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

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

	2020		
	Sale of energy	**Sale of LNG**	**Total segments**
Revenues	$ 233,620	$ 306,276	$ 539,896
Operating costs and expenses			
Cost of fuel, electricity purchases, transmission costs and others	$ (142,675)	$ (248,528)	$ (391,203)
Operating income by segment	**$ 90,945**	**$ 57,748**	**$ 148,693**
Assets and Liabilities			
Contract assets	**$ —**	**$ 3,215**	**$ 3,215**
Accounts receivable	**$ 39,409**	**$ 126**	**$ 39,535**
Contract liabilities	**$ —**	**$ (12,174)**	**$ (12,174)**

Revenues from transactions with DPP related to the sale of natural gas and the transportation of natural gas for the year ended December 31, 2021 amounted to $106.1 million (2020: $74.7 million).

27. Risk and capital management

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

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

Market risk

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

Fuel price risk

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

With regard to the development of the natural gas market, the Dominican government declared in 2008 the use of natural gas as a national priority. 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. 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, 2021, sales of LNG to third parties unrelated to Andres amounted to $417.9 million (2020: $229.9 million), the above mentioned amounts do not included taxes. The Company's Management monitors the risk through proper planning of fuel purchases with suppliers in the short term.

27. 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 $300.0 million. These bonds were issued in the international market with a maturity in May 2028 at a fixed annual interest rate of 5.70%, with only one payment upon maturity of the capital and semi-annual interest payments. The Company´s profits and losses are not exposed to significant risk of interest rate fluctuations because of its maintains a fixed interest rate for issued bonds.

The lines of credit and loans are exposed to fluctuations in the LIBOR rate as, this is an international reference rate that fluctuates based on interbank market conditions. The Company does not expect significant impacts on its consolidated financial statements as a result of the volatility of the LIBOR rate on the cash flows associated with this financing. (see note 12.2).

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 12% of total revenues during the year ended December 31, 2021 (2020: 14%) and sales contracts to distros represented 72% of total revenues during the year ended December 31, 2021 (2020: 81%). The balance of current accounts receivable from the distros represents 10% of total current assets as of December 31, 2021 (2020: 8%), and DPP represents 10% of total current assets as of December 31, 2021 (2020: 5%).

Additionally, Compañía de Electricidad de San Pedro de Macorís, S.A. (CESPM), DPP, Empresa Generadora de Electricidad Haina, S.A. and Pueblo Viejo Dominicana Corporation are the Company's main clients, for the LNG sales segment, and sales of LNG under contracts represented 41% of the total revenues during the year ended December 31, 2021 (2020: 31%).

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.

27. 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, 2021 and 2020 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, 2021, the Company sold accounts receivable amounting to $2.2 million. During the year 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, 2021, Andres had a balance of cash and cash equivalents in the amount of $42.8 million (2020: $50.1 million). This balance includes cash and certificates of deposit with maturities of less than three months.

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

27. Risk and capital management (continued)

Liquidity risk (continued)

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

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

	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 - suppliers and other liabilities	$ 5,749	$ 36,284	$ —	$ —	$ 42,033
Accounts payable - related parties	79	92,651	—	—	92,730
Credit line payable	—	30,000	—	—	30,000
Loans payable	—	45,984	21,208	15,808	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**	**$ 27,140**	**$ 239,802**	**$ 478,012**

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.

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

27. 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, 2021, approximately 96% (2020: 97%) of the Company's revenues were denominated in dollars.

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

	Exchange rate variation	Effect on income before income tax expense	Effect on total stockholders' equity
As of and for the year ended December 31, 2021	**5%**	**$ 87**	**$ 227**
	(5)%	**$ (94)**	**$ (234)**
As of and for the year ended December 31, 2020	5%	$ 64	$ 224
	(5)%	$ (71)	$ (232)

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, 2021.

28. Relevant events

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

28. Relevant events (continued)

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

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

29. Subsequent events

Below we indicate the following relevant subsequent events that occurred up to April 22, 2022 that require disclosure:.

Purchase and sale agreement:

- On January 28, 2022, the Company signed a purchase and sale agreement to acquire wind plants in the Dominican Republic. This agreement will become effective once specified conditions are met.

In addition to the aforementioned, the Company is not aware of other relevant events that have occurred since the closing date of the year and the approval of the consolidated financial statements, which require disclosures or adjustments to the consolidated financial statements as of December 31, 2021.