Dominican Power Partners

(An indirectly owned subsidiary of The AES Corporation)

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

Content

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
Dominican Power Partners

Opinion

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

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

Basis for opinion

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

Key audit matters

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

Key audit matters (continued)

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

Accounts Receivables Trade

Accounts receivable trade as of December 31, 2021 amount to $42.7 million are detailed in Note 7 to the financial statements and represent 8% of the Company's total assets as of December 31, 2021. The accounts receivables trade are concentrated in Corporación Dominicana de Empresas Eléctricas Estatales 24% 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 financial statements.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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

Dominican Power Partners

(An indirectly owned subsidiary of The AES Corporation)

Statements of Financial Position

As of December 31, 2021 and 2020

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

Notes		2021	2020
	ASSETS		
	Current assets:		
5	Cash and cash equivalents	$ 40,557	$ 16,934
3 a	Short term investments	—	92
6	Account receivable related parties	107,701	92,985
7	Account receivable trade, net	42,761	71,457
6	Loans and interests receivables related parties	30,403	—
	Inventories, net	2,510	2,406
10	Other non-financial assets	1,096	291
	Total current assets	225,028	184,165
	Non-current assets:		
8	Property, plant and equipment, net	280,526	278,181
9	Intangible assets, net	455	834
12	Right-of-use-assets, net	516	628
10	Other non-financial assets	148	598
3 a	Restricted cash	130	—
	Total non-current assets	281,775	280,241
	Total assets	**$ 506,803**	**$ 464,406**

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

Notes	**LIABILITIES AND STOCKHOLDERS' EQUITY**	**2021**	**2020**
	Current liabilities:		
13	Account payable suppliers and other liabilities	$ 16,653	$ 20,027
6	Account payable related parties	26,646	9,941
6	Interests payable related party	568	—
12	Lease liabilities	307	452
21	Income tax payable	5,563	2,716
	Total current liabilities	49,737	33,136
	Non-current liabilities:		
14	Bonds payable, net	258,022	306,374
6	Loan payable related party	51,988	—
21	Deferred income tax, net	32,578	31,641
12	Lease liabilities	250	367
	Long-term compensation	122	73
15	Other non-financial liabilities	10,468	—
	Total non-current liabilities	353,428	338,455
	Total liabilities	403,165	371,591
	Stockholders' equity:		
16	Authorized capital	15,000	15,000
16	Contributed capital	104,976	104,976
16	Additional paid-in-capital	1,131	1,072
	Accumulated deficit	(27,169)	(38,847)
16	Restricted retained earnings	9,700	10,614
	Total stockholders' equity	103,638	92,815
	Total liabilities and stockholders' equity	**$ 506,803**	**$ 464,406**

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

Dominican Power Partners

(An indirectly owned subsidiary of The AES Corporation)

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
	Revenues		
	Electricity sales - contracts	$ 295,794	$ 247,108
	Electricity sales- intercompany and spot market	16,747	15,741
6	**Total revenues**	312,541	262,849
	Operating costs and expenses		
6	Electricity purchases	(52,923)	(36,674)
6	Fuel and fuel related costs	(106,203)	(74,764)
18	Operating, general and maintenance expense	(27,390)	(22,263)
8, 9	Depreciation and amortization	(20,468)	(20,109)
	Total operating costs and expenses	(206,984)	(153,810)
	Operating income	105,557	109,039
	Other income (expense)		
19	Interest expense, net	(17,121)	(16,592)
14	Debt discount amortization	(32)	(90)
20	Other expense, net	(7,490)	(525)
	Exchange (loss) gain, net	(527)	3,456
	Income before income tax expense	80,387	95,288
21	Income tax expense	(26,760)	(32,880)
	Net income	**$ 53,627**	**$ 62,408**
17	Net income per share (expressed in dollars of the United States of America)	**$ 3.58**	**$ 4.16**

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

Dominican Power Partners

(An indirectly owned subsidiary of The AES Corporation)

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)

	Notes	Number of shares	Authorized capital	Contributed capital	Additional paid-in-capital	Accumulated deficit	Restricted retained earnings	Total stockholders' equity
Balance as of January 1, 2020		15,000,100	$ 15,000	$ 104,976	$ 1,029	$ (4,892)	$ 11,382	$ 127,495
Net income		—	—	—	—	62,408	—	62,408
Effect of revaluation due to deemed cost	16	—	—	—	—	768	(768)	—
Dividends paid	6	—	—	—	—	(97,131)	—	(97,131)
Capital increase		—	—	—	43	—	—	43
Balance as of December 31, 2020		15,000,100	15,000	104,976	1,072	(38,847)	10,614	92,815
Net income		—	—	—	—	53,627	—	53,627
Effect of revaluation due to deemed cost	16	—	—	—	—	914	(914)	—
Dividends paid	6	—	—	—	—	(42,863)	—	(42,863)
Capital increase		—	—	—	59	—	—	59
Balance as of December 31, 2021		**15,000,100**	**$ 15,000**	**$ 104,976**	**$ 1,131**	**$ (27,169)**	**$ 9,700**	**$ 103,638**

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

Dominican Power Partners

(An indirectly owned subsidiary of The AES Corporation)

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	$ 53,627	$ 62,408
	Adjustments to reconcile net income to net cash provided by operating activities:		
8	Depreciation	20,004	19,567
9	Amortization of intangible assets	464	542
12	Amortization of right-of-use assets	321	327
12	Interest expense on lease liabilities	19	19
7	Allowance for doubtful accounts	30	24
21	Income tax expense	26,760	32,880
	Stock-based compensation	106	91
	Exchange loss (gain), net	527	(3,456)
8, 20	Loss on retirement of property, plant and equipment	5,552	554
19, 20	Loss for early extinguishment of debt	3,265	—
14, 19	Amortization of deferred financing costs	338	379
14	Debt discount amortization	32	90
19	Interest expense, net	15,506	16,213
		126,551	129,638
	Changes in operating assets and liabilities:		
	Decrease in accounts receivable trade, net	24,174	58,070
	(Increase) decrease in accounts receivable related parties	(15,119)	35,617
	(Increase) decrease in inventories	(104)	1,905
	(Increase) decrease in prepaid expenses and other assets	(688)	910
	(Decrease) increase in accounts payable suppliers and others	(18,774)	3,966
	Increase (decrease) in accounts payable related parties	23,155	(67,262)
	Increase in accrued liabilities and other	10,842	37
	Cash provided by operating activities	**150,037**	**162,881**
	Income tax paid	(25,513)	(34,688)
	Interest received	4,492	7,794
	Interest paid	(16,816)	(19,185)
	Net cash provided by operating activities	**112,200**	**116,802**
	Carried forward.....	$ 112,200	$ 116,802

Dominican Power Partners
(An indirectly owned subsidiary of The AES Corporation)
Statements of Cash Flows (continued)
For the years ended December 31, 2021, 2020
(Expressed in thousands of dollars of the United States of America

Notes		2021	2020
	Brought forward..…	$ 112,200	$ 116,802
	Cash flows from investing activities		
8	Acquisition of property, plant and equipment	(7,441)	(8,497)
10	Advance payments for the acquisition of property, plant and equipment	(25)	(360)
9	Acquisition of intangible assets	(5)	(38)
6	Loan to related party	(30,000)	—
	Increase of restricted cash	(130)	—
	Net cash used in investing activities	**(37,601)**	**(8,895)**
	Cash flows from financing activities		
6	Dividends paid	(42,863)	(97,131)
14	Payment of line of credit	—	(70,000)
14	Proceeds from line of credit	—	65,000
6	Proceeds from related party loan	51,988	—
14	Payment of international bonds	(50,000)	—
20	Penalty payment on early extinguishment of debt	(1,988)	—
12	Payment of lease liabilities	(490)	(100)
9	Acquisition of property, plant and equipment	(7,623)	—
	Net cash used in financing activities	**(50,976)**	**(102,231)**
	Net increase in cash and cash equivalents	23,623	5,676
	Cash and cash equivalents at the beginning of the year	16,934	11,258
	Cash and cash equivalents at the end of the year	**$ 40,557**	**$ 16,934**
	Supplementary disclosure of non-cash operating activities:		
	Property, plant and equipment purchases not paid at year end	$ 20,036	$ 7,558
	Intangible assets purchases not paid at year end	$ 85	$ 5

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

1. Organization and nature of operations

Dominican Power Partners ("the Company" or "DPP") is an indirectly owned subsidiary of The AES Corporation ("the Parent Company" or "AES"). The Company was organized under the laws of the Cayman Islands and was incorporated on November 14, 1995.

DPP has a branch in Santo Domingo, Dominican Republic that owns the generation units Los Mina V and VI and a battery energy storage solution. The plants have a gross generating capacity of 368 megawatts and consist of two combined cycle turbo gas turbines and the energy storage solution and related electricity generating equipment. The plants began commercial operations on May 4, 1996.

During the years 2002 and 2003, the plants received an upgrade with the installation of a wet compression system and an evaporative cooler. In March 2003, the Company implemented its conversion to natural gas–fired operations resulting in a cleaner generating facility. In June 2017, the Company completed the combined cycle and the energy storage solution projects.

The plants were originally developed by Destec under a Build–Operate–Transfer ("BOT") arrangement with Corporación Dominicana de Empresas Eléctricas Estatales ("CDEEE"), the state–owned electricity company (formerly known as "Corporación Dominicana de Electricidad" or "CDE"), whereby the Company operated the plant to generate and sell electricity to CDEEE under a capacity sales agreement for fifteen years. On June 30, 1997, DPP was acquired by the Parent Company through several owned subsidiaries of AES. Until September 2001, DPP operated the plants following the BOT arrangement. In early 2002, DPP signed an agreement with CDEEE and the Government of the Dominican Republic ("the Termination Agreement") which, retroactive to September 2001, ended the BOT and transferred ownership of the plant and land to DPP. On June 18, 2014, the Company signed a sales contract agreement for the supply of energy and capacity to CDEEE. This contract began on August 31, 2016 and will end on December 31, 2022.

During the year 2021, contracts are maintained with clients in the market for large entities, which are allowed to generate their own electricity or contract directly with generators, or the unregulated market (normally known as "Non-Regulated Users"). The Company has a total of 14 contracts with Non-Regulated Users with a total of 52 MW of contracted capacity as of December 31, 2021 and 2020.

For the year ended December 31, 2021, management evaluated and considered that the Company is a single energy generation and sale segment.

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

2. Basis of preparation

(a) Basis of preparation

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

(b) 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 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 statements of financial position dates; the effect of changes in exchange rates is recognized in the statements of income in the line exchange gain, net. As of December 31, 2021, the exchange rate for the U.S. dollar was RD$57.55 (2020: RD$58.33) and the annual average exchange rate was RD$57.22 (2020: RD$56.52).

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

The Companies present assets and liabilities in the 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.

2. Basis of preparation (continued)

(c) Classification of current and non-current assets and liabilities (continued)

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, in all cases.

(d) Use of estimates and assumptions

The preparation of the 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 periods presented in these financial statements.

(a) Financial instruments

<u>*Initial recognition and measurement*</u>

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.

3. Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Financial assets: *(continued)*

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.

On initial recognition, a financial asset is measured at: amortized cost, at fair value through other comprehensive income; or at fair value through profit or loss. The Company does not choose to irrevocably designate the measurement of financial assets at fair value through profit or loss or other 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 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.

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.

3. Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Financial assets: *(continued)*

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.

Financial assets: 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.

3. Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Financial assets: evaluation of the business model

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

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.

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.

3. Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Financial asset derecognition

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

Cash and cash equivalents

The Company considers as cash and cash equivalents its petty cash, bank deposits and time deposits with initial maturity dates that are less than 3 months.

Cash and cash equivalents are managed under a hold-to-maturity business model to recover contractual cash flows and are measured at amortized cost.

Restricted cash

Restricted cash includes deposits that the Company uses as collateral for loans to employees, on which there is no legal restriction and are granted in accordance with the established benefits policy.

Investment in short-term time deposits

As of December 31, 2020, the Company held certificates of deposit as short-term investments with an original maturity greater than three months but less than one year. As of December 31, 2021, the Company does not hold investment certificates maturing in 2022 (2020: $0.1 million with an interest rate of 5.85%).

3. Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Account receivable

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

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

Impairment of financial assets

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

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

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

3. Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Impairment of financial assets (continued)

With the objective of incorporating prospective information, the Company analyzed variables that affect and help 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 estimated losses.

(b) Financial liabilities: (classification 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 statements of income over the period of the loans using the effective interest method. The Company recognizes gains or losses in the statements of income of the period when the financial liability is written off.

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

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 statements of income.

3. Summary of significant accounting policies (continued)

(c) 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.

(d) Inventory

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

(e) 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.

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 statements of income. When property, plant and equipment have different useful lives, they are accounted for separately.

3. Summary of significant accounting policies (continued)

(e) Property, plant and equipment (continued)

Depreciation

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

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

Description	**Estimated Useful Lives**
Buildings	30 to 65 years
Generation equipment	8 to 40 years
Office equipment and others	4 to 7 years
Vehicles	4 to 8 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 statements of income.

Construction in progress

Construction costs of the projects include costs of salaries, engineering costs, insurance, interest and other capitalized costs. Construction in progress balances are transferred to power generation assets when the assets are available for their intended use.

(f) 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 the below:

Licenses	3 years
Software	3 years

3. Summary of significant accounting policies (continued)

(g) 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 income statement.

(h) 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 statement of financial position and once the implementation phase is completed, they are amortized to operating, general and maintenance expenses during the life of the contract.

3. Summary of significant accounting policies (continued)

(i) 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.

Leases in which the Company, in its capacity as lessor, substantially retains the risks and rewards of ownership of the asset, are considered operating leases. Income from leases is recognized as income on a straight-line basis over the term of the contract in the income line in the income statement due to its nature.

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:

Land	1 year
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.

<u>Lease liabilities</u>

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.

3. Summary of significant accounting policies (continued)

(i) Leases (continued)

Lease liabilities (continued)

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.

(j) 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 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 statement of financial position.

(k) 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.

3. Summary of significant accounting policies (continued)

(l) 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.

(m) 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.

(n) Revenue recognition

The Company derives its revenue from the sale of electricity through contracts or the spot market. Revenue is recognized upon the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. The electricity is sold to customers such as distribution companies, unregulated users and other generators.

Our sales contracts, based on specific facts and circumstances, can have one or more performance obligations as the promise to transfer energy, capacity and other services may or may not be distinct depending on the nature of the market and terms of the contract.

As the performance obligations are generally satisfied over time and use the same method to measure progress, the performance obligations meet the criteria to be considered a series.

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

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

3. Summary of significant accounting policies (continued)

(n) Revenue recognition (continued)

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

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

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

(o) 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.

(p) 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 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)

(p) Income tax expense (continued)

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

(q) 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 15,000,100 and there is no difference between basic and diluted profit.

4. Changes in accounting policies

The accounting policies adopted by the Company for the preparation of its financial statements as of December 31, 2021 are consistent with those that were used for the preparation of its financial statements as of December 31, 2020.

(I) Changes in new standard and interpretation.

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

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

4. Changes in accounting policies (continued)

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

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

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

In May 2020, the IASB issued Property, Plant and Equipment – Income Before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from the sale of items produced while holding that asset. to the location and condition necessary for it to function in the manner intended by management. The amendment establishes that an entity recognizes the proceeds from the sale of said items, and the costs of producing them, in the results of the period.

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

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

In May 2020, the IASB made amendments to IAS 37 to specify which costs must be included by an entity when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach." 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 are not directly related to a contract and are excluded unless explicitly charged to the counterparty under the contract.

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

4. Changes in accounting policies (continued)

IFRS 9 Financial Instruments: *Commissions in the "10 percent" test for derecognition of financial liabilities accounts*

As part of its 2018-2020 annual improvements process to IFRS standards, the IASB made an 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. of the terms of the original financial liability. These fees include only those fees paid or received between the borrower and the lender, including fees paid or received by the borrower or the lender on behalf of the other. 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 financial statement reporting periods beginning on or after January 1, 2022, and early adoption is permitted.

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

In January 2020, the IASB made 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 the right to defer settlement.
- That there should be a right of deferral at the end of the reporting period.
- That the classification is not affected by the probability that an entity will exercise its right of deferral.
- That only if an embedded derivative in a convertible liability is itself an equity instrument, the terms of a liability would not affect its classification.

The amendments are effective for the annual financial reporting period beginning on or after January 1, 2023 and should be applied retrospectively.

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.

(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 (continued)*

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 detail as follow:

		2021		2020
Cash in US dollars	$	36,553	$	14,844
Cash in Dominican Pesos		4,004		2,015
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.		—		75
Total	**$**	**40,557**	**$**	**16,934**

Term deposits and investment certificates as of December 31, 2020 include deposits for $0.1 million that are used as collateral for loans to employees, on which there is no restriction. As of December 31, 2021, these certificates of deposit amount to $0.1 million and are presented as restricted cash in non-current assets in the statement of financial position.

6. Accounts and transactions with related parties

Natural gas purchase and sale agreements - AES Andres DR, S. A. ("ANDRES")

DPP maintains agreements for the sale and purchase of natural gas ("The Gas Purchase Agreement") and the Natural Gas Transportation Agreement with its affiliate AES Andres DR, S.A ("ANDRES"), which began with the completion of construction in ANDRES of the Liquefied Natural Gas (LNG) facility and the gas pipeline in March 2003. Both contracts expire in 2023.

As of December 31, 2021, the costs associated with these contracts are presented in the statements of income as part of cost of revenues - fuel and fuel-related costs in the amount of $106.2 million, (2020: $74.7 million).

Purchase Power Agreement (PPA)

The Company maintains an energy sale agreement with the related company AES Andres DR, S.A (“ANDRES”) through which the Company sells energy and supported 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 sales related to this contract included as part of electricity sales revenue in the statements of income amounted to $11.4 million (2020: $13.7 million).

During the year ended December 31, 2021, the Company purchased energy from ANDRES on the spot market for $0.3 million (2020: $0.1 million) and sold energy for $0.01 million. In 2020, the Company did not sell energy in said market.

During the period between January 1 and April 8, 2021, DPP had no purchases of energy and frequency regulation from its former related company in the spot market Empresa Generadora de Electricidad Itabo, S.A. (ITABO), for the year ended December 31, 2020 DPP purchased energy of $0.6 million. Also, 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 for $0.014 million (2020: $0.04 million).

During the year ended December 31, 2021, the Company purchased energy from AES Dominicana Renewable Energy, S.R.L. (formerly Parque Eólico Beata, S.R.L.), for $0.5 million (2020: there were no purchases in this period).

6. Accounts and transactions with related parties (continued)

Loans and interest receivable - AES Andres B.V.

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

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

For the year ended December 31, 2021, interest income related to these loans amounts to $0.4 million and is presented in the statements of income as interest expense, net. (see note 19).

Loan and interest payable - AES Andres B.V.

On May 4, 2021, the Company signed a loan agreement with its affiliate AES Andres B.V. for a maximum amount of $52.0 million with a rate of 6.52% calculated based on the reference rates of the United States of America published by the Wall Street Journal plus the differential of the Emerging Bonds index for the Dominican Republic. Interest payments are semi-annual, while the capital will be paid at maturity on May 4, 2028. The funds received were used to pay the international bonds in advance (see note 14).

As of December 31, 2021, the interest payable derived from this loan amounts to $0.6 million and is recorded in the statements of financial position as part of non-current liabilities in the item of loan and interest payable related party.

For the year ended December 31, 2021, the interest expense related to this loan amounts to $2.6 million and is presented in the statements of income as interest expense, net. (see note 19).

Insurance agreement - AES Global Insurance Corporation

The Company maintains an insurance against all risks with the related party AES Global Insurance Corporation (AGIC), which covers all operational risks including machinery breakdown and business interruption. The expense for this concept for the year ended December 31, 2021 was $6.8 million (2020: $5.3 million) included in the statements of income in the operating, general and maintenance expenses as insurance. (see note 18).

6. Accounts and transactions with related parties (continued)

Guarantee agreement - AES Andres B.V.

On April 7, 2017, the Company obtained a guarantee agreement with AES Andres B. V., an affiliate company, which acts as guarantor of the Corporate Bonds Issuance Program approved by and registered with the Superintendence of Securities of the Dominican Republic obtained by the Company on December 13, 2016 (note 14). The Company agreed to pay a guarantee charge equivalent to 0.15% of the total bonds issued on the last day of the corresponding calendar year. For the year ended December 31, 2021, the Company recorded guarantee charges of $0.4 million (2020: $0.4 million), which are included in the statements of income in the operating, general and maintenance expense as management fees.

Other

On June 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 said contract, to work on 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. Expenses 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 operating, general and maintenance expense as contracted services.

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 $3.6 million (2020: $2.5 million) included in the statements of income in operating, general and maintenance expenses as contracted services. Additionally, this agreement establishes that the Company invoices as other income, certain costs incurred by local personnel, which for the year 2021 amounted to $0.5 million and are included in the statements of income in the item of electricity sales- intercompany and spot market. (2020: there were no billings for this concept).

6. Accounts and transactions with related parties (continued)

Lease Agreement - ITABO

On September 10, 2014, the Company signed a lease agreement with Empresa Generadora de Electricidad Itabo, S. A. ("ITABO"), for the lease of land, buildings and structures located in the former Los Mina energy complex. This contract is valid for one year from October 1, 2014, automatically renewable under the same conditions. This contract will remain in force until the Company exercises its purchase option right established in the Option Contract. Upon signing the contract, an annual lease of $0.1 million was established, which would be adjusted annually according to the consumer price index of the United States of America. From January 1 to April 8, 2021, payments related to this contract amounted to $0.04 million and for the year ended December 31, 2020 it was $0.2 million. (see note 12).

Dividends

The Company declared dividends in 2021 of $42.9 million (2020: $97.1 million) representing $2.86 per share (2020: $6.48 per share). The distribution of dividends is made based on tax accounting in dominican pesos.

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 in operating, general and maintenance expenses as contracted services amount to $0.8 million in 2021 (2020: $0.6 millions). As of December 31, 2020, there was a balance receivable of $0.4 million for credit notes received at the end of 2020 that were offset by invoices received and paid in 2021.

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

6. Accounts and transactions with related parties (continued)

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

	2021	2020
Accounts receivable related parties:		
AES Andres DR, S. A.	$ 107,342	$ 91,832
AES Argentina Generación, S. A.	179	179
AES Big Sky, L.L.C.	—	441
AES Dominicana Renewable Energy, S.R.L. (formerly Parque Eólico Beata, S.R.L.)	—	250
Empresa Generadora de Electricidad Itabo, S. A.	—	11
Others	180	272
Total accounts receivables related parties	**$ 107,701**	**$ 92,985**
Loans and interests receivables related party:		
AES Andres B.V. - loans receivable	$ 30,000	$ —
AES Andres B.V. - interests receivable	403	—
Total loans and interests receivable related party	**$ 30,403**	**$ —**

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

6. Accounts and transactions with related parties (continued)

	2021	2020
Accounts payable related parties		
AES Andres DR, S. A.	$ 26,359	$ 9,030
AES Engineering, LLC	235	235
AES Dominicana Renewable Energy, S.R.L. (formerly Parque Eólico Beata, S.R.L.)	32	—
AES Corporation, Inc.	2	3
Empresa Generadora de Electricidad Itabo, S. A.	—	430
AES Andres B.V.	—	97
AES Latin América S. de R.L.	—	79
New Caribbean Investment, S. R. L.	—	49
Others	18	18
Total accounts payable related parties	**$ 26,646**	**$ 9,941**
Interests payable related party		
AES Andres B.V.	$ 568	$ —
Total interests payable related party	**$ 568**	**$ —**
Loan payable related party		
AES Andres B.V.	$ 51,988	$ —
Total loan payable related party	**$ 51,988**	**$ —**

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

6. Accounts and transactions with related parties (continued)

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

Affiliate	Transaction type	Revenues 2021	Revenues 2020	Costs and Expenses 2021	Costs and Expenses 2020
AES Andres DR, S. A.	Energy, capacity and LNG	$ 11,432	$ 13,669	$ (106,526)	$ (74,802)
Empresa Generadora de Electricidad Itabo, S. A.	Energy, firm capacity and frequency regulation	14	40	(40)	(776)
AES Andres B.V	Interests on loans, guarantee charge	448	—	(2,947)	(390)
AES Dominicana Renewable Energy, S.R.L. (formerly Parque Eólico Beata, S.R.L.)	Energy, firm capacity and frequency regulation	—	—	(466)	—
AES Latin América S. de R.L.	Other services	468	—	(3,576)	(2,486)
Fluence Energy, LLC	Other services	—	—	(120)	(120)
AES Big Sky, LLC	Other services	—	—	(789)	(613)
AES Global Insurance Corporation	Other services	—	—	(6,801)	(5,254)
Total		**$ 12,362**	**$ 13,709**	**$ (121,265)**	**$ (84,441)**

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 $770 and $768, 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

The accounts receivable trade, net, consist of the following:

		2021		2020
Account receivable trade - net				
Corporación Dominicana de Empresas Eléctricas Estatales (CDEEE)	$	10,256	$	43,902
Others receivables		32,581		27,601
Allowance for doubtful accounts		(76)		(46)
Accounts receivable trade, net	**$**	**42,761**	**$**	**71,457**
Allowance for doubtful accounts				
Beginning balance	$	(46)	$	(22)
Increase		(30)		(24)
Total allowance for doubtful accounts	**$**	**(76)**	**$**	**(46)**

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

Other receivables includes unbilled revenue.

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

		2021		2020
Current	$	24,804	$	50,819
31 to 60 days		247		2,727
61 to 90 days		112		12,181
91 days and more, net of allowance for doubtful accounts		17,598		5,730
Total	**$**	**42,761**	**$**	**71,457**

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

8. Property, plant and equipment, net

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

As of December 31, 2021

	Land	Buildings	Generation plant	Office equipment and others	Vehicles	Spare parts	Construction in progress	Total
Cost:								
Beginning balance	$ 9,256	$ 6,955	$ 428,080	$ 2,478	$ 507	$ 10,575	$ 3,611	$461,462
Additions	—	—	1,198	84	—	33	26,587	27,902
Retirements	—	—	(22,608)	(18)	—	(2,065)	—	(24,691)
Reclassifications	—	439	26,365	250	—	530	(27,584)	—
Ending balance	9,256	7,394	433,034	2,794	507	9,073	2,614	464,672
Accumulated depreciation:								
Beginning balance	—	2,164	170,897	1,515	421	8,284	—	183,281
Additions	—	283	19,362	336	23	—	—	20,004
Retirements	—	—	(18,113)	(18)	—	(1,008)	—	(19,139)
Ending balance	—	2,447	172,146	1,833	444	7,276	—	184,146
Net balance	**$ 9,256**	**$ 4,947**	**$ 260,888**	**$ 961**	**$ 63**	**$ 1,797**	**$ 2,614**	**$280,526**

As of December 31, 2020

	Land	Buildings	Generation plant	Office equipment and others	Vehicles	Spare parts	Construction in progress	Total
Cost:								
Beginning balance	$ 9,256	$ 5,503	$ 424,941	$ 1,791	$ 467	$ 7,583	$ 3,346	$ 452,887
Additions	—	—	—	55	—	34	13,440	13,529
Retirements	—	(507)	(4,401)	(46)	—	—	—	(4,954)
Reclassifications	—	1,959	7,540	678	40	2,958	(13,175)	—
Ending balance	9,256	6,955	428,080	2,478	507	10,575	3,611	461,462
Accumulated depreciation:								
Beginning balance	—	2,256	159,470	1,348	387	4,653	—	168,114
Additions	—	199	19,121	213	34	—	—	19,567
Retirements	—	(291)	(4,063)	(46)	—	—	—	(4,400)
Reclassifications	—	—	(3,631)	—	—	3,631	—	—
Ending balance	**—**	**2,164**	**170,897**	**1,515**	**421**	**8,284**	**—**	**183,281**
Net balance	**$ 9,256**	**$ 4,791**	**$ 257,183**	**$ 963**	**$ 86**	**$ 2,291**	**$ 3,611**	**$ 278,181**

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

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

The costs of interest capitalized during the year ended December 31, 2021 amounted to $0.3 million (2020: $0.2 million). The interest rate used to determine the amount of finance costs that were eligible to capitalize as of December 31, 2021 was 0.6% (2020: 0.5%), which is the average annual financing rate.

The main works in process as of December 31, 2021 correspond to major maintenance, recovery of the storage tank and various projects of the operation.

9. Intangible assets, net

As of December 31, intangible assets are detailed as follow:

	2021		
	Cost	**Accumulated amortization**	**Carrying amount**
Licenses and software systems	**$ 2,659**	**$ (2,204)**	**$ 455**

	2020		
	Cost	**Accumulated amortization**	**Carrying amount**
Licenses and software systems	**$ 2,574**	**$ (1,740)**	**$ 834**

The movement of intangible assets is as follows:

	Licenses and software systems
Balance as of January 1, 2020	$ 1,789
Additions	43
Reclassification	(456)
Amortization of the year	(542)
Balance as of December 31, 2020	**834**
Additions	85
Amortization of the year	(464)
Balance as of December 31, 2021	**$ 455**

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

9. Intangible assets, net (continued)

The following table summarizes the estimated amortization expense by category of intangible assets from 2022 to 2024:

2022	$	257
2023		108
2024		90
Total	**$**	**455**

During the year 2020, the Company reclassified to other non-financial assets the amount of $0.5 million, for computer application contracts hosted in the cloud, which are agreements in which the Company does not have ownership, but accesses and uses them according to your need through the internet or a dedicated line.

10. Other non-financial assets

As of December 31, the other non-financial assets are detailed as follow:

		2021		**2020**
Current:				
Long term of services contract (maintenance agreement) (see note 15)	$	878	$	—
Prepaid assets		114		114
Prepayments to vendors		75		93
Other prepayments		17		70
Prepaid insurance		12		14
Total current assets	**$**	**1,096**	**$**	**291**
Non-current:				
Prepaid assets	$	123	$	238
Advance payments for the acquisition of property, plant and equipment		25		360
Total non-current assets	**$**	**148**	**$**	**598**

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)

11 Fair Value

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

	Book Value		Fair Value	
	2021	2020	2021	2020
Financial liabilities				
Other financial liabilities	$ 10,590	$ 73	$ 10,590	$ 73
Lease liabilities	$ 557	$ 819	$ 557	$ 819
Loan payable related party	$ 51,988	$ —	$ 51,988	$ —
Bonds payable - local	$ 260,000	$ 260,000	$ 269,425	$ 283,713
Bonds payable - international	$ —	$ 50,000	$ —	$ 52,501

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

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

- The Company calculates the fair value of loans payable to related parties based on information available at the date of the statements of financial position. The fair value is estimated based on the interest rate and other characteristics of the loan. These loans were contracted at a variable rate, therefore, the Company considers that their book value resembles a close approximation 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.

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

12. Lease

Lessee

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

Land:
- The Company maintains a lease agreement with Empresa Generadora de Electricidad Itabo, S. A., for the lease of land, buildings and structures located in the old energy complex Los Mina, effective from October 1, 2014 and automatically renewed under the same conditions. This agreement will remain in effect until the Company exercises its purchase option right as established in the Option Agreement.

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.

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

	Land	Corporate offices and parking lots	Total
As of January 1, 2020	$ 135	$ 36	$ 171
Additions	184	600	784
Amortization expense	(184)	(143)	(327)
As of December 31, 2020	**135**	**493**	**628**
Additions	190	19	209
Amortization expense	(188)	(133)	(321)
As of December 31, 2021	**$ 137**	**$ 379**	**$ 516**

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

12. Lease (continued)

Below are the carrying amounts of lease liabilities

	2021	2020
As of January 1	$ 819	$ 177
Additions	209	749
Accretion of interest	19	19
Rent concession payments	—	(26)
Payments	(490)	(100)
As of December 31	**$ 557**	**$ 819**
Current lease liabilities	**$ 307**	**$ 452**
Non-current lease liabilities	**$ 250**	**$ 367**

The maturity analysis of lease liabilities is disclosed in Note 22.

The following are the amounts recognized in statements of income:

	2021	2020
Amortization expense of right-of-uses assets	$ 321	$ 327
Interest expense on lease liabilities	19	19
Expense relating to leases of low-value assets (including in operating, general and maintenance expense)	15	74
Total amount recognized in statements of income	**$ 355**	**$ 420**

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

13. Accounts payable suppliers and other liabilities

As of December 31, accounts payable are detailed as follow:

	2021	2020
Electricity purchases payable	$ 6,433	$ 7,038
Maintenance agreement short term (see note 15)	4,214	8,790
Suppliers	2,705	1,931
Other taxes other than income tax	1,556	1,187
Incentive compensations payable	450	491
Other accrued liabilities	1,295	590
Total accounts payable	**$ 16,653**	**$ 20,027**

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

14. Bonds payable, net

Line of credit payable

The Company has a line of credit with Scotiabank that as of December 31, 2019 had a balance of $5.0 million. During the year 2020 the Company requested $65.0 million at LIBOR interest and repaid $70.0 million. During 2021 there was no movement with this line of credit, remaining available as of December 31, 2021 the total of it for $55.0 million.

International bonds

On May 11, 2016, the Company issued $50.0 million in bonds in international markets under Rule 144A and SEC Regulation S, with a single and final payment in May 2026 at a annual rate of 7.95%. Interest payments were semi-annual as of November 2016, the total costs for debt issuance amounted to $2.1 million. On July 19, 2021, the Company paid these international bonds with the funds received from the loan with its affiliate (see note 6). As consequence of the repayment of this debt, the Company paid a penalty of $2.0 million. This amount is presented in the income statement under other expenses, net. (see note 20).

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

14. Bonds payable, net (continued)

International bonds (continued)

The balance as of December 31, 2021 and 2020 are detailed as follow:

	2021	2020
Bonds payable	$ —	$ 50,000
Unamortized discount	—	(650)
Deferred financing cost, net	—	(693)
Bonds payable, net	**$ —**	**$ 48,657**

The detail of the movement of the year of the unamortized discount is detailed as follow:

	2021	2020
Unamortized bonds discount	$ 650	$ 740
Amortization of discount of debt	(32)	(90)
Write off - early extinguishment of debt - international bonds	(618)	—
Total unamortized discount at the end of the year	**$ —**	**$ 650**

The detail of the movement of the year of the deferred financing cost, is detailed as follow:

	2021	2020
Deferred financing costs	$ 693	$ 789
Amortization of deferred financing costs	(34)	(96)
Write off - early extinguishment of debt - international bonds	(659)	—
Total deferred financing costs at the end of the year	**$ —**	**$ 693**

Local bonds

The Company maintains a Corporate Bonds Issuance Program approved by and registered with the Securities Superintendency of the Dominican Republic on December 13, 2016. The issuance program was for a maximum amount of $300 million of which the Company executed $260 million which were distributed in tranches throughout 2017. The use of the funds defined for this issue was the payment of the syndicated loan signed in 2014 to finance the construction of the combined cycle. AES Andres B.V. acts as guarantor of this program of issuance of corporate bonds.

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

14. Bonds payable, net (continued)

Local bonds (continued)

The distribution of tranches related to this local bonds program was as follows:

Local bonds payable	**Rate %**	**Maturity**		**Amounts**
Tranche 1	6.25	February 2027	$	50,000
Tranche 2	6.25	April 2027		50,000
Tranche 3	6.25	May 2027		50,000
Tranche 4	6.25	June 2027		50,000
Tranche 5	6.00	August 2027		35,000
Tranche 6	5.90	November 2027		25,000
			$	**260,000**

The interest payments are due quarterly with a single and definitive principal payment on each due date of each tranche.

The Company incurred costs for the issuance of this bonds of $3.3 million, which were deferred and amortized under the effective interest method during the term of the debt contract.

The balance of local bonds payable, net of deferred financing costs, is detailed as follow:

		2021		**2020**
Bonds payable	$	260,000	$	260,000
Deferred financing cost, net		(1,978)		(2,283)
Bonds payable, net	**$**	**258,022**	**$**	**257,717**

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

		2021		**2020**
Deferred financing costs	$	2,283	$	2,570
Capitalized financing costs		(1)		(4)
Amortization		(304)		(283)
Total deferred financing cost at the end of the year	**$**	**1,978**	**$**	**2,283**

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

14. Bonds payable, net (continued)

Local bonds (continued)

As a consequence of the issuance of local bonds, the Company must comply with certain obligations established by the Securities Market Law No.19-00 and Application Regulation No. 664-12, specifically article 49 (Issuer Obligations); Article 212 (Financial information) and Article 50 (Activities not authorized to the issuer).

Changes in liabilities from financing activities

	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
Loan and interests payable related parties	$ —	$ 51,988	$ —	$ —	$ —	$ —	$ 51,988
Local bonds payable, net	257,717	—	—	304	—	1	258,022
International bonds payable, net	48,657	—	(50,000)	66	1,277	—	—
Lease liabilities	819	—	(490)	—	—	228	557
Total	**$307,193**	**$ 51,988**	**$ (50,490)**	**$ 370**	**$ 1,277**	**$ 229**	**$ 310,567**

	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
Loan payable - Line of credit	$ 5,000	$ 65,000	$ (70,000)	$ —	$ —	$ —	$ —
Local bonds payable, net	257,432	—	—	281	—	4	257,717
International bonds payable, net	48,469	—	—	188	—	—	48,657
Lease liabilities	177	—	(100)	—	—	742	819
Total	**$311,078**	**$ 65,000**	**$ (70,100)**	**$ 469**	**$ —**	**$ 746**	**$ 307,193**

15. Commitments and contingencies

Commitments

Energy sales contract with CDEEE

On June 18, 2014, the Company signed a sales contract agreement for the supply of energy and capacity to Corporación Dominicana de Empresas Eléctricas Estatales ("CDEEE"). This contract began on August 1, 2016 and will end on December 31, 2022. After the completion of the construction of the combined cycle, the Company is committed to provide to the customer 270MW of capacity. Sales of energy and capacity associated with the contract are presented in the income statement for an amount of $238.7 million in 2021 (2020: $208.6 million).

Energy sales contract with Non-regulated Users

During the year, contracts are maintained with clients in the market of large entities who are allowed to generate their own electricity or contract directly with generators, or the non-regulated market. (normally known as "Non-regulated Users"). The Company has a total of 14 contracts with Non-Regulated Users with a total of 52 MW of contracted capacity as of December 31, 2021 and 2020.

Maintenance Agreement

In 2018, the Company and Siemens Power Generation Services Company LTD entered into a maintenance agreement for the periods between 2018 and 2031. The total amount to be paid for this contract amounts to $57.6 million during its term.

As of December 31, 2020, the Company has received spare parts for $6.7 million related to this contract, and maintains current accounts payable for $8.8 million. (see note 13) and there was no non-current balance payable.

As of December 31, 2021, the Company has received spare parts for $18.7 million related to this contract. Balances of other current non-financial assets are maintained corresponding to prepay by $0.9 million (2020: there was no prepay) and a account payable of $14.7 million, of which $4.2 million are current (see note 13) and $10.5 million non-current are presented under other non-current liabilities.

15. Commitments and contingencies (continued)

Guarantees

Since November 5, 2019, the Company became the unconditional and irrevocable guarantor in conjunction with its related party AES Andres DR. S.A. and AES Andres B.V., of a loan agreement of their related party AES Dominicana Renewable Energy, S.R.L. (formerly Parque Eólico Beata S.R.L.) in the amount up to $50 million. As of December 31, 2021, the Company was not requested to execute this guarantee.

Since May 4, 2021, the Company became the unconditional and irrevocable guarantor in conjunction with its related party AES Andres DR. S.A. of the international bonds issued by their related party AES Andres B.V. in the amount of $300.0 million, with maturity date of May 2028. As of December 31, 2021, the Company was not requested to execute this guarantee.

16. Equity

Capital in shares and contributory capital

Capital subscribed and paid of the Company amounts to $15.0 million and is made up of 15,000,100 ordinary shares with a value of $100 each in the name of AES DPP Holding, Ltd. Additionally, the Company received a $104.9 million of contribution that it recognized as contributed capital.

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 $0.060 million (2020: $0.05 million), which are reported in the line of general, operation and maintenance expenses in the caption salaries and other benefits.

Restricted Retained Earnings

In 2009 with the first-time adoption of the International Financial Reporting Standards (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 adjustment for this concept is $9,700 (2020: $10,614), net of the effects of depreciation expense, asset disposals and deferred income tax transferred to the accumulated deficit in 2021 in the amount of $914 (2020: $768).

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

17. 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	15,000,100	15,000,100
Basic calculation of earnings per share:		
Net income	$ 53,627	$ 62,408
Total outstanding shares	15,000,100	15,000,100
Net income per share (expressed in dollars of the United States of America)	**$ 3.58**	**$ 4.16**

18. Operating, general and maintenance expense

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

	2021	2020
Maintenance expenses	$ 8,083	$ 5,972
Salaries, wages and benefits	2,813	3,063
Insurance (note 6)	6,852	5,299
Tax on assets (note 21)	2,061	1,989
Contracted services (note 6)	4,365	3,262
Consultants and legal fees (note 6)	843	725
Managements fees (note 6)	510	511
Amortization of right-of-use assets (note 12)	321	327
Expenses related to leases of low value (note 12)	15	74
Others operating and administrative expenses	1,527	1,041
Total	**$ 27,390**	**$ 22,263**

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

19. Interest expense, net

For the year ended December 31, 2021 and 2020, interest expense, net are detailed as follow:

		2021		2020
Interest expense - commercial	$	(1,105)	$	(2,407)
Interest expense - leases (note 12)		(19)		(19)
Interest expense - financial		(17,219)		(20,919)
Interest expense - related party (note 6)		(2,557)		—
Subtotal	$	(20,900)	$	(23,345)
Amortization of deferred financing costs (note 14)		(338)		(379)
Write off of deferred financing costs and discount due to early extinguishment of debt (note 14)		(1,277)		—
Interest income - commercial	$	4,884	$	6,902
Interest income - financial		62		230
Interest income - related party (note 6)		448		—
Subtotal		5,394		7,132
Total interest expense, net	**$**	**(17,121)**	**$**	**(16,592)**

Accounts receivable and payable from the occasional electricity market generate monthly interest, according to the Central Bank rate, plus a penalty of eighteen (18%) as established in Article 355 of the General Law of the Electricity Sector. The average interest rate applied in dollars as of December 31, 2021 was 3.25% (2020: 4.82%) and in Dominican pesos as of December 31, 2021 it was 9.22% (2020: 9.85%).

20. Other expense, net

For the year ended December 31, 2021 and 2020, other expenses, net are detailed as follow:

		2021		2020
Loss on retirement of property, plant and equipment	$	(5,552)	$	(554)
Loss on early extinguishment of debt (note 14)		(1,988)		—
Others		50		29
Total	**$**	**(7,490)**	**$**	**(525)**

21. Income tax

DPP is a company incorporated with limited liability in the Cayman Islands which operates in the Dominican Republic through a Branch office and, therefore, is not subject to the payment of income taxes in the Cayman Islands. For Dominican tax purposes, DPP's Branch is considered a foreign entity, therefore subject to the Dominican tax regime applicable to business activities established by Law 11-92 of May 31, 1992, plus its subsequent amendments. Even though the Branch has the US dollar as its functional currency, income tax calculations are determined in local currency, the Dominican peso.

Current income tax

The current income tax is calculated based on Law 11-92, Tax Code of the Dominican Republic, its regulations and its modifications. The tax used to determine the income tax at December 31, 2021 and 2020 was 27% of the net taxable income.

Tax on assets

The tax on assets corresponds to 1% of the taxable assets. For electricity companies, taxable assets correspond to the total fixed assets, net of accumulated depreciation.

This tax may be used as a credit against the income tax as follows: if the income tax is greater than the tax on assets, there is no obligation to pay the latter; otherwise, the difference between the income tax paid and the tax on assets must be paid. The Company records the tax on assets expense in the statements of income in operating, general and maintenance expense.

Dividends

Through Law 253-12 of November 13, 2012, the 29% withholding is replaced by a final payment of 10%. Likewise, this 10% tax is established for branches and permanent establishments when they remit their profits to their Headquarters or Main Offices.

Loss carryforward

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

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

21. Income tax (continued)

Loss carryforward (continued)

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, the Company offset $3,324.

As of December 31, the income tax payable is detailed as follow:

		2021		2020
Income tax advances	$	22,758	$	29,419
Tax on assets (note 18)		(2,061)		(1,989)
Current income tax expense		(26,260)		(30,146)
Income tax payable	**$**	**(5,563)**	**$**	**(2,716)**

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

		2021		2020
Assets:				
Loss carryforward	$	—	$	818
Other temporary differences		108		90
Total deferred tax asset		**108**		**908**
Liabilities:				
Accelerated tax depreciation, asset revaluation and inflationary effects		(30,350)		(31,739)
Financial instruments		(2,336)		(810)
Total deferred tax liability		**(32,686)**		**(32,549)**
Total deferred income tax liability, net	**$**	**(32,578)**	**$**	**(31,641)**

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

21. Income tax (continued)

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

	2021	2020
Statutory income tax rate	27 %	27 %
Permanent differences		
Retention of remittance to Main Office	6 %	11 %
Result from change in foreign currency	2 %	(2) %
Loss carryforward	— %	(1) %
Other temporary differences	(1) %	(1) %
Effective rate	**34 %**	**34 %**

The income tax returns of the Company are subject to review by the tax authorities for the past three years including the year ended December 31, 2021, according to the current tax regulations.

For the year ended December 31, 2021 and 2020, the income tax expense is detailed of the following:

	2021	2020
Current	$ 26,260	$ 30,146
Deferred	500	2,734
Total income tax expense	**$ 26,760**	**$ 32,880**

The Company's Management applied the fair value as an exception to the attributed cost and the adjustment of $37.8 million corresponding to the increase in the fair value of these assets recorded against restricted retained earnings. As established by IAS 12, it is required to record a deferred income tax liability on property, plant and equipment recorded at fair value. The deferred tax calculation for the period ended December 31, 2021 amounts to $3.3 million (2020: $3.6 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 statement of income.

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

21. Income tax (continued)

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.

22. Risk and capital management

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

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

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

Market risk

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

Fuel price risk

In the Dominican Republic there are no sources of fuel for generation, therefore the country is a net importer that covers 74% of the generation with fossil fuels. The fuel used by DPP´s generating units is natural gas, which it obtains through contract with AES Andres DR. The high prices of fuel can increase generation costs, thus affecting financial condition and operating results. Price fluctuations are transferred to the sales price of energy through the Power Purchase Agreement (PPA), given that this contract includes indexation mechanisms that adjust the price based on increases or decreases in fuel prices.

22. Risk and capital management (continued)

Interest rate risk

The Company maintains a Corporate Bonds Issuance Program approved by and registered with the Securities Superintendency of the Dominican Republic on December 13, 2016. The issuance program was for a maximum amount of $300 million of which the Company executed $260 million which were distributed in tranches throughout 2017. The use of the funds defined for this issue was the payment of the syndicated loan signed in 2014 to finance the construction of the combined cycle. AES Andres B.V. acts as guarantor of this program of issuance of corporate bonds. The distribution of tranches during 2017 related to this local bond program is as follows: fixed annual rate of 6.25% for the first four tranches of $50.0 million each, 6.00% for the fifth tranche of $35.0 million and 5.90% for the sixth tranche of $25.0 million; therefore, the Company is not exposed to fair value interest rate risk.

Credit risk

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

Contract sales revenues with CDEEE represented approximately 76% of the total sales in 2021 (2020: 79%), and the accounts receivable balance from CDEEE represented approximately 5% of the total current assets as of December 31, 2021 (2020: 24%). Consequently, DPP's accounts receivable are exposed to potential credit loss from this entity.

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

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

The maximum exposure of the credit risk components of the statement of financial position as of December 31, 2021 and 2020 is the carrying amount.

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

22. Risk and capital management (continued)

Liquidity risk

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

To mitigate the risk of liquidity and credit concentration, the Company may make sales of accounts receivable due or near maturity. These sales are mainly made on the government portfolio at par value or with premium, with the purpose of covering the commitments generated by the operations and reducing the use of cash provided by financing activities. During the year ended December 31, 2021, the Company sold accounts receivable amounting to $191.1 million (2020: $45.4 million).

The Company monitors liquidity risk by planning cash flows and constant follow-up on the accounts receivable to ensure compliance with the commitments. As of December 31, 2021, DPP had a balance of cash and cash equivalents in the amount of $40.6 million (2020: $16.9 million).

The table below 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	$ 16,452	$ 201	$ —	$ —	$ 16,653
Accounts payable - related parties	—	26,646	—	—	26,646
Loan and interests payable - related party	—	568	—	51,988	52,556
Bonds payable	—	—	—	260,000	260,000
Lease liabilities	—	307	250	—	557
Other financial liabilities	—	—	10,468	—	10,468
	$ 16,452	**$ 27,722**	**$ 10,718**	**$ 311,988**	**$ 366,880**

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

22. Risk and capital management (continued)

Liquidity risk

The table below 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, 2020					
Accounts payable - suppliers and other liabilities	$ 19,737	$ 290	$ —	$ —	$ 20,027
Accounts payable - related parties	—	9,941	—	—	9,941
Bonds payable	—	—	—	310,000	310,000
Lease liabilities	—	452	367	—	819
	$ 19,737	**$ 10,683**	**$ 367**	**310,000**	**$ 340,787**

Exchange risk

Exchange rate risk is the risk that the fair value or future cash flows of financial instruments fluctuates as a result of variation in exchange rates. The Company's exposure to exchange risk is mainly related to the operating activities (when revenues and expenses are denominated in a currency different from the functional currency). However, given that the Company's functional currency is the dollar, and that its revenues, costs and investments in property, plant and equipment are determined mainly in US dollars, there is no significant exposure to exchange risk.

The main balance denominated in Dominican pesos corresponds to accounts receivable from the spot market. During the year 2021, approximately 95% (2020: 97%) of the Company's ordinary revenues were denominated in dollars.

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

22. Risk and capital management (continued)

Exchange risk (continued)

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

	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%**	**$ 2,013**	**$ 2,013**
	-5%	**$ (1,915)**	**$ (1,915)**
As of and for the year ended December 31, 2020	+5%	$ 1,460	$ 1,460
	-5%	$ (1,389)	$ (1,389)

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.

23. Relevant events

On March 11, 2020, the World Health Organization declared the 2019 outbreak of COVID-19 originating in China a pandemic. COVID-19 has had a significant impact on the global economy and the lives of millions of people. Several countries, including the Dominican Republic, implemented mobility restrictions and mandatory quarantines, as well as travel bans, among other measures. In this context, the Government of the 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 the cash 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.

23. Relevant events (continued)

At the beginning of 2021, the vaccination process began in several countries around the world, including the 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.

24. Subsequent events

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

Sale and assignment of accounts receivable:

- As of April 7, 2022, the Company has signed sale and credit assignment agreement for $47.1 million. This transaction was a non-recourse sale for the Company.

Payment of dividends:

- On March 2022, the Company paid dividends by $31.9 million, this payment is based on tax accounting in Dominican pesos.

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 financial statements, which require disclosures or adjustments to the financial statements as of December 31, 2021.