

Compañía de Electricidad de San Pedro de Macorís, S. A.

(Branch in Dominican Republic)

Independent Auditor's Report and

Financial Statements as of

December 31, 2022

Compañía de Electricidad de San Pedro de Macorís, S. A.
(Branch in Dominican Republic)

Index
December 31, 2022

	Page(s)
Independent Auditor's Report	1-3
Financial Statements	
Balance Sheet	4
Statement of Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-26



Independent Auditor's Report

To the Shareholders and
Board of Directors of Compañía de Electricidad de San Pedro de Macorís, S. A.
(Branch in Dominican Republic)

Our qualified opinion

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, the financial statements present fairly, in all material respects, the financial position of Compañía de Electricidad de San Pedro de Macorís, S. A. (Branch in Dominican Republic) ("the Branch") as of December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Branch's financial statements comprise:

- The balance sheet as of December 31, 2022;
- The statement of comprehensive income for the year then ended;
- The statement of changes in equity for the year then ended;
- The statement of cash flows for the year then ended; and
- The notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for qualified opinion

As described in Note 6 to the financial statements, as of December 31, 2022 the balance of trade and other receivables includes \$17.9 million (2021: \$17.3 million) related to a reimbursement that has not been accepted by the counterparty and, for which the Branch initiated an arbitration process in 2020. According to IFRS, this receivable shall be recognized only when it is virtually certain that reimbursement will be received. Our audit opinion on the financial statements for the year ended December 31, 2022 was qualified for this matter. Accordingly, the balance of trade and other receivables and of opening retained earnings as of December 31, 2022 should be reduced by \$17.9 million and \$17.3 million, respectively (2021: \$17.3 million and \$13.5 million, respectively), and the total comprehensive income for the year 2022 should be decreased by \$0.6 million (2021: \$3.8 million).

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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



To the Shareholders and
Board of Directors of
Compañía de Electricidad de San Pedro de Macorís, S. A.
(Branch in Dominican Republic)
Page 2

Independence

We are independent of the Branch in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Institute of Authorized Public Accountants of the Dominican Republic (ICPARD), that are relevant to our audit of the financial statements in the Dominican Republic. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of ICPARD.

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 IFRS, 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 Branch'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 Branch or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Branch'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 International Standards on Auditing 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 International Standards on Auditing, 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 Branch's internal control.



To the Shareholders and
Board of Directors of
Compañía de Electricidad de San Pedro de Macorís, S. A.
(Branch in Dominican Republic)
Page 3

- 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 Branch'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 Branch 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.

A large, stylized, handwritten signature of "PricewaterhouseCoopers" in black ink, with a large, sweeping initial "P" that loops around the beginning of the word.

March 21, 2023

Compañía de Electricidad de San Pedro de Macorís, S. A.
(Branch in Dominican Republic)

Balance Sheet

(All amounts in \$ unless otherwise stated)

		December 31,	
	Notes	2022	2021
Assets			
Current assets			
Cash and cash equivalents	5, 10 and 11	42,013,816	27,888,224
Trade and other receivables	6, 10 and 11	53,686,161	48,424,354
Inventories	7	38,618,406	38,486,972
Prepaid expenses	8	15,115,973	17,529,504
Total current assets		149,434,356	132,329,054
Non-current assets			
Long-term prepaid expenses	8	457,874	2,289,370
Property, plant and equipment, net	9	102,630,956	117,644,732
Other assets		147,003	143,211
Total non-current assets		103,235,833	120,077,313
Total assets		252,670,189	252,406,367
Liabilities and Equity			
Current liabilities			
Short-term and current portion of long-term debt	10 and 14	36,956,000	36,956,000
Trade and other payables	10 and 12	6,492,641	8,840,637
Income tax payable	16	1,515,554	3,469,088
Other current liabilities	10 and 13	595,411	894,496
Total current liabilities		45,559,606	50,160,221
Long-term debt	10 and 14	23,600,212	27,986,995
Deferred income tax liabilities	16	19,167,368	17,614,223
Total liabilities		88,327,186	95,761,439
Equity			
Capital contribution	15	76,942,000	76,942,000
Retained earnings		87,401,003	79,702,928
Total equity		164,343,003	156,644,928
Total liabilities and equity		252,670,189	252,406,367

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

Compañía de Electricidad de San Pedro de Macorís, S. A.
(Branch in Dominican Republic)

Statement of Comprehensive Income
(All amounts in \$ unless otherwise stated)

	Notes	Year Ended December 31,	
		2022	2021
Revenues	17	233,698,885	204,925,605
Costs of providing services	18	<u>(203,755,083)</u>	<u>(178,282,505)</u>
Gross profit		<u>29,943,802</u>	<u>26,643,100</u>
Administrative expenses	18	(9,013,345)	(3,345,315)
Other income, net	19	18,856,642	2,313,711
Foreign exchange gain		<u>63,976</u>	<u>2,289</u>
		<u>9,907,273</u>	<u>(1,029,315)</u>
Operating profit		<u>39,851,075</u>	<u>25,613,785</u>
Financial expense, net	20	<u>(1,740,916)</u>	<u>(1,276,573)</u>
Profit before income tax		<u>38,110,159</u>	<u>24,337,212</u>
Income tax	16	<u>(7,800,973)</u>	<u>(3,569,663)</u>
Total comprehensive income		<u><u>30,309,186</u></u>	<u><u>20,767,549</u></u>

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

Compañía de Electricidad de San Pedro de Macorís, S. A.
(Branch in Dominican Republic)

Statement of Changes in Equity
(All amounts in \$ unless otherwise stated)

	Note	Capital Contribution	Retained Earnings	Total
Balance as of January 1, 2021		76,942,000	67,435,379	144,377,379
Total comprehensive income		-	20,767,549	20,767,549
Dividends paid	15	-	(8,500,000)	(8,500,000)
Balance as of December 31, 2021		76,942,000	79,702,928	156,644,928
Total comprehensive income		-	30,309,186	30,309,186
Dividends paid	15	-	(22,611,111)	(22,611,111)
Balance as of December 31, 2022		<u>76,942,000</u>	<u>87,401,003</u>	<u>164,343,003</u>

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

Compañía de Electricidad de San Pedro de Macorís, S. A.
(Branch in Dominican Republic)

Statement of Cash Flows

(All amounts in \$ unless otherwise stated)

		Year Ended December 31,	
	Notes	2022	2021
Cash flows from operating activities			
Profit before income tax		38,110,159	24,337,212
Adjustments to reconcile profit before income tax to net cash provided by operating activities			
Depreciation and amortization	18	9,983,647	10,359,587
Amortization of debt financing costs	14	69,217	29,216
Amortization of insurance prepaid		3,077,217	2,879,294
Provisions to suppliers		1,730,165	4,711,874
Repairs and maintenance		1,958,022	-
Account receivable due to change of law		(559,996)	(3,755,527)
Gain from the sale of property, plant and equipment		(17,972,649)	-
Finance income	20	(854,357)	(1,153,767)
Financial expense	20	3,192,162	2,430,340
Changes in assets and liabilities:			
Trade and other receivables		(1,826,811)	(945,090)
Inventories		(480,474)	(1,070,570)
Prepaid expenses		5,060,821	846,232
Other assets		(25,265)	(20,038)
Trade and other payables		(5,434,953)	(4,898,142)
Other current liabilities		(4,056,553)	730,004
Cash provided by operating activities		31,970,352	34,480,625
Interest received		854,357	1,153,767
Interest paid		(3,192,162)	(2,394,961)
Taxes paid		(8,870,985)	(7,735,471)
Net cash provided by operating activities		20,761,562	25,503,960
Cash flows from investing activities			
Additions of property, plant and equipment	9	(1,693,859)	(3,020,491)
Proceeds from the sale of property, plant and equipment	9	22,125,000	-
Net cash provided by (used in) investing activities		20,431,141	(3,020,491)
Cash flows from financing activities			
Dividends paid	15	(22,611,111)	(8,500,000)
Proceeds from short and long-term debt	14	-	10,000,000
Payment of short-term debt	14	(4,456,000)	(2,228,000)
Net cash used in financing activities		(27,067,111)	(728,000)
Net increase in cash during the year		14,125,592	21,755,469
Cash and cash equivalents at beginning of year		27,888,224	6,132,755
Cash and cash equivalents at end of year		42,013,816	27,888,224

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

Compañía de Electricidad de San Pedro de Macorís, S. A.

(Branch in Dominican Republic)

Notes to the Financial Statements

December 31, 2022

(All amounts in \$ unless otherwise stated)

1. General information

Compañía de Electricidad de San Pedro de Macorís, S. A. (commercially known as “ENERGAS”), is a Limited Company redomiciled on January 7, 2019, to the Republic of Panama, and authorized to establish legal domicile in the Dominican Republic as a Branch by decree No. 435-98 issued by the Executive Power.

ENERGAS is a wholly owned subsidiary of CESP Holdings S. A. Its Branch in Dominican Republic (the “Branch”) was formed for the sole purpose of owning a ‘300-megawatt’, combined-cycle, oil-fired, electric generating facility (the “Facility”), located in the province of San Pedro de Macorís, Dominican Republic. The Branch is committed to sell 100% of the energy generated by the Facility to the Corporación Dominicana de Empresas Eléctricas Estatales (“CDEEE”), an entity owned by the Dominican government, under a Power Purchase Agreement (“PPA”) and First Amendment to the Power Purchase Agreement (Note 22).

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Branch have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Financial Reporting Interpretations Committee (“IFRIC Interpretations”) applicable to entities reporting under IFRS.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Branch’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.2 Changes in accounting policies and disclosures

The Branch has reviewed the amendments to IAS 16, NIIF 3 and NIC 37 which are mandatory for the periods starting January 1, 2022, resulting in no impact on the present financial statements.

New IFRS or IFRS interpretations already issued but not yet effective for the year ended December 31, 2022 are not expected to have a material impact on the Branch.

2.3 Foreign currency translation

(a) Functional and presentation currency

The United States dollar (\$) is the functional and presentation currency of the Branch under IFRS due to its prevailing use in most of the Branch’s transactions, such as billing under the PPA, purchase of natural gas or fuel, spare parts and property, plant and equipment.

Compañía de Electricidad de San Pedro de Macorís, S. A.

(Branch in Dominican Republic)

Notes to the Financial Statements

December 31, 2022

(All amounts in \$ unless otherwise stated)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the statement of comprehensive income.

2.4 Financial assets

The Branch classifies its financial assets at amortized cost. This classification was applied based on the business model defined to manage the financial assets and the characteristics of the contractual flows. Management determines the classification of its financial assets at initial recognition.

The financial assets at amortized cost include cash and cash equivalents, trade receivables and other receivables.

Debt instruments are classified at amortized cost when the assets held for collection of cash flows only represent payments of principal and interests. Financial income from these assets is calculated by using the effective interest rate method.

A financial asset is derecognized when the rights to receive its cash flows have expired, the Branch has transferred the rights to receive the asset's cash flows, or has assumed the obligation to pay the total cash flows received without dilation to a third party under a transfer agreement; and the Branch (a) has transferred substantially all the risks and benefits of the assets, or (b) has not transferred or retained substantially all the risks and benefits of the assets, but has transferred its control.

Any gains or losses arising from the derecognition of these assets is directly recognized in the statement of comprehensive income.

2.4.1 Cash and cash equivalents

For presentation purposes in the statement of cash flows, cash and cash equivalents includes cash on hand, cash at bank accounts and other short term highly liquid investments, with original maturities of three months or less that are readily convertible to known amounts of cash.

2.4.2 Trade and other receivables

Trade and other receivables are amounts due from customers for services provided in the ordinary course of business. They are classified as current assets as collection is expected in one year or less. Trade and other receivables are initially recognized at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. They are subsequently measured at amortized cost using the effective interest method, less loss allowance.

Compañía de Electricidad de San Pedro de Macorís, S. A.

(Branch in Dominican Republic)

Notes to the Financial Statements

December 31, 2022

(All amounts in \$ unless otherwise stated)

The Branch applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. The carrying amount of trade receivables is directly reduced by the impairment loss. Management has no expectation of loss, considering that there have been no past or short-term loss events for accounts receivable.

2.5 Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories consist of fuels and spare parts. Fuel is recorded at average cost that does not exceed market price since fuel generally has a very short turnover period. Spare parts are recorded at average cost and written down when consumed or ruled out.

Spare parts inventories consist of major plant equipment and recurring maintenance supplies maintained in order to expedite routine and scheduled maintenance activities.

2.6 Property, plant and equipment and depreciation

Property, plant, and equipment are stated at historical cost less accumulated depreciation and accumulated impairment, if any. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Costs of maintenance, repairs, minor refurbishments, and improvements are charged to expense. Subsequent costs are capitalized only when it is probable that a future economic benefit associated with the item will flow to the Branch and the cost of the item can be measured reliably. The Branch has a maintenance program that includes inspecting, testing, and repairing all operational power equipment based on the equivalent operating hours (EOH).

Expenditure related the construction, installation, or completion of infrastructure facilities, such as construction and installation of electric power plants, is capitalized within property, plant and equipment according to its nature. Interest expense incurred under the construction period is capitalized. The Branch begins depreciating an item of property, plant, and equipment when it is available for use.

Land is not depreciated.

Depreciation rates are as follows:

Asset	Useful Life in Years
Buildings	40
Electric plant	30
Machinery and equipment	5
Transportation equipment	5
Office equipment and furniture	3-5

2.7 Prepaid expenses

Mainly correspond to payments of a Long-term Service Agreement (Note 22 (ii) Purchase of services commitment) to provide maintenance and spare parts for the generation plant, measured at cost. The amortization is recorded in the statement of comprehensive income once the good or service is received.

Compañía de Electricidad de San Pedro de Macorís, S. A.

(Branch in Dominican Republic)

Notes to the Financial Statements

December 31, 2022

(All amounts in \$ unless otherwise stated)

2.8 Impairment of long-lived assets

Property, plant and equipment and other non-current assets which are non-financial assets that are subject to depreciation and amortization, are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.9 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the normal course of the business from suppliers. Accounts payable are classified as current liabilities as payments are due within one year or less.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.10 Debt

Debt is recognized initially at fair value, net of transaction costs incurred. The debt is subsequently carried at amortized cost, using the effective interest method. Associated deferred financing cost is presented as a deduction from debt and amortized during the term of the debt.

2.11 Borrowing costs

The general and specific financial costs directly attributable to the acquisition, construction, or production of a qualified asset, which are assets that necessarily require a substantial period of time to be ready for use or sale, are added to the cost of those assets, up to the time when such assets are ready for use or sale.

All other financing costs are recognized in profit or loss in the period in which they are incurred.

2.12 Income tax

The tax expense for the period comprises current and deferred income tax and dividend tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, tax is also recognized in other comprehensive income or directly in equity.

Under Dominican tax legislation, there is an alternative or minimum tax (tax on assets) that is calculated, in the case of power generation, transmission and distribution companies defined in the General Electricity Law No. 125-01, based on 1% of the balance of property, plant and equipment, net of depreciation. The asset tax is coexistent with the income tax, and taxpayers must settle and pay the higher one annually. In the event that in a year the Branch has an obligation to pay the tax on assets, the excess over income tax is recorded as an operating expense in the statement of comprehensive income.

Compañía de Electricidad de San Pedro de Macorís, S. A.

(Branch in Dominican Republic)

Notes to the Financial Statements

December 31, 2022

(All amounts in \$ unless otherwise stated)

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

2.13 Employee benefits

Local regulations require the employers to pay severance compensations to employees that are dismissed without justification and other reasons established in the Dominican Labour Code. The amount of this compensation depends on several factors, including the length of service. This dismissal indemnity is charged to expense when incurred.

The Branch's employees are affiliated to Administrators of Pension Funds and the contributions are charged as expense in the statement of comprehensive income. Except for the monthly payment of this accrual, the Branch does not maintain any other liability for this concept.

The Branch provides other benefits to employees such as bonus, Christmas bonus and vacations, among others, in accordance with the Dominican Labour Code, as well as other benefits according to their internal policies. These benefits are charged to expense when incurred.

2.14 Provisions

Provisions are recognized when the Branch has a present legal or constructive obligation resulting from past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the amount of the expenditures expected to be required to settle the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.15 Dividend distribution

Dividend distribution to the Branch's shareholders is recognized as a liability in the Branch's financial statements in the period in which the dividends are approved.

2.16 Revenue recognition

Revenues mainly derive from the Power Purchase Agreement (PPA) (Note 22). Revenues from energy sales are recognized monthly at specified rates pursuant the PPA and based upon output delivered. The following criteria should be met in order to recognize revenue: 1) persuasive evidence of an arrangement exists; 2) services have been rendered; 3) the sales price is fixed or determinable; and 4) collection can be reasonably assured. Revenues are measured at fair value of the consideration received or receivable for the sale of the energy.

On January 30, 2021, the Branch initiated its commercial operation as a member of the MEM (Dominican Wholesale Energy Market) with the sale of plant capacity and other items derived from Spot Market transactions. Revenues from transactions on the Spot Market are recognized monthly, based upon the month Resolution issued by the OCSENI with the amount to be billed to the agents participating in the operations.

Compañía de Electricidad de San Pedro de Macorís, S. A.

(Branch in Dominican Republic)

Notes to the Financial Statements

December 31, 2022

(All amounts in \$ unless otherwise stated)

The OCSENI (Coordinating Organism for the National Interconnected Electric System in Dominican Republic) is the entity in charge of reporting the transactions in the Spot Market and scheduling the generation units dispatch available in the market.

Each member of the National Interconnected Electric System (SENI) should report the lecture of their meters at the end of the month to the OCSENI. This organization reconciles the readings and determines the transactions that will be invoiced to the agents participating in the Spot Market. The value of the Spot Market transactions is governed by a series of prices with indexations defined by the Dominican Superintendence of Electricity or the Dominican General Electricity Law regulation 125-01. The OCSENI values the data recollected from the monthly operations and delivers a report to all of the generators with the amount to be invoiced to each agent of the Spot Market.

2.17 Operating leases – Branch as lessor

Agreements whereby the Branch conveys to a client the right to use an asset for an agreed period of time in return for a payment, or series of payments, are classified and accounted for as lease. Leases where the Branch retains all the risks and rewards of ownership are classified as operating leases.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

Lease income on operating leases, or capacity charge, is recognized over the term of the lease as billed since it is the most representative basis of the time pattern in which use benefit of the asset is diminished.

3. Financial risk management

3.1 Financial risk factors

The Branch's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Risk management is carried out by the General Manager and the Chief Financial Officer under the supervision of the Board of Directors. They identify and evaluate financial risks in close co-operation with management of departments within the Branch.

(a) Market risk

(i) Foreign exchange risk

The Branch is not substantially exposed to the risk of foreign exchange fluctuation, since its revenues, expenses and borrowings are mainly expressed in United States dollars.

(ii) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or associated cash flows will fluctuate due to changes in market interest rates. As of December 31, 2022, the Branch maintains a debt instrument with a variable component, 3-month and 1-month LIBOR rate plus a 2.90% and 2.15% spread (Note 14). The Branch performed a sensitivity analysis on the increase in the rate for this loan. An increase of 1% in the rate would not represent a material impact on the Branch's results or cash flows.

Compañía de Electricidad de San Pedro de Macorís, S. A.

(Branch in Dominican Republic)

Notes to the Financial Statements

December 31, 2022

(All amounts in \$ unless otherwise stated)

(b) Price risk

The Branch is exposed to the risk of fluctuation in the purchase price of the fuel used to generate energy. To mitigate price risk, the PPA includes the fluctuations of the fuel price in the formulas for indexing prices.

(c) Credit risk

Credit risk arises mainly from cash and cash equivalents and trade and other receivables. The Branch maintains most of its bank accounts at independently rated parties with a minimum rating of "AA+". The Branch has no significant risk from trade receivables since most of the revenues comes from the only PPA, which has a guarantee extended by the Dominican State for due payments.

(d) Liquidity risk

Liquidity risk is the risk that the Branch might not be able to comply with all its obligations. The Branch minimizes this risk by maintaining adequate levels of cash on hand, in current bank accounts or investments in certificates to fulfill commitments with recurring suppliers.

The table below analyzes the Branch's financial liabilities grouped according to the relevant maturity based on the remaining period on the balance sheet until the contractual maturity date. The amounts included in the table are undiscounted contractual cash changes. The balances due within 12 months are close to their book values since the impact of the discount is not significant.

At December 31, 2022

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Borrowings	39,793,114	6,175,954	21,573,944	-	67,543,012
Trade and other payables	6,492,641	-	-	-	6,492,641
Other current liabilities	161,127	-	-	-	161,127
	<u>46,446,882</u>	<u>6,175,954</u>	<u>21,573,944</u>	<u>-</u>	<u>74,196,780</u>

At December 31, 2021

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Borrowings	38,429,430	5,282,600	25,421,284	-	69,133,314
Trade and other payables	8,840,637	-	-	-	8,840,637
Other current liabilities	450,879	-	-	-	450,879
	<u>47,720,946</u>	<u>5,282,600</u>	<u>25,421,284</u>	<u>-</u>	<u>78,424,830</u>

3.2. Capital risk management

The Branch's objectives when managing capital are to safeguard the Branch's going concern ability, to provide returns for the shareholders, and to maintain an optimal capital structure to reduce the cost of capital.

Compañía de Electricidad de San Pedro de Macorís, S. A.

(Branch in Dominican Republic)

Notes to the Financial Statements

December 31, 2022

(All amounts in \$ unless otherwise stated)

In order to maintain or adjust the capital structure, the Branch may adjust the amount paid in dividends to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt. The Branch monitors capital based on the "financial liabilities to tangible net worth ratio", which is one of the ratios that the Branch should consider at the time of paying dividends or incurring debt. This ratio is calculated as liabilities divided by tangible net worth. Liabilities are calculated as debt. Tangible net worth is calculated as "equity" as shown in the balance sheet.

This ratio basically measures the leverage of the Branch as a percent of the equity invested by the shareholder and provides the percentage of the funding of the Branch versus shareholder's equity. Based on similar companies in the power market sector and the performance of the Branch, management considers a ratio up to 1.75 as healthy.

4. Critical accounting estimates and judgement

Estimates and judgements are continually evaluated by management and are based on historical experience and on various other assumptions that management believes to be reasonable under the circumstances, the results of which form the basis for making judgements.

4.1 Critical accounting estimates and assumptions

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Property, plant and equipment depreciation

The Branch makes judgements in assessing its assets' estimated useful lives and in determining estimated residual values, as applicable. Depreciation is calculated on a straight-line method, based on the estimated useful lives of the assets.

These estimates are based on analysis of the assets' lifecycles and potential value at the end of its useful life. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(b) Impairment of property, plant and equipment

The Branch reviews property, plant and equipment for impairment when events or changes in circumstances occur that indicate that the carrying amount may not be recoverable, in accordance with the accounting policy described in Note 2.8.

4.2 Critical judgment in applying the Branch's accounting policies

Lease

The Branch identifies arrangements that do not have the legal form of a lease contract but nonetheless convey the right to control the use of an asset or group of specific assets to the purchaser. Such arrangements are treated as leases and analyzed with reference to IFRS 16 for classification as either finance or operating leases. In the case of a facility in which the Branch classifies its Power Purchase Agreement as an operating lease, revenues from capacity charges are recognized as income from lease when billed, since this is a systematic basis representative of the facility's use and consequently represents a reasonable association of the revenues for capacity charge to the cost related to the operation and maintenance of the facility.

Compañía de Electricidad de San Pedro de Macorís, S. A.
(Branch in Dominican Republic)

Notes to the Financial Statements

December 31, 2022

(All amounts in \$ unless otherwise stated)

5. Cash and cash equivalents

	2022	2021
Cash at banks	41,298,025	27,886,999
Cash on hand	1,250	1,225
Short-term investments	714,541	-
	<u>42,013,816</u>	<u>27,888,224</u>

6. Trade and other receivables

	2022	2021
Trade receivables (a)	34,695,427	30,281,680
Account receivable due to change of law (b)	17,896,080	17,348,109
Related parties (Note 21)	-	48,894
Other	1,094,654	745,671
	<u>53,686,161</u>	<u>48,424,354</u>

(a) In 2022 includes outstanding balance of \$2.9 million from the sale of a fuel terminal (See Notes 9 and 19).

(b) In July 2020, the Branch initiated an international arbitration to collect the invoices issued for the reimbursement of expenses due to the "change of law" situation, plus interests billed, under the PPA with CDEEE, described in Note 22. In November 2022 the arbitration hearing process initiated and in March 2023 the conclusions were submitted by both parties. The arbitration award is estimated to be issued in approximately three (3) to six (6) months from the date the conclusions were submitted.

7. Inventories

	2022	2021
Spare parts	29,763,783	27,471,695
Fuels	1,303,369	619,531
In transit (a)	7,551,254	10,395,746
	<u>38,618,406</u>	<u>38,486,972</u>

(a) Includes both fuel and spare parts.

8. Prepaid expenses

	2022	2021
Prepaid taxes	331,422	2,335,365
Long-term program contract (Note 22)	13,339,647	13,631,089
Prepaid major maintenance	-	1,958,022
Insurance	1,708,136	1,617,131
Other	194,642	277,267
	<u>15,573,847</u>	<u>19,818,874</u>
Less: Long-term portion of prepaid expenses (Note 22)	<u>(457,874)</u>	<u>(2,289,370)</u>
	<u>15,115,973</u>	<u>17,529,504</u>

Compañía de Electricidad de San Pedro de Macorís, S. A.
(Branch in Dominican Republic)

Notes to the Financial Statements

December 31, 2022

(All amounts in \$ unless otherwise stated)

9. Property, plant and equipment, net

	Land (a)	Buildings	Electric Plant (a)	Machinery and Equipment	Transport Equipment	Office Equipment and Furniture	Construction in Progress (d)	Total
Year ended December 31, 2022								
Opening net book amount	1,425,707	140,696	114,847,773	56,032	68,404	31,677	1,074,443	117,644,732
Additions (b)	-	-	-	94,400	226,071	17,850	1,355,538	1,693,859
Disposals (c)	(671,077)	-	(15,632,556)	-	-	(13,893)	-	(16,317,526)
Capitalization	-	-	1,264,848	-	-	-	(1,264,848)	-
Depreciation charge	-	(6,364)	(9,874,335)	(22,809)	(35,449)	(23,217)	-	(9,962,174)
Depreciation of disposals (c)	-	-	9,558,172	-	-	13,893	-	9,572,065
Closing net book amount	<u>754,630</u>	<u>134,332</u>	<u>100,163,902</u>	<u>127,623</u>	<u>259,026</u>	<u>26,310</u>	<u>1,165,133</u>	<u>102,630,956</u>
At December 31, 2022								
Cost	754,630	254,542	212,379,756	366,197	562,118	627,458	1,165,133	216,109,834
Accumulated depreciation	-	(120,210)	(112,215,854)	(238,574)	(303,092)	(601,148)	-	(113,478,878)
Net book amount	<u>754,630</u>	<u>134,332</u>	<u>100,163,902</u>	<u>127,623</u>	<u>259,026</u>	<u>26,310</u>	<u>1,165,133</u>	<u>102,630,956</u>
Year ended December 31, 2021								
Opening net book amount	1,425,707	147,059	123,802,302	-	53,775	71,963	1,304,697	126,805,503
Additions	-	-	-	58,982	43,808	11,408	1,074,443	1,188,641
Disposals	-	-	-	-	(35,700)	-	-	(35,700)
Capitalization	-	-	1,304,697	-	-	-	(1,304,697)	-
Depreciation charge	-	(6,363)	(10,259,226)	(2,950)	(29,179)	(51,694)	-	(10,349,412)
Depreciation of disposals	-	-	-	-	35,700	-	-	35,700
Closing net book amount	<u>1,425,707</u>	<u>140,696</u>	<u>114,847,773</u>	<u>56,032</u>	<u>68,404</u>	<u>31,677</u>	<u>1,074,443</u>	<u>117,644,732</u>
At December 31, 2021								
Cost	1,425,707	254,542	226,747,464	271,797	336,049	623,499	1,074,443	230,733,501
Accumulated depreciation	-	(113,846)	(111,899,691)	(215,765)	(267,645)	(591,822)	-	(113,088,769)
Net book amount	<u>1,425,707</u>	<u>140,696</u>	<u>114,847,773</u>	<u>56,032</u>	<u>68,404</u>	<u>31,677</u>	<u>1,074,443</u>	<u>117,644,732</u>

- (a) The Branch signed a loan contract that includes a guarantee on the plant (turbines) and land (Note 14).
- (b) In 2022 the additions include \$0.3 million of improvement in the fuel terminal, \$1.1 million of construction in progress of the Unit 4 of the plant and \$0.2 million of the purchase of three vehicles.
- (c) The disposals include \$6.7 million of a fuel terminal which was sold in April 2022 for a total sales price of \$25 million (including \$0.3 million of inventories). At December 31, 2022, \$22.1 million was collected and the remaining balance of \$2.9 million is classified as trade receivables in the Trade and other receivables caption in the balance sheet (See Notes 6 and 19).
- (d) At December 31, 2022, construction in progress represents mainly the advanced payments for the construction of the Unit 4 of the plant, with a capacity of approximately 130MW. During 2022 improvements in electric plants and the fuel terminal of \$0.9 million and \$0.4 million, respectively, were capitalized.

Compañía de Electricidad de San Pedro de Macorís, S. A.
(Branch in Dominican Republic)

Notes to the Financial Statements

December 31, 2022

(All amounts in \$ unless otherwise stated)

10. Financial instruments by IFRS 9 category

The accounting policies for financial instruments have been applied to the line items below:

	At Amortized Cost	
	2022	2021
Assets per balance sheet		
Cash and cash equivalents	42,013,816	27,888,224
Trade and other receivables	53,686,161	48,424,354
Total	<u>95,699,977</u>	<u>76,312,578</u>
Liabilities per balance sheet		
Trade and other payables	6,492,641	8,840,637
Other current liabilities	161,127	450,879
Borrowings	60,556,212	64,942,995
Total	<u>67,209,980</u>	<u>74,234,511</u>

11. Credit rating of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit rating.

	2022	2021
Cash at banks and short-term bank deposits (a)		
International credit rating – Fitch		
AA+	4,082,245	6,858,460
AAA	<u>37,930,321</u>	<u>21,028,539</u>
	<u>42,012,566</u>	<u>27,886,999</u>

(a) The remaining “Cash and cash equivalents” in the balance sheet corresponds to cash on hand (Note 5).

Trade receivables		
Counterparties without external credit rating		
Existing clients/related parties (more than 6 months) with some defaults in the past	52,591,507	47,629,789
Other without external credit ratings or defaults in the past	<u>1,094,654</u>	<u>794,565</u>
	<u>53,686,161</u>	<u>48,424,354</u>

12. Trade and other payables

	2022	2021
Trade payables (a)	6,460,611	8,806,155
Other	<u>32,030</u>	<u>34,482</u>
	<u>6,492,641</u>	<u>8,840,637</u>

(a) As of December 31, 2022, include a provision for \$1.3 million related to the service commitment described in Note 22, which is recorded against prepaid expenses until the service is provided.

Compañía de Electricidad de San Pedro de Macorís, S. A.
(Branch in Dominican Republic)

Notes to the Financial Statements

December 31, 2022

(All amounts in \$ unless otherwise stated)

13. Other current liabilities

	2022	2021
Bonus accrual	434,284	443,617
Tax withholdings payable	-	415,249
Accrued interest payable	161,127	35,630
	<u>595,411</u>	<u>894,496</u>

14. Debt

	2022	2021
Current		
Short-term and current portion of long-term (a)	<u>36,956,000</u>	<u>36,956,000</u>
Long-term		
Bank loan (b)	28,316,000	32,772,000
Less: Current portion of long-term	<u>(4,456,000)</u>	<u>(4,456,000)</u>
	23,860,000	28,316,000
Less: Current portion - deferred financing cost	<u>(259,788)</u>	<u>(329,005)</u>
Total Long-term debt	<u>23,600,212</u>	<u>27,986,995</u>

(a) As of December 31, 2022 and 2021, includes \$32.5 million in Line of Credit disbursements from three financial institutions with annual rates between 5.72% and 7.63% (2021: 2.15% and 3.02%), and maturities of less than one year (renewable each quarter).

(b) Represents the total disbursement of a loan agreement with Popular Bank, Ltd. of Panama between 2019 and 2020, with the purpose of concluding the Gas Conversion Project of the Plant. The loan agreement was signed for \$35 million with a grace period of 18 months from the date of the first disbursement that was amended to add three months to the grace period and a new Letter of Credit classified as short-term debt in the section (a). The loan bears interest at the applicable London Interbank Offered Rate (LIBOR) (3 months) plus a margin of 2.90% per year that will be reviewed quarterly after the first disbursement. After the grace period, principal payments will be made in 22 equal consecutive quarterly installments plus a balloon payment of 30% of the loan. The contract has two fulfillment guarantees: 1.- pledge without depopulation on the main equipment and machinery of the plant, 2.- assignment of the EPC contract signed with Siemens for the conversion of the Plant to natural gas, which ended 2020.

Due dates of the long-term debt and the total exposure of the Branch's borrowings to interest rate changes, contractual re-pricing or new borrowing in the future date at December 31, 2022 and 2021, are as follows:

	2022	2021
Less than 6 months	2,228,000	2,228,000
6 – 12 months	2,228,000	2,228,000
1 – 5 years	<u>23,860,000</u>	<u>28,316,000</u>
	<u>28,316,000</u>	<u>32,772,000</u>

Compañía de Electricidad de San Pedro de Macorís, S. A.

(Branch in Dominican Republic)

Notes to the Financial Statements

December 31, 2022

(All amounts in \$ unless otherwise stated)

The fair value of long-term debt at December 31, 2022 and 2021, is as follows:

	Carrying value		Fair value	
	2022	2021	2022	2021
Long-term debt	<u>28,316,000</u>	<u>32,772,000</u>	<u>28,578,809</u>	<u>32,196,192</u>

The discount rate of the loans is determined at the average simple interest rate in foreign currency, published by the Central Bank of the Dominican Republic (hierarchy level 2). The fair value of long-term debt at December 31, 2022 and 2021, is as follows:

	2022	2021
Outstanding debt at January 1	65,272,000	57,500,000
Proceedings from short and long-term debt	-	10,000,000
Payment of short and long-term debt	<u>(4,456,000)</u>	<u>(2,228,000)</u>
Outstanding debt at December 31	<u>60,816,000</u>	<u>65,272,000</u>

15. Equity

(a) Capital contribution:

The Branch was organized with an assigned contribution of \$50,000. Additionally, shareholders have increased the capital assigned to the Branch for the equivalent of \$76,942,000 as of December 31, 2022 and 2021.

(b) Dividends:

During 2022, the Board of Directors approved a payment of dividends in cash amounting to \$22,611,111. Dividends paid in 2022 amounted to \$20,350,000, net of tax of \$2,261,111. During 2021, dividends were declared of \$8,500,000. Dividends paid in 2021 amounted to \$7,650,000 million, net of tax of \$850,000.

16. Income tax

The Dominican Republic Tax Code requires companies to file their corporate income tax returns denominated in Dominican pesos (RD\$). In addition, Article 293 of the tax law establishes the deduction/recognition of foreign exchange fluctuations in the determination of taxable income. This law also establishes that the tax authorities will annually indicate the exchange rate to be used for tax purposes. Consequently, companies that use a functional currency other than the Dominican peso are required by law to keep accounting records and tax filings in Dominican pesos. The Tax Code establishes a 27% income tax applied on taxable income and a 1% tax on assets (Asset Tax) as an alternative minimum tax applicable when the income tax is lower than the latter.

16.a Breakdown of tax expense

	2022	2021
Current corporate income tax	6,247,829	6,191,285
Deferred income tax	1,553,144	(2,149,320)
Change in law	-	(472,302)
Income tax expense	<u>7,800,973</u>	<u>3,569,663</u>

For the year ended December 31, 2022 and 2021 the effective tax rate resulted in 20% and 15%, respectively.

Compañía de Electricidad de San Pedro de Macorís, S. A.
(Branch in Dominican Republic)

Notes to the Financial Statements

December 31, 2022

(All amounts in \$ unless otherwise stated)

16.b Reconciliation of the theoretical and effective tax expense (Tax proof)

The tax on the Branch's profit before income tax differs from the theoretical amount that would arise from the application of the corporate tax rate to profits of the entity. The reconciliation between the pre-tax profit and the taxable income and the current income tax, is as follows:

	2022	2021
Profit before income tax	38,110,159	24,337,212
Difference in functional currency for tax and accounting purposes	9,306,676	6,647,054
Property, plant and equipment depreciation	1,610,029	(2,122,763)
Inflation adjustment of nonmonetary assets	(1,767,420)	(1,946,712)
Non-deductible expenses net of change in law	(20,522,515)	(778,848)
Taxable income	26,736,929	26,135,943
Fiscal loss carrying forwards	(3,596,823)	(3,205,258)
Taxable income	23,140,106	22,930,685
Tax calculated at the domestic tax rates applicable	6,247,829	6,191,285

(a) As of December 31, 2022, the fiscal loss amounts to \$10,543,260 which can be used to offset future taxable income in the next three years, with a maximum of 20% annually.

As of December 31, 2022 and 2021, the tax on assets was computed as follows:

	2022	2021
Total property, plant and equipment, net	102,630,956	117,644,732
Adjustment for exchange effect	(45,256,203)	(54,471,302)
Taxable assets	57,374,753	63,173,430
Tax rate	1%	1%
Tax on assets	573,748	631,734

For 2022 and 2021, the tax on assets was below the current income tax.

16.c Breakdown of deferred tax assets and liabilities by nature

The deferred income tax assets/liabilities recognized in the balance sheet are as follows:

	2022	2021
<i>Deferred income tax assets:</i>		
Other reserves	407,210	361,967
Fiscal losses	2,846,681	3,448,502
Total deferred income tax assets	3,253,891	3,810,469
<i>Deferred income tax liabilities:</i>		
Tax depreciation to be recovered after 12 months	(22,421,259)	(21,424,692)
Total deferred income tax liabilities	(22,421,259)	(21,424,692)
Total deferred income tax, net	(19,167,368)	(17,614,223)

Compañía de Electricidad de San Pedro de Macorís, S. A.

(Branch in Dominican Republic)

Notes to the Financial Statements

December 31, 2022

(All amounts in \$ unless otherwise stated)

The ultimate realization of the deferred income tax asset depends on the future generation of net taxable income during the periods in which the temporary differences are deductible. Management believes that there is a sufficient basis for assessing that the deferred tax asset is recoverable.

17. Revenues

	2022	2021
Revenue from contract with the customer (Note 22)	202,317,975	154,095,062
Revenue from Spot Market transactions (a)	30,365,988	35,699,918
Operating lease of power generation facility (Notes 9 and 22)	313,562	2,837,984
Fuel export sale to third party	-	10,828,497
Other	701,360	1,464,144
	<u>233,698,885</u>	<u>204,925,605</u>

(a) Revenues from Spot Market transactions mainly correspond to capacity revenue amounting to \$23.9 million.

18. Costs and expenses by nature

The Branch classifies its expenses by function. The most significant items are as follows:

	2022	2021
Fuel	160,399,509	137,839,498
Repairs and maintenance (a)	16,231,072	13,211,852
Depreciation and amortization	9,983,647	10,359,587
Commercial operational cost	10,980,571	9,918,872
Employee costs and benefits	3,680,331	3,676,871
Insurance	3,077,217	2,879,294
Management fees and other services (Note 21)	1,708,007	1,707,973
Professional services	2,707,794	1,338,693
Chemical products	699,250	712,211
Electricity	38,361	294,340
Internet services (Note 21)	25,287	21,929
Change of law (b)	-	(1,791,166)
Change of law (c)	-	(678,111)
Other	3,237,382	2,135,977
	<u>212,768,428</u>	<u>181,627,820</u>

(a) During 2022 the Branch performed a major maintenance of the Unit 30 of its plant of approximately \$8.5 million under the terms and conditions of the long-term program contract (LTPC), described in Note 22. The total expense comprises spare parts of \$6.0 million and service fees for major maintenance of \$2.5 million. During 2021 the Branch performed a major maintenance of the Unit 10 of its plant of approximately \$8.3 million pursuant to such contract. The total expense comprises spare parts of \$5.9 million and service fees for major maintenance of \$2.4 million. This expense is classified in costs of providing services in the statement of comprehensive income.

(b) Includes the change of law resulting from the tax paid on the cash distribution of dividends.

(c) Corresponds to the change of law resulting from the tax on assets paid for the prior year.

Compañía de Electricidad de San Pedro de Macorís, S. A.
(Branch in Dominican Republic)

Notes to the Financial Statements

December 31, 2022

(All amounts in \$ unless otherwise stated)

19. Other income, net

	2022	2021
Gain from the sale of assets (a)	17,972,649	9,023
Other income	893,377	2,363,525
Other expenses	<u>(9,384)</u>	<u>(58,837)</u>
	<u>18,856,642</u>	<u>2,313,711</u>

(a) In 2022 corresponds to the sale of the fuel terminal, as indicated in Note 9.

20. Financial expense - net

	2022	2021
Late payment interest	1,469,963	1,071,867
Interest income	<u>93,631</u>	<u>81,900</u>
Total finance income	1,563,594	1,153,767
Bank commission fees	(70,631)	(33,051)
Interest expenses	<u>(3,233,879)</u>	<u>(2,397,289)</u>
Total finance expense	<u>(3,304,510)</u>	<u>(2,430,340)</u>
	<u>(1,740,916)</u>	<u>(1,276,573)</u>

21. Balances and transactions with related parties

The Branch is controlled by CESP Holdings, S. A, its ultimate parent. The Branch performed transactions and maintained balances with related companies, as described below:

	2022	2021
<u>Balances:</u>		
Current receivable (Note 6)	-	48,894
<u>Transactions:</u>		
Dividends paid	22,611,111	8,500,000
Management fees (a)	1,643,836	1,643,836
Professional services	196,161	207,759
Reimbursement of costs (a)	41,013	64,138
Internet services (Note 18)	25,287	21,929

(a) Consists mainly of consultancy services payments made to the related entities Basic Energy, Ltd, Enerla Energía de Las Americas, Inc. and Inalla Holdings, Ltd., which are classified as administrative expenses in the statement of comprehensive income (Note 18).

Key management compensation

Key management includes directors (executive and non-executive) and some members of the internal executive committee. The Branch does not have post-employment benefits or other long-term benefits. The compensation paid or payable to key management for employee services is shown below:

	2022	2021
Salaries and other short-term employee benefits	<u>707,292</u>	<u>694,970</u>

Compañía de Electricidad de San Pedro de Macorís, S. A.

(Branch in Dominican Republic)

Notes to the Financial Statements

December 31, 2022

(All amounts in \$ unless otherwise stated)

22. Commitments and contingencies

(a) Commitments

(i) *Power purchase agreement (PPA) (The Branch as seller)*

The Branch has a PPA with CDEEE pursuant to which the Branch is required to sell the entire energy output generated by the Facility to CDEEE. CDEEE has the exclusive right to order dispatch from the Facility and is obligated to purchase the energy output generated. In addition, until March 2022 CDEEE was required to pay for the entire electric capacity installed by the Branch. As defined in the PPA, CDEEE is required to pay the Branch each month a capacity charge, energy output and cold start charge. The Branch receives a monthly energy payment based on the electrical output delivered to CDEEE, to the extent that the Facility is ordered to dispatch. Energy prices vary in accordance to the monthly published fuel index price. The State of the Dominican Republic ("SDR") had issued a guarantee for CDEEE due payments under the PPA pursuant to an implementation agreement ratified by the Dominican Congress (the "Implementation Agreement").

On December 19, 2018, an amendment to the PPA was signed and became effective when certain requirements of the amendment were met. The main changes included in this amendment were life extension of the PPA, which original maturity was March 2022 (until December 31, 2032) and the recognition of market capacity price and energy price based on the use of Liquefied Natural Gas (LNG) as a fuel.

As of January 30, 2021, all the requirements needed to implement the amendment to the PPA with CDEEE have been met and the Branch initiated its operation on the Spot Market with the use of LNG as a fuel. The amendment to the PPA contemplates that since March 2022 the CDEEE is no longer required to pay for plant capacity (See also literal (b)).

(ii) *Purchase of services commitment*

- LTPC for services and sparte parts: The Branch maintains a LTPC with Siemens Power Generation Services Company, Ltd. (SPGS) and Siemens Energy, Inc. (SIEMENS) signed in July 2014 that will expire in July 2024 or when the units reach 245,832 Equivalent Operating Hours (EOH). The LTPC establishes the terms and conditions under which SPGS and SIEMENS agreed to provide services and spare parts for the Branch's gas turbine units and generators under a programed outage schedule. SPGS will perform minor inspections of each Branch's unit (each 4,000 EOH), extended hot gas path (each 25,000 EOH) and major inspection outage (each 50,000 EOH), and SIEMENS will provide the spare parts of each programed outage schedule under the scope of the LTPC.

The contract includes an advanced payment fee of \$8,000,000 to be paid in 24 equal monthly installments of \$333,333 each, which represents the capital parts that rotate among the three units during the contract life. In addition, it includes a fixed annual fee of \$100,000 per gas turbine per year to be paid in installments on a quarterly basis for monitoring each units' gas turbine, a variable fee paid at the end of each quarter of the year, calculated based on the EOHs that the gas turbine accrued in the previous quarter and fixed fees for scheduled outage services based on EOHs incurred. The advanced payment fee is considered as prepaid expenses and is amortized over the term of the contract. At December 31, 2022 and 2021, the prepaid expenses include \$13,339,647 and \$13,631,089, respectively, for this concept.

Compañía de Electricidad de San Pedro de Macorís, S. A.

(Branch in Dominican Republic)

Notes to the Financial Statements

December 31, 2022

(All amounts in \$ unless otherwise stated)

- Regasified sale LNG and purchase contract: The Branch has a Regasified Sale LNG and Purchase Contract (the "RSLPC") with AES Andres DR, S. A. ("AES Andres") signed in May 2019 that expires in November 2032. The RSLPC establishes the terms and conditions under which AES Andres agrees to sell and deliver LNG to the Branch using gas pipeline. During each contract year, AES Andres shall sell and deliver to the Branch's Power Plant and the Branch shall purchase, take and pay for, or pay for if not taken, as established in the RSLPC, a quantity of Regasified LNG on a reasonably ratable basis. The quantity of Regasified LNG will be established taking into account the operational constraints communicated by the Parties, and will have a total British Thermal Unit ("Btu") content equal to the Designated Annual Contract Quantity ("ACQ") for such contract year that shall be set in each December Notice. The quantity may be further adjusted in accordance with this RSLPC. The Designated ACQ for any contract year shall not exceed the Maximum ACQ. The Branch's right to nominate less than the Maximum ACQ in any contract year shall not be based on commercial reasons intended to achieve an economic gain that would derive from buying Regasified LNG, LNG or Natural Gas at prices below the Contract Price or fueling of the Power Plant by alternative fuels. As part of the Power Market Notice, the Branch shall provide a documented analysis of the power market for each month of the relevant contract year, and for the two following contract years. The analysis shall document the aggregate market conditions for why the Branch cannot consume the Maximum ACQ and consequently generate electricity at the Power Plant for the sale at a profit within the Dominican Republic electric power grid during such contract year.

Since February 2022, there was an accumulated deficit of LNG consumption. LNG was paid and not taken in an amount that negatively impacted the Branch's fuel cost. To mitigate the impact of the Take or Pay article in the RSLPC, the contract contemplates a negotiation to place the LNG not taken for sale to a third party. A letter agreement was signed with AES to establish the terms of the LNG placement. As a result of the negotiation, AES issued Letters of Credit for the quantity of LNG that was placed for sale that reduced the Branch's operations cost.

(b) Contingencies

In July 2020, the Branch initiated an international arbitration to collect the invoices issued for the reimbursement of expenses due to the "change of law" event, plus interest, per the PPA with the CDEEE. In February 2022, the Branch received a counterclaim of arbitration by which CDEEE seeks that the Arbitral Tribunal orders the Branch to pay the amount of US\$56 million for liquidated damages for the alleged violation of article 11(B) of the PPA, which grants the right to receive, from the Branch, the payment of an amount for liquidated damages when the "Output Energy" that is, the energy not generated due to reduction or interruption of the generation capacity is greater than allowed for that item for a given billing year. Management of the Branch and its legal advisors have estimated that the outcome of these cases will have no material effects in its financial position and the operational results. In November 2022 the arbitration hearings initiated (See Note 23 (b)).

Compañía de Electricidad de San Pedro de Macorís, S. A.

(Branch in Dominican Republic)

Notes to the Financial Statements

December 31, 2022

(All amounts in \$ unless otherwise stated)

23. Subsequent events

- a) Dividends declared: In January 2023, through the minutes of the board of directors, dividends were declared on retained earnings of \$16.7 million, which were paid in the same month, net of tax of \$1.67 million.
- b) International arbitration against CDEEE: In March 2023 the conclusions of the arbitration hearings were submitted to the court by both parties. An arbitration award is expected to be issued in three (3) to six (6) months from the date the conclusions were submitted.