Annual Report 2018


EGE
HAINA

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Experience and Reliability

In 2018, EGE Haina strengthened its commitment to the sustainable development of the national energy sector with new investments in generation. Every achievement attained in this respect was the result of carefully well-planned, and consistent work. Work accomplished as a team and guided by their expertise, integrity and foresight.

Letter from the General Manager

23% of the installed capacity of EGE Haina comes from renewable sources

The contracted base of energy sold increased by 53% in 2018

Goal of 1,000 MW of new clean energy by 2030

The successful partnership between the State and the private sector that defines EGE Haina's history of nearly 20 years continues to yield benefits and make significant contributions to the growth and diversification of the national energy sector.

In this regard, we are pleased to report that 2018 was a year of company expansion and major achievements in all areas.

The company, whose Feller Rate credit rating increased to A+ (Dom), obtained an EBITDA of US$121.1 million and a net profit of US$47.8 million.

Furthermore, EGE Haina invested over US$130 million in the installation and implementation of 125 megawatts from the construction of the second phase of the Larimar Wind Farm (48.3 MW), the establishment of a new turbo-group at the Barahona plant (52 MW), and the rehabilitation of the Palenque Plant (25 MW).

In 2018, the company's total net energy production was 3,080 GWh, 7.2% higher than in 2017. Similarly, the consolidated availability of the EGE Haina plants was 97.1%, higher than the 2017 figure of 94.3%. This increase in production and availability was mainly due to the reinstatement, in June 2018, of the Sultana del Este stations for the Interconnected National Electricity System (SENI, per its acronym in Spanish).

Asset optimization and management is a priority for the company; hence, last year major overhauls were carried out on the Quisqueya 2, Sultana del Este, and the Barahona and Pedernales plants, all within the planned timeframes and cost.

On another note, as of October 2018, following the commissioning of the second phase of the Larimar Wind Farm, EGE Haina's installed capacity of renewable energy reached 23%. This proportion is a milestone worth highlighting in the process of realizing the company's commitment to sustainability.

At the same time, the company's contracted base increased by 53% with the signing of new contracts with the CDEEE and with various unregulated corporate clients.

Another cause for satisfaction is that EGE Haina reaffirmed its position as one of the ten best companies to work for in the Dominican Republic and the Caribbean; and an image and reputation survey conducted by an external research firm shows a favorable public perception of the company.

EGE Haina's social programs positively impacted the 20,000 residents of the neighboring communities surrounding our power plants. In 2018 we provided support to 15 schools, executed the construction of ten infrastructure projects, organized medical interventions and technical training workshops, as well as aided in support of 91 community initiatives carried out by various local organizations.

Further to the actions reported above, EGE Haina completed its 2018–2030 strategic plan with the support of McKinsey & Co. As a result, the company plans to generate more than 1,000 MW of new clean energy to supply an electricity demand that is expected to double over the next twenty years due to population and economic growth.

These results and plans demostrate the productive work and clear vision of the future that will allow the company to continue its growth and, thus, broaden its support for the country's national development in the years to come.

Luis Mejía Brache
General Manager

Board of Directors

LUIS SANZ
Vicepresident

RAFAEL VÉLEZ
President

JOSÉ AQUINO
Member

CARLOS HERNÁNDEZ
Secretary

MANUEL JIMÉNEZ
Member

Key Staff Members

MILCÍADES MELO
Asset Property
Security Director

ESTEBAN BELTRÉ
Operations Director

RODRIGO VARILLAS
Finance Vicepresident

GINNY TAULÉ
Social Responsability
and Communications
Director

GUILLERMO SICARD
Legal Affairs Director

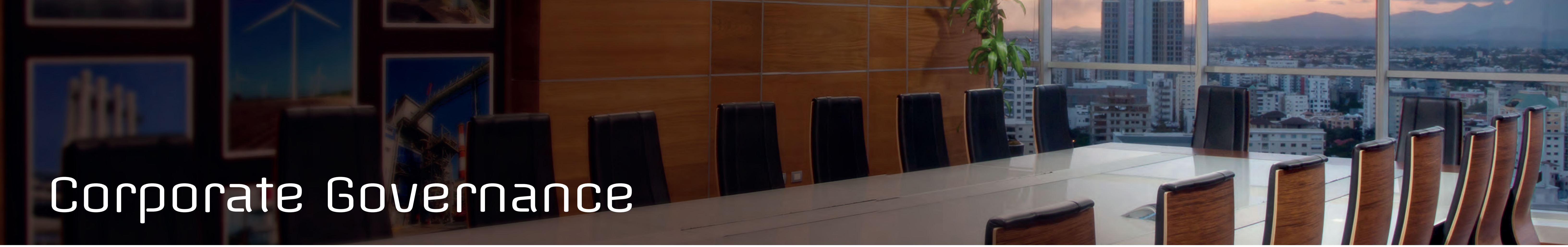
LUIS MEJÍA BRACHE
General Manager

JOSÉ RODRÍGUEZ
Development Director

GILDA PASTORIZA
Talent Management
Director

RUSELL CHOUKALOS
Operations
Vicepresident

MARIO CHÁVEZ
Commercial
Director



Corporate Governance

Decisions that impact all those associated with EGE Haina, including employees, shareholders, financial institutions, regulatory institutions and the community, are based on good corporate governance policies and practices. In implementing these practices, the actions and decisions of the company are taken in a responsible and transparent manner.

There is active participation in the decision-making of internal committees, the Board of Directors and the General Meeting of Shareholders. Seven meetings of the Board of Directors and the Annual Regular General Shareholders Meeting were held in 2018.

Likewise, all of the Relevant Facts arising during said period were reported to the Superintendence of Securities (SIV, per its acronym in Spanish) and via the EGE Haina website. Furthermore, EGE Haina prepared and delivered the Annual Good Corporate Governance Report for 2018 to the Securities.

EGE Haina complies with all the laws, regulations and standards applicable to its operations and status as a corporation, an entity that issues securities in the Dominican Republic Securities Market and as an agent of the Dominican Republic electricity subsector. Without limitation, EGE Haina adheres to the following laws and regulations: General Business Corporations and Individual Limited Liability Companies Act; the Securities Market Law; the Securities Market Law Enforcement Regulation; the General Electricity Law; the General Electricity Law Enforcement Regulation; the Law on Incentives for the Development of Renewable Energy Sources and its Special Regimes; Regulations for the Enforcement of the Law on Incentives for the Development of Renewable Sources of Energy and its Special Regimes, and the Law that creates the Ministry of the Environment and Natural Resources.

On a different note, taking into account the best administrative, management and oversight practices of companies around the world, EGE Haina has structures in place to ensure the administrative control of the company, foremost among which are the following:

Board of Directors

A body authorized by the General Meeting of Shareholders, whose objective is the management and administration of EGE Haina during periods when the General Meeting is not deliberating, in order to solve any matter and carry out any action, except those solely attributed to the General Meeting.

General Manager

A position authorized and established by the Company By-laws, whose roles and responsibilities are determined by the Board of Directors.

The Office of the General Manager is in charge of directing and supervising all company activities in compliance with its corporate objective, based on internal standards and guidelines pursuant to the laws that regulate the business. The Office of the Vice Presidents and Managers report to the General Manager and act on the basis of clearly defined strategies, plans and budgets authorized by the Board of Directors.

Executive Committee

Administrative group presided by the General Manager and comprised further of his/her direct reports, who head the company departments. This group analyzes, studies and controls all issues relevant to the company in accordance with the established goals and objectives.

Economic Committee

An administrative body that analyzes all requests for disbursements greater than US$10,000, with the objective of processing authorization of same. Additionally, this Committee approves the call to tender for all projects involving financial commitments greater than US$50,000.

Tender Committee

Group comprised of personnel from various departments tasked with controlling and supervising all company bids, with the aim of guaranteeing adequate procurement of goods and services in accordance with the company standards, to ensure integrity and transparency in the negotiations. This Committee examines bids for services and goods in excess of US$50,000.

Donations and Sponsorship Committee

Group comprised of representatives from seven company departments, whose mission is to evaluate requests received by the company for donations and sponsorship, to approve or reject them in keepingwith the EGE Haina Social Responsibility Policy. This Committee documents the acknowledgments to these requests and processes them. It further sees to the efficient and strategic execution of the annual budget allocated for these purposes.

Compliance Committee

This body monitors, analyses and makes decisions related to the ethical conduct of company employees. This Committee meets whenever necessary to deal with infractions, determine sanctions and enforce them on offenders. It also meets when there is a need to evaluate standards or rules in order to suggest modifications or staff training, accordingly. It makes its decisions in keeping with the company's Code of Ethics.

Audit Committee

Assists the Board of Directors of EGE Haina and provides auditing support for the Company's financial reports, statements and procedures ensuring integrity and compliance with the legal and regulatory requirements, supervision of external auditors, control of the performance of the functions of internal and external auditors, monitoring of internal control systems, the business risk management system and compliance-related activities. Each year, the Audit Committee reviews and approves the Annual Plan and the resources required to fulfill the work agenda. In 2018, this Committee was formed by Carlos Barreto, as president, and Ivelisse Ortiz, José M. Taveras and Alfredo Cruz Polanco, as members.

External Audit

The external audit of the company was conducted by Ernst & Young. In its report, this firm expresses an unqualified favorable opinion, indicating that the consolidated financial statements reasonably present the financial position of the company, including the results of operations and consolidated cash flows for the year ended 31 December 2018, in accordance with International Financial Reporting Standards.

Internal Audit

The Internal Audit Department ensures the proper implementation of company policies and procedures. It has a voice but no vote on the Economic Committee, Tender Committee and Compliance Committee, strengthening corporate governance in order to ensure the achievement of established objectives. It is the responsibility of the Internal Audit team to disclose any significant fact and/or situation detected in the interventions carried out.

2

A Successful Partnership

In its nearly two decades of operations, EGE Haina has made investments in efficient and environmentally responsible power generation which have been crucial to the country's economic and social growth. This path to development, mapped out by the State and the private sector, represents a successful model of shared efforts.

EGE HAINA
Empresa Generadora de Electricidad Haina

A 100% Dominican Owned Company

US$ 806
MILLION paid to the State

- EGE Haina is a successful partnership between the public and private sector.
- It was founded by the Law to Reform Public Companies on October 28, 1999.
- It is the largest mixed company (public-private) in the country in terms of shares, investments and contributions to the Goverment, with US$1 Billion in assets.
- For every $100 pesos that EGE Haina generates in profits, $75 pesos are paid to the State in dividends and taxes.
- EGE Haina has paid US$806 million to the State in dividends and taxes.

Investment and Financing

US$ 900
MILLION invested

Largest private bond issuer

A+ (DOM)

- Since its founding in 1999, EGE Haina has invested over US$900 million in power generation plants.
- Between 2010 and 2018, it added 410 MW to the National Interconnected Electricity System (SENI), with an investment of US$725 million.
- It is the largest private issuer of corporate bonds on the local capital market. Since 2009, it has successfully placed US$480 million.
- The company has the following credit ratings: A+(dom) from Feller Rate, AA-(dom) from Fitch Rating and B+ from Standard and Poor's, all with a stable outlook.

Excellence in Operations

1,000 MW

10 POWER PLANTS

DIVERSIFIED MATRIX

- EGE Haina generates 15% of the energy consumed in DR. Additionally, it generates all of the energy needed by the isolated system of Pedernales and provides 60% of the energy for the stand-alone system of Punta Cana-Macao. It also provides power to multiple national companies and industries.
- It operates 1,000 MW from 10 power plants (7 self-owned and 3 third party managed).
- It has 98 generation plants distributed throughout the provinces of San Pedro de Macorís, San Cristobal, Barahona and Pedernales.
- It contributes to the diversification of the energy matrix with the capacity to generate electricity from liquid fuel, coal, wind, sun and natural gas.

Social Responsibility

18 COMMUNITIES

20,000 PEOPLE

- Over the course of this decade, EGE Haina has invested US$8 million in projects that benefit 18 communities in proximity to their central power plants in the provinces of San Pedro de Macorís, Barahona, Pedernales and San Cristobal.
- Through its social program, the company benefits more than 20,000 people through initiatives that promote child education, values, health, sports, culture, care for the environment, technical training and support for trade unions to generate income, support for relief agencies and the construction and improvement of educational, athletic, cultural, and health-related community infrastructure.

Growth Strategy

1,000 MW

400 MW

- EGE Haina has a goal of developing 1,000 MW of renewable non-conventional sources (wind and photovoltaic solar) by 2030.
- It has a plan to optimize part of its assets by converting 400 MW to natural gas by 2021.
- It plans to develop 400 MW of new power generation with natural gas by 2030.

Capacity and Commitment

506 EMPLOYEES

GREAT PLACE TO WORK®

- EGE Haina has 506 employees and maintains a low turnover rate. Seventy percent of the staff has worked for the company for five years or more.
- It is one of the best companies to work for in Dominican Republic and the Caribbean according to a yearly survey conducted by the firm Great Place to Work (GPTW). It occupies 8th place in Dominican Republic and 9th place in the Caribbean.

National & Caribbean Leader in Wind Power

175 MW INSTALLED CAPACITY

300,000 TONS AVOIDED CO2(C/A)

- EGE Haina is a pioneering and leading company in the Dominican electric sector in terms of wind power.
- It has an installed wind capacity of 175 MW. Its first central generating plant using wind was inaugurated in 2011.
- The Los Cocos and Larimar wind farms make DR the largest producer of wind power in the Caribbean, with an annual production of approximately 600,000 MWh.
- The Los Cocos Wind Farm has an installed capacity of 77.2 MW with 40 wind turbines.
- The Larimar Wind Farm has an installed capacity of 97.8 MW with 29 wind turbines.
- Each year, these wind farms avoid combined emissions into the atmosphere of 300,000 tons of CO_2, as well as the importation of 900,000 barrels of oil.

A year of growth

Major Outcomes in 2018

125 New Megawatts

- Installation of new steam group at the Barahona power plant • 52 MW
- Construction of the second phase of the Larimar Wind Farm • 48.3 MW
- Rehabilitation and implementation of the Palenque power plant • 25 MW

53%

Increase of the contracted base

- Signed new contracts with the CDEEE and with the following companies: Las Americas Free Zone, Almacenes Unidos, Arroz Bisono, Coastal, Kinnox and Agregados Santa Barbara.
- Renewed contracts with CDEEE and Domicem.

High operational standards

- 8.4% increase in production.
- Reinstatement and improvement of Sultana del Este.
- Major overhaul of Quisqueya, Sultana, Barahona and Pedernales.
- Contract with Vestas for the operation and maintenance of the wind farms.
- Entry into service of the S/E Quisqueya 230/138 kv sub-station at San Pedro de Macorís.
- Installation of the NOVEC fire protection system at Sultana and wind farms.
- Implementation of technological innovations at the Barahona plant to mitigate the impact of sargassum.

A+

Improved financial rating

- Increase from "A" to "A+" in risk ratings assigned to solvency and company bonds by the Feller Rate international rating agency.

Reaffirming our commitment to our people

- Ratification of EGE Haina's position as one of the ten best companies to work for in Dominican Republic and the Caribbean, ranked 8th in the country and 9th in the region.
- Obtained an 85% employee satisfaction on a work environment survey.
- Promoted 55 collaborators.
- Completed 20,395 hours of training.

Consolidation of our corporate image

- Conducted an image and reputation survey which showed a favorable public perception of the company.
- Won the Award for Successful Implementation of the Cleanest Production for the Larimar Wind Farm.
- The implementation of our successful partnership campaign on television, in movie theaters and on social media.
- Inauguration of the second phase of the Larimar Wind Farm.

20,000 people benefited in 18 communities

- Support for 18 schools.
- Development of 10 community infrastructure projects.
- Seven healthcare interventions.
- Twenty technical training workshops.
- Support for 91 initiatives promoted by various organizations via donations and sponsorship.

Forecasting the Future 2018–2030

Vision: To be the regional leader in development and manegement of sustainable energy

1,000 MW of renewable energy

400 MW from natural gas

Optimize existing assets

3

Efficiency and growth

In 2018, EGE Haina increased its energy production, added 125 new megawatts to its capacity and to the Dominican power sector, increased by 53% its contracted base for the purchase and sale of energy, and overcame challenges that strengthened its operations and its peoples sense of teamwork. A period of considerable development and deep pride.

Our power plants

Total operated capacity

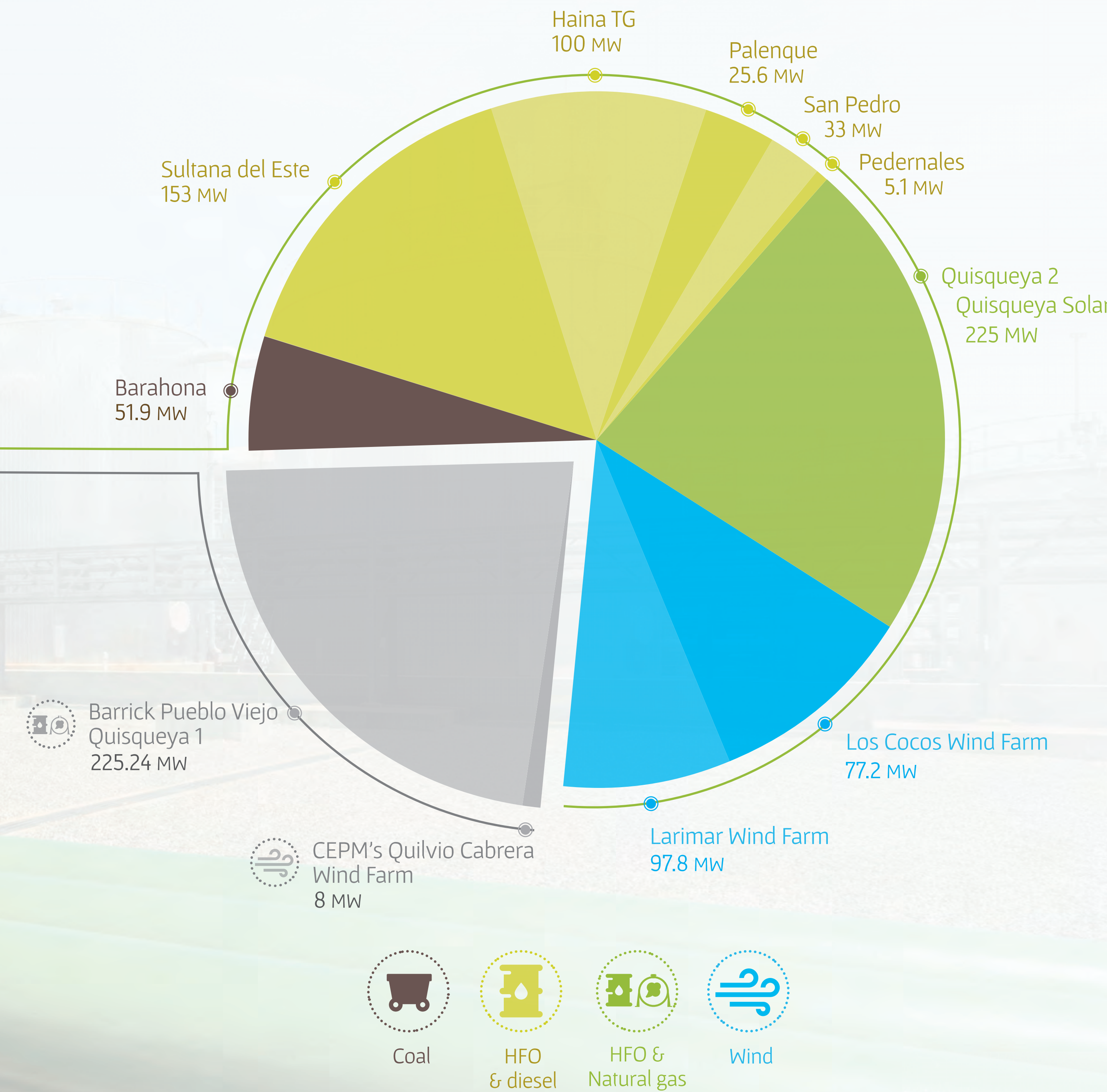
1,003.5 MW

770.3 MW

Own capacity

233.2 MW

third party operated



Quisqueya 2

2013 • US$ 281.5 million

San Pedro de Macorís | HFO and Natural Gas | 12 engines and one steam turbine

Its engines have a flexible system that allows them to use both liquid fuel (HFO or LFO) and natural gas

225.2 MW
Installed Capacity

Quisqueya Solar

2015 • US$ 3.2 million

San Pedro de Macorís | Sun | 4,760 photovoltaic panels and 50 inverters

1.5 MW
Installed Capacity

The first photovoltaic generation project developed by EGE Haina. It supplies energy to the Quisqueya 2 plant to be used by its ancillary equipment

Sultana del Este

2001 • US$ 120.9 million

San Pedro de Macorís | HFO | 9 engines

153 MW
Installed Capacity

One of the world's largest barge power plants

Barahona

2001 • US$47.1 million (initial investment) 2018 • US$30.3 million (repowering)

Barahona | Coal | Steam turbine

51.9 MW Installed Capacity

Given its high level of efficiency, this power plant ranks among the top ten on the dispatch merit list prepared by the Coordinating Agency of the Dominican Interconnected electric system

Larimar Wind Farm

2016 (Phase 1) and 2018 (Phase 2) • US$219.7 million

Enriquillo, Barahona | Wind | 29 Wind turbines

97.8 MW
Installed Capacity

The Larimar Wind Farm produces 365,000 MWh of clean energy each year

Los Cocos Wind Farm

2011 (Phase 1) and 2013 (Phase 2) • US$ 185.1 million

From Juancho, Pedernales to Enriquillo, Barahona | Wind | 40 Wind turbines

77.2 MW
Installed Capacity

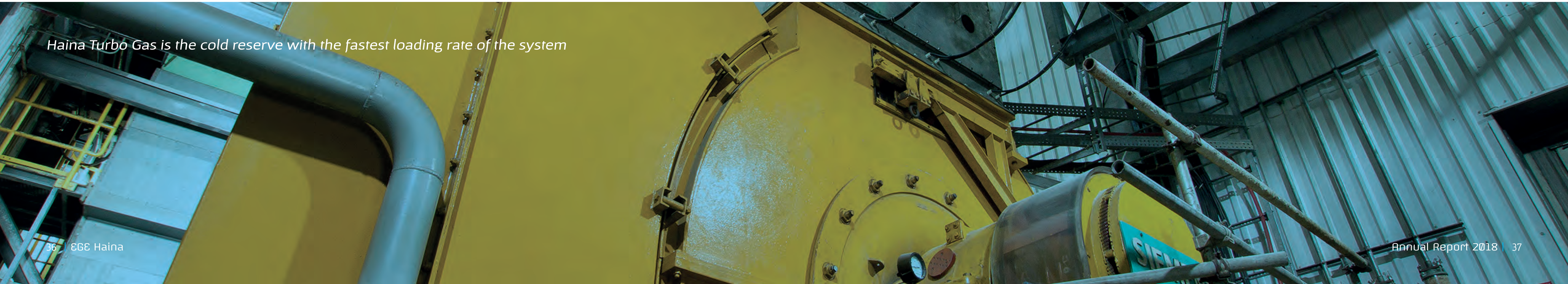
The Los Cocos Wind Farm produces 220,000 MWh of clean energy each year

Haina TG

1998 • US$ 29 million

San Cristóbal | Diésel | Gas turbine

100 MW
Installed Capacity



Haina Turbo Gas is the cold reserve with the fastest loading rate of the system

Palenque

2005 operations start up • In 2018 EGE HAINA began its lease and operation
US$450,000 (Rehabilitation)

San Cristóbal | HFO | 4 engines

25.6 MW Installed Capacity

In September 2015, EGE Haina entered into a contract with Domicem to lease the generation of the cement company's power plant

Pedernales

1978 (CAT–3606), 2003 (Hyundai 1) and 2014 (Hyundai 2) • US$ 5.1 million

Pedernales | HFO | 3 engines

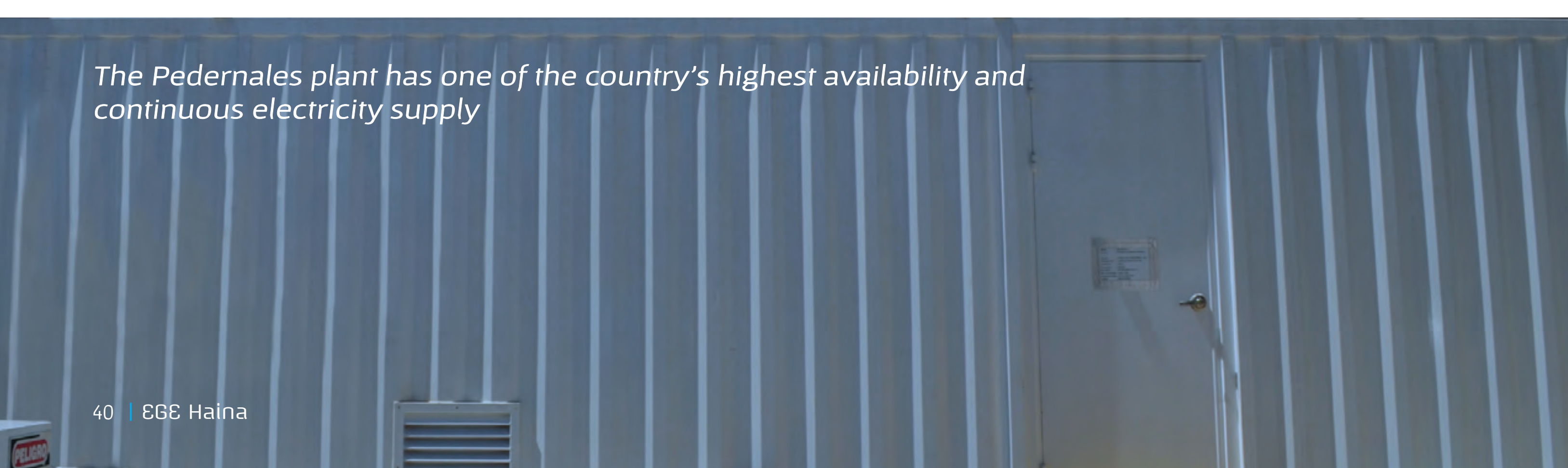
5.1 Installed Capacity MW

San Pedro

1990 • US$ 2 million

San Pedro de Macorís | HFO | Steam turbine

33 Installed Capacity MW



The Pedernales plant has one of the country's highest availability and continuous electricity supply

In 2018, the San Pedro power plant did not produce any energy

Power Plants Operated for Third Parties

EGE Haina operates and maintains the following third-party owned power plants:

Quisqueya 1

2013

San Pedro de Macorís | HFO and Natural gas | 12 engines and one steam turbine

This power plant, owned by Barrick Pueblo Viejo, supplies power for its mining operation and provides energy surpluses to the SENI

225.24 Installed Capacity MW

Quilvio Cabrera

2011

Pedernales | Wind | 5 Wind turbines

This power plant, owned by Consorcio Energético Punta Cana Macao (CEPM), along with the Los Cocos Wind Farm, is a pioneer in this type of power in the country

8 Installed Capacity MW

Units Out of Service

The steam thermal units of the Haina power plant were out of service since 2014, and were dismantled in a process that concluded in 2018.

Dismantling of the Puerto Plata power plant, which was not commercially operating since 2014, began in August 2018. At the end of that year, this process had progressed 77%.

New Megawatts: Barahona, Larimar 2 and Palenque

125.8 Megawatts

Barahona

Repowering of new turbo group

51.9 MW Installed capacity

Larimar 2

Construction 14 3.45 MW Vestas V-117 wind turbines

48.3 MW Installed capacity

Palenque

Refitting and commissioning of 4, 6.6 MW generation groups

25.6 MW Installed capacity

Construction of Phase 2 of the Larimar Wind Farm

The maximum power achieved by all wind turbines was 174.92 MW, close to the 175 MW maximum wind capacity installed by EGE Haina

In December 2018, EGE Haina inaugurated the second phase of the Larimar Wind Farm, located in the Buena Vista section of the municipality of Enriquillo, province of Barahona. The farm expansion comprises 14 Vestas V-117 wind turbines, the most powerful in the region, rising 150 high, with a generating capacity of 3.45 megawatts each, for a total installed capacity of 48.3 megawatts. It is estimated to produce, on average, 165,000 MWh.

The second phase of the Larimar Wind Farm was built over a period of one year, with an investment of over 100 million dollars and employing 90% Dominican labor from the southern communities of Enriquillo, Caletón, La Ciénega, Paraíso, Juancho, Los Cocos and Oviedo.

This wind farm was built under strict quality control and an environmental management plan that included efficient waste management and reforestation of affected areas.

With Larimar phase two, the Los Cocos Wind Farm and the first phase of the Larimar Wind Farm combined, produce 175 megawatts of clean energy from a total of 69 wind turbines, making EGE Haina the leading company in wind power production in the Caribbean.

The Los Cocos and Larimar wind farms avoid emissions into the atmosphere of 300,000 tons of CO_2 and the importation of 900,000 barrels of oil per year, which translate into significant foreign currency savings for the country.

Repowering of the Barahona Power Plant

In 2018, EGE Haina concluded the new turbo group interconnection projects for its Barahona plant after completing the repowering project initiated in December 2016. This venture included the replacement of the plant's turbine, generator and condenser, with an investment of approximately 30.3 million dollars.

This repowering raised the generating capacity of the Barahona plant from 45.6 MW to 51.9 MW, which is equivalent to a 14% increase in efficiency, without demanding greater coal consumption for its operations.

A national and international team of 300 people worked around the clock, 7 days a week, to complete the project. The major challenge was executing the project in the midst of a plant in operation, the production schedule of which could not be disrupted. The power plant now has the efficiency and reliability of a new, state-of-the-art plant with spare parts available in the event of any failure.

The civil works of the project included a new building that houses the turbo-group. Part of this construction project was completed in 2019, as was the closed cooling cycle, and moving the live steam by-pass control valve to the condenser.

Commercial operations of the plant begun once its capacity was increased, on December 18th of 2018. Currently, it delivers firm power to the National Interconnected Electricity System (SENI).

Refitting of the Palenque Thermal Power Plant

The Palenque Thermal Power Plant, located in the municipality of San Cristobal, added 25.6 MW of energy to the company's total power generation.

This addition emerged from the contract entered into in September 2015 with Domicem S.A., whereby EGE Haina was granted the operation and maintenance of this power generation asset owned by said cement industry. EGE Haina signed the definitive concession contract for the exploitation of the Palenque plant with the Dominican State on 13 June 2017. After completing the procedure to obtain the commissioning authorization, this power plant began its commercial operations, under the lease agreement with EGE Haina, in July 2018.

Given that nearly two years elapsed between the signing of the contract and obtaining the definitive concession to exploit the electricity project, the facilities of the Palenque Thermal Power Plant had suffered deterioration due to disuse. As a result, EGE Haina performed extensive repairs, maintenance and refitting work, with an investment of over US$ 450,000.

Built in 2005 as part of Domicem's initial project, this thermal power plant operated continuously under Wärtsilä management, supplying energy to the cement plant up to April 2014, when Domicem started receiving power from the National Interconnected Electricity System (SENI) as a deregulated user.

The Palenque Thermal Power Plant is comprised of 4 Wärtsilä Vasa 18V32LN engines using ABB generators. Each group has a nominal power of 6.4 MW, for a total of 25.6 MW. The plant is designed to use both heavy fuel (HFO) and light fuel oil (diesel/gasoil) as reserve fuel.

Operations management

Net energy production

This increase was due to:

Sultana del Este
92 GWh
Recovered after fire

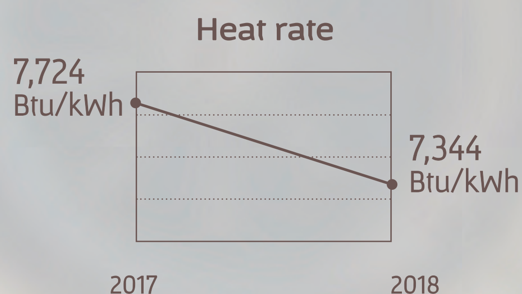
Palenque
25.6 GWh
contributed to SENI

Larimar 2
48.3 MW
interconnected to the energy system

Barahona
6.3 MW
added by repowering

Performance

Heat rate



Availability

Maintenance

Quisqueya 2 8 units in the steam turbine

Sultana 6 units

Barahona 1 unit

Pedernales 1 unit

Environment

–300,000 ton Co_2
each year

Industrial Safety

54%
fewer incidents

2,505,513
man-hours worked

9,826
training hours
on safety

Major overhaul, Central Quisqueya 2

Generator inspections (old turbo group), Central Barahona

In 2018, EGE Haina's operations performed excellently. The total net energy production of the company was 3,080 GWh, an increase of 7.2% compared to the 2017 production of 2,873 GWh.

This increase was primarily the result of the 92.5 GWh increase in production at Sultana del Este, shifting from 703.4 GWh in 2017 to 795.9 GWh in 2018, thanks to having restored to service the units for the SENI in June 2018 .

In fact, completion of the Sultana del Este refurbishment, following the medium voltage switch gear fire in September 2017, was one of EGE Haina's most significant achievements in 2018.

Other events also worth noting, which had a bearing on the increase in company production, include: entering the 25.6 MW Palenque Thermal Power Plant into the SENI in July 2018; interconnection of 48.3 MW to the Larimar II Wind Farm System in October of the same year, to conduct operational testing; repowering of the Barahona plant with the conversion of the turbo generator and condenser from 45.6 MW to 51.9 MW.

The company's main power generation plants continued to actively participate in the primary and secondary frequency regulation process, an activity through which EGE Haina has continued to contribute to the stable operation of the National Interconnected Electricity System (SENI).

Performance

At a consolidated level, EGE Haina's specific fuel consumption per kWh has decreased year to year owing to efficiency projects and the inclusion of new renewable capacity. The consolidated net heat rate of EGE Haina in 2018 was 7,344 Btu/kWh, while in 2017 it was 7,724 Btu/kWh.

The consolidated availability of EGE Haina plants was 97.1%, an improvement over 2017, when availability was 94.3%, due to the medium voltage switch gear fire that took place at the Sultana del Este plant in 2017, which took the plant out of service until November 10 of that year, when the five units that deliver to CEPM were put into service. The 4 units delivered to SENI began operations in June 2018.

Centralized Maintenance

In 2018, major maintenance activities were carried out, as detailed below, and completed on schedule in terms of time and resources:

- Overhaul of 8 plants and the steam turbine at the Quisqueya 2 plant.
- Overhaul of 6 plants at Sultana del Este.
- Overhaul of the Barahona Coal plant
- Overhaul of the Pedernales Hyundai 2 plant.

In addition to the maintenance described above, corrective recovery work was carried out in 2018 on the generators of the Sultana del Este power plant that supply the SENI.

The activities scheduled for the repowering project at the Barahona Coal plant were also completed, leading to the first test synchronization of the plant conducted on October 1 and the start ofcommercial operations on November 1.

Environment

In 2018, EGE Haina completed timely delivery of the environmental compliance reports required by Dominican law in order to hold current environmental permits to operate the plants. These permits attest to the company's rigorous compliance with effluent and emission standards and solid waste management. Environmental performance bonds required by Dominican environmental law were further obtained.

Manufacturing pre-filter structure, Sultana del Este Power Plant


Firefighting brigade drill at the Quisqueya Power Plant

In 2018, the Los Cocos and Larimar wind farms avoided emitting into the atmosphere approximately 300,000 tons of CO2, equivalent to the polluting emissions of 64,000 vehicles and the CO2 absorbed by more than 13.5 million trees in a given year.

In 2018, the environmental operation licenses for the Pedernales and Haina power plants were renewed.

Safety, health and environmental procedures were also reviewed. All audits yielded satisfactory results.

Health

Employee health is a priority for the company; various actions aimed at guaranteeing employee health were carried out both at headquarters and at the corporate offices. To this end, the company has a medical dispensary at the Quisqueya plant, that addresses 27% of all plant employees, and schedules, to various locations, regular visits of physicians who specialize in occupational health.

The occupational health program showed good results in 2018, as evidenced by the decrease in the company's population of untreated cavities, abnormal hearing, uncorrected vision, and overweight and obese people.

Furthermore, lectures were given by occupational health doctors over the course of the year. The occupational health contract with the Ser Salud provider was also subject to follow up.

Industrial Safety

In terms of industrial safety, in 2018, as in previous years, the company's power plants averaged 54% fewer reportable incidents than the private industry average for comparable facilities in size in the United States, including down-time incidents.

This year EGE Haina recorded 2,505,513 man-hours worked. This figure includes employees and contractors at each plant, and all those involved in the construction of Larimar 2, repowering of Barahona Coal and the Equity Security population.

Close to 6,426 hours of industrial safety training were offered to the company's employees, as well as 3,400 hours of instruction for contractors.

Risk management entities conducted inspections with positive results. An example of this was the inspection by Marsh, insurance and risk management advisors, at Quisqueya 2, Haina and Sultana del Este.

Installation of the Novec firefighting system was completed at Los Cocos, Sultana del Este and Larimar.

In 2018, single and multi-event drills were also carried out at all the plants with the participation of relief agencies and local authorities

The hurricane response plan was implemented from 1 May to the end of November

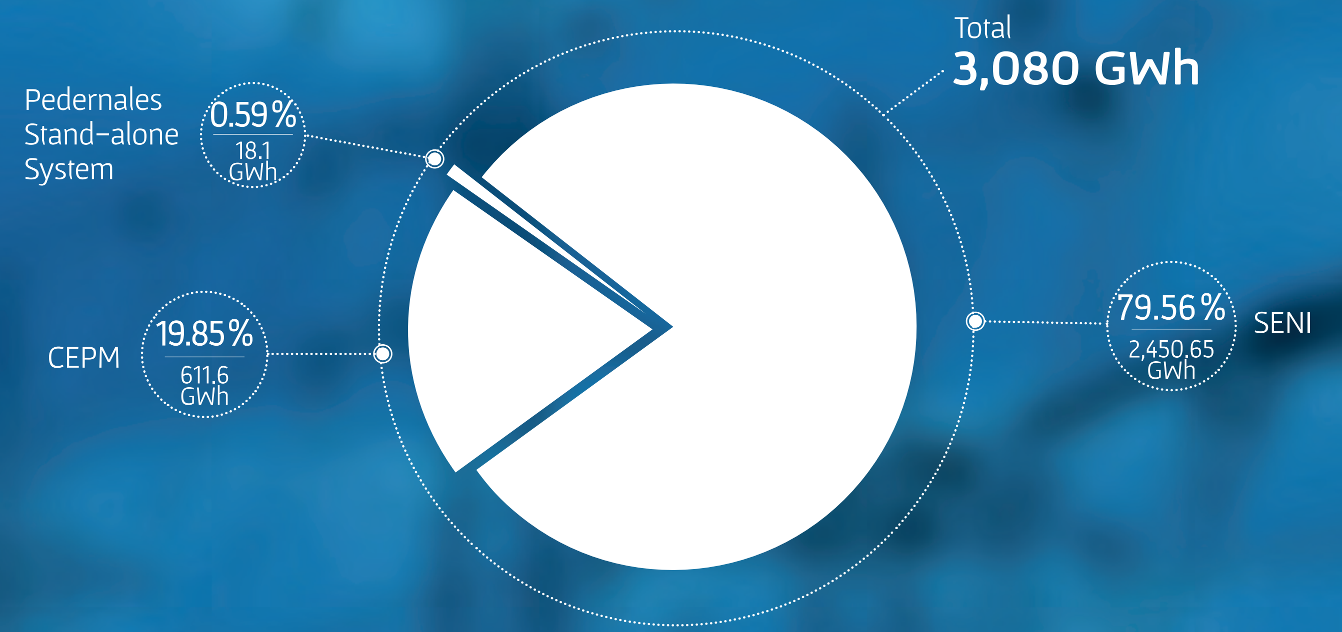
Additionally, in May, EGE Haina participated in the Health and Safety Week sponsored by the Ministry of Labor which included lectures and competitions by brigade members.

20,395 man-hours of training
231 courses taught

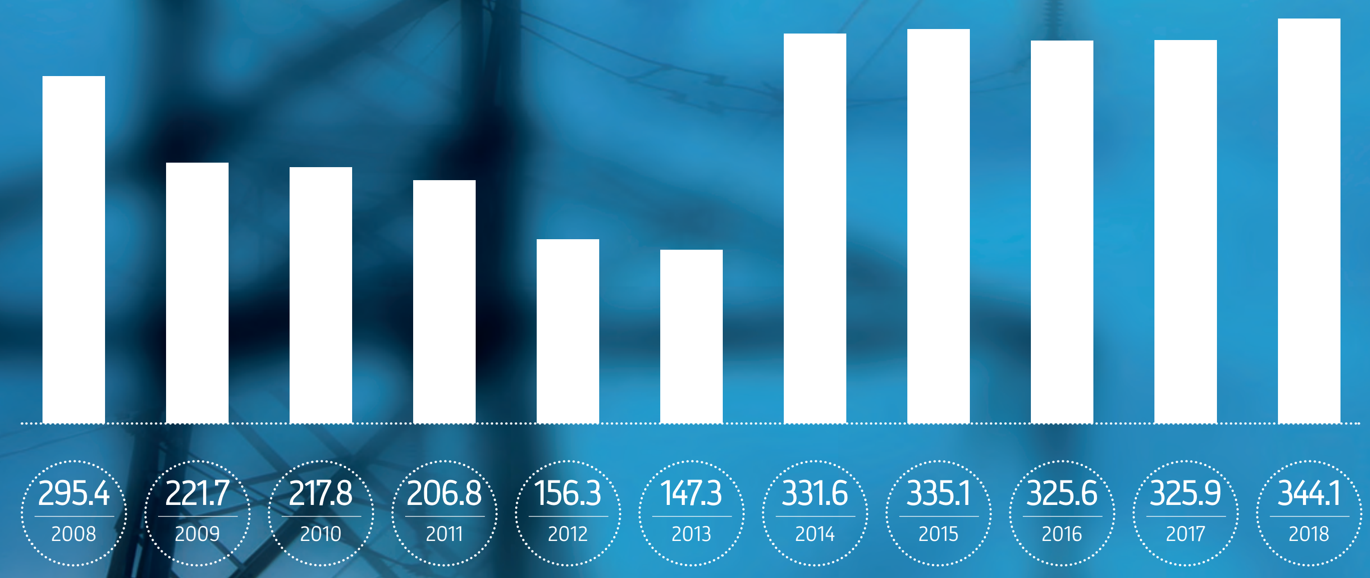
486 participants

Electricity Market

2018 EGE Haina Energy Sales

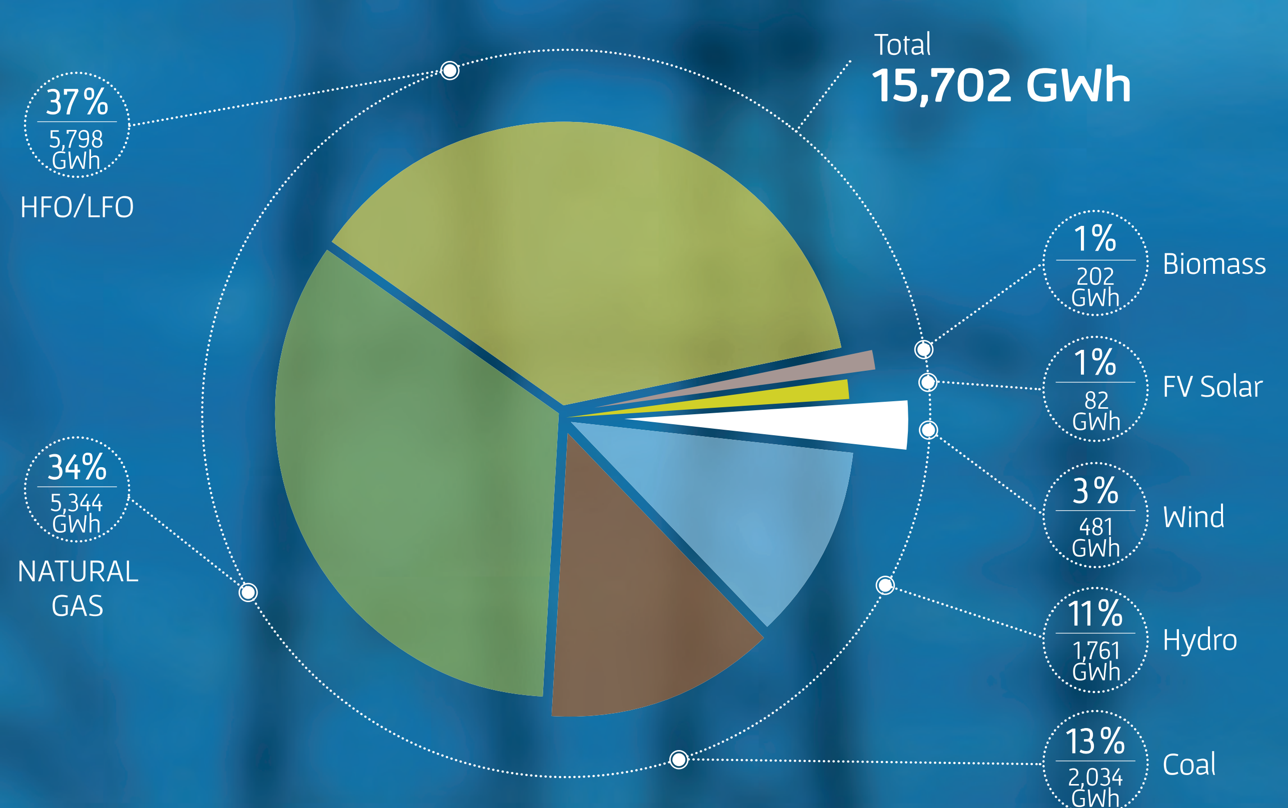


EGE Haina Constant Power Output in the 2008–2018 SENI

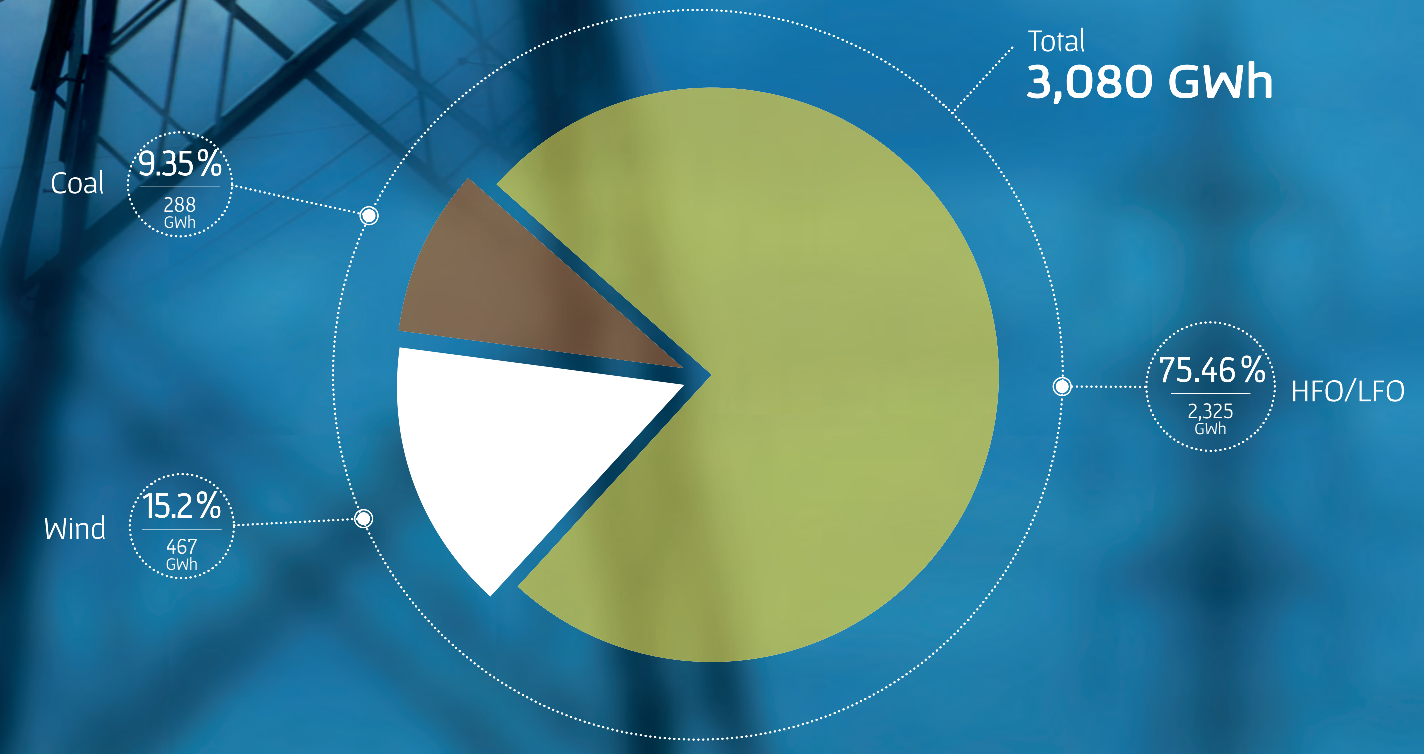


Values in megawatts as of december of each year

Energy Matrix DR 2018



EGE Haina Energy Matrix 2018



In 2018, EGE Haina delivered 15.61% of the energy consumed in the National Interconnected Electricity System (SENI), which produces, transmits and distributes most of the energy the country requires.

During this period, the company also produced all of the energy required by the Pedernales isolated system and over 60% of the energy distributed by the Consorcio Energético Punta Cana-Macao (CEPM), which supplies energy to the main tourist area of the Dominican Republic. In the Deregulated User (UNR) segment, EGE Haina supplied all the energy required for the company processes of Domicem, the Las Américas Free Zone and Pasteurizadora Rica.

Energy Sales

In 2018, the net injection of EGE Haina was 3,080 GWh. Of that power, 2,450.65 GWh were generated for the National Interconnected Electricity System (SENI), representing 15.61% of the total energy injected into that system, which was 15,701.7 GWh. Approximately 611.6 GWh were generated to supply the demand of the isolated system of Consorcio Energético Punta Cana Macao (CEPM), corresponding to over 60% of its demand, and 18.1 GWh to supply the total demand of the Pedernales isolated system.

Marginal energy costs

In 2018, SENI's marginal costs averaged 124.58 US$/MWh per year, beginning with an average of 96.62 US$/MWh in January 2018 and ending with an average of 128 US$/MWh in December 2018. By way of reference, the average marginal cost in 2017 was 91.54 US$/MWh.

Over 81% of the electricity produced in the Dominican Republic's Interconnected Electricity System is generated by thermal power plants. Thus, the marginal price of energy correlates closely with the behavior of oil prices, given that the Dominican Republic is a fuel importer. For this reason, the oil price increase recorded over the past two years has led to an increase in the marginal price compared to the values recorded in 2016.

2018 SENI Energy Matrix

In 2018, electricity produced by thermal power plants represented on average 81.3% of the country's power generation (HFO/LFO 37%, natural gas 34%, coal 15%), followed by hydroelectric power plants, accounting for 11%. Electricity production from non-conventional renewable sources amounted to 5% of the national matrix (wind 3%, biomass 1%, and solar 1%)).

2018 EGE Haina Energy Matrix

Constant power output

According to current regulations, firm power is the power that each generating unit can supply during peak hours or peak consumption, with a high degree of safety, subject to the restriction that the sum of the firm power of all units must be equal to the maximum demand of the system at peak hours. Firm power is also the generation capacity that receives remuneration. The concept of firm power is irrespective of the installed generation capacity in the interconnected system.

Thus, when new generation units are added to the interconnected system, the firm power values identified for each of the existing generating units are reassigned.

By 2018, the total firm power assigned by the Coordinating Agency (CA) to all generators was adjusted to the maximum coinciding demand during peak time for the year, which amounted to 2,233.79 MW. The average firm power allocation corresponding to EGE Haina was 344.08 MW, that is, 15.4% of the total firm power. The firm power of the company in December 2018 was 344.08 MW, a value 5.59% higher than recorded during the same period in 2017.

Current contracts

The company's contracted base increased by 53% in 2018 as a result of new agreements with the CDEEE and the following Deregulated Users (UNRs): the as Américas Free Zone, Almacenes Unidos, Kinnox, Arturo Bisonó Toribio, Coastal Petroleum Dominicana.

EGE Haina has other previous contracts in force with EDENORTE, EDESUR, EDEESTE, CEPM, Domicem and Pasteurizadora Rica.

In 2018, EGE Haina sold 335,518.8 MWh of electricity under contract to UNRs (Deregulated Users), 218,677 MWh to CDEEE and 266,175.6 MWh to distribution companies. In addition, the company contracted energy to the Pedernales and Punta Cana Macao isolated systems, and 1,630.7 GWh of surplus energy on the spot market.

Variable Margin

EGE Haina's power generation, consideringsales both through the SENI and the isolated systems, produced a variable margin of US$176.6 million for the year, a figure approximately 15.76% higher than in 2017. The variable margin, in this case, corresponds to the difference between operating income and direct costs (fuel expenses, net purchases on the spot market, payments for complementary services and contributions to regulatory agencies).

A positive impact on the company is observed as a result of the start-up of operations, in October 2011, of the first stage of the Los Cocos Wind Farm with 25 MW.2 MW, start-up of operations in January 2013 of the second stage of said wind farm, with 52 MW, commissioning of the Quisqueya 2 plant in September of that year, and entry into operation of the Palenque Thermal Power Plant with 25 MW and the Larimar II Wind Farm with 48.3 MW in 2018.

These investments by EGE Haina are not only contributing to diversify the country's energy matrix, but also represent a source of resources that allows the company to continue developing other generation projects. In particular, EGE Haina's investments in wind power provide it with a buffer against fossil fuel price fluctuations.

4

Stakeholders relations

EGE Haina is a close to its people and communities. Its transparency, accessibility, availability to all stakeholders interested in its operations and its commitment to the development of its collaborators, the communities surrounding its power plants and the entire nation, are pillars that have earned it respect and appreciation.

Talent Management

Permanent Employees

506

Sex composition

440 Men

66 Women

87 %

13 %

Age Ranges

Age range	Employees	%
20 to 29	96	19 %
30 to 39	158	31 %
40 to 49	149	29 %
50 to 59	77	15 %
60 or over	26	5 %

Nationality

487 Dominicans 96 %

19 Foreingners 4 %

Roles

96 Administrative 19 %

410 Operations & maintenance 81 %

Employees by location

299 East 59 %

106 Santo Domingo 21 %

101 South 20 %

Employees by Seniority

130 0–3 years 26 %

180 4–8 years 36 %

196 9 or more years 38 %

Turnover

2.3 % Voluntary

4.8 % Involuntary

92.1 % Permanence

Training

20,395 hrs Man-hours of training

486 participants

41.96 average man-hours of training per employee


Coffee with the General Manager

Soft skill training, San Pedro de Macorís

Major Initiatives

Talent management at EGE Haina focuses on fostering the productivity of its team through initiatives that generate motivation, a sense of belonging and a commitment to achieving theobjectives of the company. It also focuses on facilitating the ongoing development of employees and the strengthening of their well-being and that of their families.

In 2018, in the area of talent management, the company focused its efforts primarily on improving and automating human resource processes, such as monitoring overtime, time off, leave and vacations, the personnel training registration system and changing the performance evaluation tool, which also allows other important evaluations to be carried out to strengthen development plans, the on-the-job environment and job satisfaction.

Also of special relevance was the development of a project aimed at organizational alignment, which received the advisory services of a specialized firm, and included an analysis of functions and activities and the profile of the current structure, as well as the design and definition of ideal structures to comply with the new strategic guidelines of the company.

These initiatives strengthen best practices for the organization and help to build a highly qualified staff with the technical and behavioral competencies required to ensure the successful execution of the projects and goals defined by the organization.

In 2018, a 360-degree leadership assessment process (self-, supervisor, peer, internal client and subordinate assessment) was conducted with all employees in managerial or leadership positions. All assessees were then given feedback and given their respective results in order to determine professional development plans.

The exclusion and performance criteria and requirements for entering a Development and Succession Plan for key positions (direct reports to the General Manager) were also determined. Following this, department managers and directors together drew up Career Plans for all positions by department.

Training

In 2018, 20,395 man-hours of training were delivered (31% more than in 2017), with a total of 231 courses offered, 486 participants and an average of 41.96 man-hours of training per employee (25% more than 2017).

An agreement was signed with the Universidad Central del Este for internships in industrial engineering and electromechanics.

Recruitment and Selection

The staff recruitment and selection process was standardized and enhanced with new tools, turnover processes for internal staff were perfected, and improvements to documentation and regular monitoring were implemented.

In 2018, 92% of vacancies were filled with internal staff. These movements resulted in promotions for 55 employees.

Seven new talent recruits were admitted to the Quisqueya and Sultana del Este plants under the 2018-2020 Dual-Training program. This program earned INFOTEP recognition for its implementation in the company during the 2015-2017 period.

92% of vacancies were filled with internal staff

Recognition of EGE Haina as a Great Place to Work

In-house Online Magazine and Intranet Views

An Excellent Workplace

EGE Haina once again received certification from Great Place to Work (GPTW), which on this occasion ranks it 8th in the Dominican Republic and 9th in the Caribbean among the 2019 Best Places to Work.

This recognition is the result of a survey of organizational climate and culture that evaluated the credibility, respect, impartiality, pride and camaraderie of all EGE Haina employees.

The favorable work environment of the organization is supported by a policy that focuses on values and people. The company develops management strategies to improve and consolidate respectful quality employee relations, based on transparency, meritocracy, pride and companionship, so as to increase employee productivity, satisfaction and motivation.

Furthermore, EGE Haina promotes a style of leadership based on collaboration, participation, communication, respect and commitment. To this end, the skills of its leaders are reinforced through group and individual training and coaching, and clear, direct and assertive communication is encouraged, ensuring the development of leadership skills and capabilities, thus enabling them to guide their collaborators and strengthen their skills.

8th in Dominican Republic and 9th in the Caribbean among the Best Places to Work

Internal communication

Intranet: new structure, content and design

Aimed at having a more practical, useful and attractive internal communications tool that provides more content and better navigability, in 2018, the company completed an extensive update of its Intranet through content updates, restructuring of its sections and the overall revamping of this digital internal communications tool.

The new Intranet has a modern graphics design delivered on a more practical and intuitive platform, with new features, information and services that boost its collective use within the company.

The renovation project included a news section, access to internal publications, photo gallery, logos, presentations, brand manual and updating company policies and procedures. It also provides access to the administrative systems used to monitor strategic planning, bid management, fuel consumption reporting and training, among others.

In-house Online Magazine

In 2018, four editions of the En Línea (Online) magazine were published, a quarterly publication that disseminates internally important news on the organization and the achievements of its various departments, in addition to showcasing the talent of its employees, which is one of the cornerstones of the publication.

This 20-page, in-house dissemination tool in printed format is given to each employee in the different localities. They are also provided with a link to enable them to read the publication in digital format from the company website or intranet.

In the last work environment survey conducted by the international firm Great Place to Work, EGE Haina employees placed great value on the En Línea magazine as a means to stay to keep abreast of the company's initiatives and to become better acquainted with their colleagues.

90% of employees affirm that internal communications keep them informed, motivated and involved

Approachability and transparency

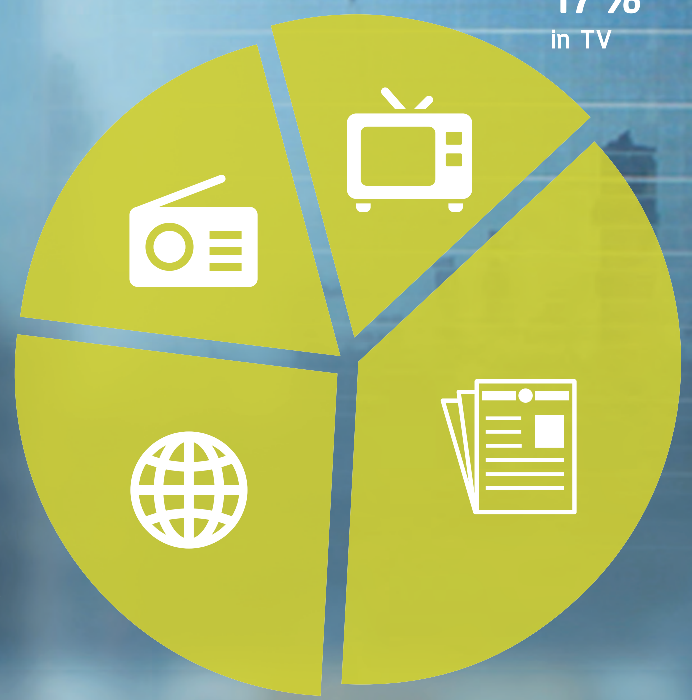
Image and Reputation Survey

Main Outcomes

- Successful public-private Partnership
- 100% Dominican Company
- Excellence in Operations
- Regional Leader in Non-Conventional Renewable Energy
- High Standards of Professionalism and Commitment among its personnel
- Financially Sound
- Socially Responsible Company

Presence in the Media

387
Expositions on EGE HAINA in 2018



90 %
of exposure was positive or neutral

Stakeholders Interviewed

Internal
EGE HAINA employees and Members of the Board of Directors

External
Electricity sector, media, investors, clients, suppliers, business associations, banks, multilateral organizations, inhabitants of Santo Domingo, San Pedro de Macorís, Barahona and Pedernales

25,000
social media followers

1,400 New Followers

Grew 48.6%

Videos with more than 30,000 hits
Watch videos via QR codes

Public Private partnership

Larimar Wind Farm

Image and reputation survey

At the end of 2018, EGE Haina received the results of a survey that revealed the image and reputation of EGE Haina within the power generation sector in the national electricity market and the level of knowledge and appraisal of the external communications of the company and its social and environmental work. It further explored the perception of stakeholders regarding the current situation of the electricity sector in the Dominican Republic and the various actors that influence it.

The firm engaged to conduct the survey was Investigaciones & Mercados Leite (IMSA), an entity with extensive experience, affiliated to the Dominican Association of Market and Opinion Research Companies and the European Research Society. IMSA applies the ISO 20252 Standard for Market, Social and Opinion Research.

LThe research was based on in-depth interviews and focus groups to learn the opinions of employees, members of the Board of Directors and external parties associated with the company, both representatives of the electricity sector, as well as investors, business associations, banks, multilateral agencies, clients, suppliers, the media and residents of Santo Domingo and various communities in San Pedro de Macorís, Barahona and Pedernales.

Audiences interviewed

- Internal: EGE HAINA internal collaborators and members of the Board of Directors
- External: Electricity sector, media and other related parties and communities in southern and eastern areas, and Santo Domingo.

Main results

Based on the data collected, EGE Haina is valued as one of the leading companies in the electricity sector, setting standards in electricity generation in the Dominican Republic.

The qualities and characteristics that internal and external audiences highlight regarding the company are as follows:

1. The high standards of professionalism and commitment of its personnel.

It is considered an ethical, reliable, determined and strategic company. Its executive and technical teams are highly professional, qualified and seasoned. Moreover, it is a good company to work for.

2. Successful public-private partnership

It generates profits for both sectors and has continued to invest in the original company as a result of capitalization.

3. 100% Dominican company

The owners and investors are Dominicans and, as such, have a genuine interest in the development of the country.

4. Operational excellence

It excels as developer and manager. Maintains its assets at the forefront of cutting-edge technology. It delivers power consistently and responsibly and projects developed are always of the utmost quality.

5. Regional leader in non-conventional renewable energy

A visionary and innovative company that contributes to the preservation of the environment and national energy independence through its investments in renewable energies.

6. Financially sound

Its finances are sound, it performs well and has strong contracts.

7. Socially responsible company

Committed to protecting the environment and community development. Its contributions help to improve the quality of life of the communities where its plants are located.

Communication channels

The company uses various channels to communicate with its external stakeholder audiences. These include the annual publication of documents such as its Annual and Management Reports, brochures on its plants and projects, and the dissemination of press releases, interviews and news reports. Additionally, in order to inform on news and relevant initiatives related to the company, it constantly updates its web page and its social network accounts, which now reach 25,000 followers in a consolidated manner between Instagram, Facebook, Twitter, YouTube and LinkedIn.

In 2018, 65 topics were addressed directly or indirectly related to EGE Haina. The news broadcast by the company was covered by 54 different media. Of a total of 387 exposés on EGE Haina in print, radio, television press and the internet during the year, 90% were positive or neutral. The most significant news and comments referred to the Larimar Wind Farm, whose second phase was inaugurated on December 19.

The written press was the channel that offered the greatest exposure to issues dealing with the company and the national electricity sector during 2018, representing 38% of the total number of exposures.

Among the most important printed documents prepared and distributed by EGE Haina in 2018 are the Annual Management Report and the 2017 Annual Report, which communicated in detail in 188 pages the work carried out that year in the different areas, and which included, as usual, the consolidated financial statements issued by the independent auditors.

EGE Haina also put into circulation two informative brochures, one on the wind farms built by the company since 2011, which detail the geographical location and characteristics of each, as well as the consolidated data on the wind turbines, installed capacity, investment made, tons of CO_2 avoided per year and the number of oil barrels saved annually.

The other bulletin documented the results of the first five years of the social work developed by the company in the municipality of Enriquillo, Barahona through which it has benefited the population in areas such as health, education, sports, construction and improvement of community infrastructures and training for income generation. The document gathers the testimonies of municipal authorities and representatives from various sectors.

In terms of digital platforms, in 2018, the EGE Haina website received some 20,000 hits, while the platform with the largest absolute growth in 2018 was Instagram, with more than 1,400 new followers for a total of 4,690. In percentage terms, the highest growth (48.6%) was recorded by the company's YouTube page, which broadcast 8 new videos in 2018, including one related to construction of the second stage of the Larimar Wind Farm and another on the successful public-private partnership that is EGE Haina, all of which have more than 30,000 hits each.

Social involvement in our communities

People benefited

20,000

Communities

18

Located in 4 province San Pedro de Macorís

Sports

20 Sports Tournaments Sponsored

648 Sports Uniforms & supplies sponsored

Environment

Reforestation & Workshop

Congresses & Workshops

Beach Clean Up Days

Community Infrastructure

10 projects completed in Enriquillo, Arroyo Dulce, Quisqueya and Villa Central

- Construction of paths, sidewalks and curbs
- Construction of sports courts
- Repair of school cafeteria
- Repair of cultural club
- Repair of bleachers
- Donation of stadium lighting & scoreboards

Health

7 healthcare interventions in Villa Central, Enriquillo, Juancho and San Pedro de Macorís

Dental

Dermatology

1,600 received care

Donations to the Enriquillo Hospital

Education

3,000 students benefited

18 Education centers supported in the South and East regions of the country

Honor students awards

Donation of computers, uniforms & backpacks with school supplies

End of year celebrations for sponsored centers

Sponsorship of Eco school programs

Income Generation

20 technical, leadership & teamwork training workshops

450 participants from the South and East of the country

Support to productive unions

Cooperative of the Chere Barahona Cooperative

Farmers' Associations of Juancho, Maipioró and Macandela

Refurbished basketball court in Enriquillo, Barahona

Energy transformer donated to the Batey II School of Monte Largo, San Pedro de Macorís

EGE Haina, in 2018, continued its community development program in areas close to its operations, focusing on education, income generation, health, environment, sports and culture.

The results of the social programs sponsored by EGE Haina are the product of a consistent plan of action that in 2018 directly benefited 20,000 people.

Community infrastructure

The company devoted significant efforts and resources to the construction and renovation of community infrastructure. Among them, 8.62 kilometers of rural and access roads were built in the vicinity of Buena Vista, Juan Isidro, Peñalba and La Bija, communities close to the second phase of the Larimar Wind Farm, in Enriquillo, Barahona.

This important road project involved the expansion, conditioning and repair of rural roads, and the creation of new access routes that now allow vehicular traffic between communities. By facilitating vehicular access and travel to the area, these new roads built by EGE Haina encourage exploration and promote mountain tourism in the municipality.

The Cultural Club and the Enriquillo basketball court were also renovated and the Arroyo Dulce Stadium bleachers were built, as was the Domingo Matos School cafeteria in the community of Juan Isidro, La Bija, where the church was also repaired.

In Quisqueya, financial sponsorship was provided for the construction of sidewalks and curbs in the Placer Bonito and Villa Katime sectors, and the new fire station in that municipality was designed and will be built in 2019.

Additionally, a transformer was donated, and electricity was supplied to the Batey II School in San Pedro de Macoris. Streetlamps were also donated for public lighting in Enriquillo, Arroyo Dulce and Villa Central, Barahona.

Education

During the year corresponding to this report, EGE Haina contributed to education in 18 schools in the south and east of the country, benefiting 3,000 students and 150 teachers. The activities carried out included: student merit awards, special celebrations, transformer donated to the Batey II School in Monte Largo, San Pedro de Macoris, the Eco-schools program, donation of computers, backpacks, uniforms and school supplies.

Activities took place at the end of the school year and Christmas in eight sponsored schools in the east and south of the country. A total of 2,500 students participated on both occasions. 109 honor students received certificates and medals at the Punta Pescadora, Hoyo del Toro and Batey II schools in San Pedro de Macoris; El Tanque in Barahona; Ismael Miranda and Domingo Matos in Enriquillo, and the Elementary School in Juancho and Colonia de Juancho, in Pedernales.

EGE Haina continued to support participation in the Eco-Schools international environmental program at four schools: Punta Pescadora in San Pedro de Macoris; El Tanque, in Barahona; Ismael Miranda, in Enriquillo; and Escuela Básica de Colonia de Juancho, in Pedernales. Within the framework of this program, students and friends of the schools were involved in the implementation of environmental improvements at the

Workshop on administrative procedures with members of COOPCACHENE in Enriquillo, Barahona

Participation by APIJUMA in the EGE Haina stand at the Barahona Tourism and Production Fair

school and in the community. All of the schools were able to maintain the compliance certification this program grants.

As part of its school sponsorship efforts, EGE Haina presented 3,000 backpacks with school supplies to low-income students from Batey II schools in Monte Largo, Hoyo del Toro School, Punta Pescadora School, Batey La Siria in Quisqueya, Juancho Elementary School, Juancho Colony Elementary School in Pedernales, Ismael Miranda School, Peñalba and La Bija in Enriquillo and El Tanque School in Barahona.

The Politécnico Guarocuya, in Enriquillo, received a donation of tools for its electricity workshop and its students were trained in the prevention of teenage pregnancies.

Income Generation and Institutional Strengthening

A priority for the company was to contribute to technical training through a partnership with the Instituto de Formación Técnico Profesional (INF OTEP), with which it conducted 20 technical training workshops benefiting 392 participants in Villa Central, Enriquillo and Juancho. The workshops delivered included: basic, residential and industrial electricity; office assistant, pharmacy assistant, information technology, entrepreneurship, wood working, accounting, confectionery and cooking.

This program aims to provide working age populations with technical skills that will allow them to integrate into the labor sector in fields where there are greater opportunities for development within the region area.

During the second semester of 2018, training in entrepreneurship aimed at establishing and strengthening SME initiatives was imparted to a group of women from the municipality of Quisqueya, in San Pedro de Macorís.

Intended to increase the income generation of working age populations in neighboring communities, EGE Haina contributed to the development of the Asociación de Apicultores de Maipioró y Macandela (APIJUMA) (Beekeepers Association of Maipioro and Macandela) and the Cooperativa de Productores de Café y Servicios Múltiples de Chene (COOPCACHENE)(Coffee Growers and Multiple Service Cooperative of Chene), in Enriquillo, Barahona, through consulting, training, equipment and tools.

As part of the institutional strengthening program, the company organized workshops on administration and management of social projects, leadership and teamwork for 150 representatives from associations, social groups and community leaders from San Pedro de Macorís, Enriquillo and Juancho.

Chene Coffee Cooperative in Enriquillo

EGE Haina supported the strengthening of this Cooperative through a participatory diagnosis and strategic management and business plan carried out by the Institute for the Development of an Associative Economy (IDEAC). The consultancy focused on the development of technical and business skills, management of an integrated administration system and productive diversification on coffee plantations.

Workshop on basic electricity in Juancho, Pedernales

Oral health interventions in Villa Central, Barahona

The company also donated a computerized accounting system and furniture for the COOPCACHENE offices.

Beekeepers Association of Juancho, Maipioró and Macandela

Since 2016, the Beekeepers Association of Juancho, Maipioró and Macandela (APIJUMA) has been sponsored by EGE Haina, both in its creation, as well as training in sustainable beekeeping and organizational strengthening.

In 2018, APIJUMA beekeepers received training in queen bee breeding, in order to implement a reforestation plan aimed at increasing honey production, and the donation of 90 beehives and three extractors to improve the process of collecting honey.

During this phase, a marketing plan and a financing plan were also drawn up to enable beekeepers to sustainably further to modernization of their apiaries, increase their honey production and derivatives, and offer the market a safe and quality product for commercialization at a national level.

Participation in the Barahona Tourism and Production Fair

For the second consecutive year, EGE Haina participated in the "Discover Barahona Tourism and Production" Fair: Towards Sustainable Development, organized by the Barahona Tourism and Production Cluster held at the Catholic University of Barahona (UCATEBA). EGE Haina had a richly colorful space that highlighted the social and economic impact that the Los Cocos and Larimar wind farms have had on the province of Barahona, as well as the support provided by the company to productive associations in the area.

Under the auspices of EGE Haina, members of APIJUMA at the company's stand demonstrated the tools they use to extract honey and displayed their products, which were available for sale.

Health

In the area of health, EGE Haina continued to contribute to the modernization of laboratory services at the Enriquillo Hospital through donations of furniture and equipment, in addition to those donated in two previous years.

Similarly, in 2018, it sponsored seven healthcare interventions, four of which were dermatological, benefiting 700 people from communities adjacent to its headquarters in San Pedro de Macoris; and three oral health interventions in which 900 people were treated in Villa Central, Barahona, Enriquillo and Juancho.

Healthcare Interventions

For the dermatological interventions carried out in collaboration with the Higuamo River Coalition, mobile units were placed in the communities and, additionally, specialists from the Instituto Dermatológico y Cirugía de Piel Unidad Este made house-to-house visits to assist patients who could not be mobilized.

For the third year, EGE Haina sponsored oral health interventions in the sectors of Los Blocks, Las Salinas, La Montañita and Juan Pablo, in the municipality of Villa Central; as well

Uniforms and scoreboards donated to the Guzman Baseball League in Quisqueya, San Pedro de Macorís


Leadership and conflict management workshop in Juancho, Pedernales

as in the municipality of Enriquillo; in Juancho and in Colonia de Juancho. The objective of these oral health campaigns is to encourage communities to prevent the most frequent oral pathologies and eliminate potential infectious foci.

The interventions included dental cleanings, fluoride application, extractions and cavity repairs for a total of 1,091 treatments applied with advanced technology equipment, in an appropriate and dignified environment for the beneficiaries.

Sports

In terms of sports infrastructure, EGE Haina repaired the Enriquillo municipal basketball and volleyball court, refurbished and provided lighting for the Rafael Robles Softball Stadium in Quisqueya. In addition, it rebuilt the bleachers at Arroyo Dulce Stadium and donated scoreboards to be used in both stadiums.

EGE Haina donated lamps to light the tennis courts at the Juan Pablo Duarte Olympic Center in Santo Domingo, and made a donation to the Ministry of Sports to complete lighting of the Nadin Hazoury stadium in Barahona.

As in previous years, the company lent its support to 20 sports tournaments, cycling tours and recreational rallies. It also donated 648 uniforms and sports equipment for various disciplines to leagues and clubs in San Pedro de Macoris and Barahona, among them: MTB Rompecaminos (SPM), Guzmán Baseball League (Quisqueya), San Pedro de Macoris Basketball Association, Villa Providencia Sports and Cultural Club (SPM), Double A Baseball Team in Haina, Gregorio Pineda Sports League (Barahona), Barahona Basketball Association, Manuel Batista Baseball League from Villa Central, Cacata Cabrera Baseball League (Barahona), Barahona Cycling Association, Los Halcones de Villa Central Sports and Cultural Club, Barahona Baseball Club, Las Rápidas Women's Volleyball Team (Enriquillo) and Las Águilas Basketball League (Enriquillo).

Environment

In addition to the reforestation campaigns conducted in the impact zone of the construction of phase two of the Larimar Wind Farm, EGE Haina contributed to numerous initiatives related to the environment, including the following:

- Holding the Atabey Awards that recognize good environmental practices for the sustainable use of natural resources and management of environmental problems.
- Participation of the Dominican Delegation that attended the 24th Conference of the Parties to the Kyoto Protocol and the Conference of the Parties to the Paris Agreement, by the National Council for Climate Change and Clean Development Mechanism.
- Workshops within the "Forging of Environmental Leaders" Program, carried out by the Ministry of the Environment in Santo Domingo and Barahona.
- Sixth Environmental Education Congress: Management and Conservation of Coastal Zones organized by the Higuamo River Coalition in San Pedro de Macorís.
- Beach cleanup Das at Casita Blanca and Cayo beaches,

First-aid training for the Quisqueya and Los Llanos Firefighters, San Pedro de Macoris


Enriquillo, Barahona

in Barahona, organized by the Ministry of the Environment and Natural Resources.

Relief agencies

In 2018, EGE Haina began the procedures to build a modern station for the Fire Department of Quisqueya and Los Llanos in San Pedro de Macoris, which will be completed by mid-2019.

In the municipality of Quisqueya, the company sponsored the development of first-aid training and vehicle rescue with the participation of the Red Cross, Civil Defense and volunteers from the regional Fire Department.

Additionally, as part of the program to support the Enriquillo Fire Department, EGE Haina held meetings with municipal authorities and representatives from local relief agencies to determine the location and characteristics for the construction of a new fire station to further contribute to the proper functioning of these agencies.

Following our tradition, EGE Haina made contributions to relief agencies for the implementation of Easter and Christmas safety campaigns in San Pedro de Macoris, Barahona and Enriquillo.

Donations and sponsorship

In 2018, the company backed 91 specific initiatives through donations and sponsorship, in response to requests made by institutions, organizations and groups, most of which are located in the communities where the company operates, both in the south and east of the country.

Other activities included support to the Enriquillo Carnival, the Premios de Oro awards, the Carnival and Patron Saint Festivities of VIlla Central in Barahona, celebration of the San Pedro de Macorís Carnival; the Instituto Politécnico Loyola, in San Cristóbal, for its institutional technical fair; and celebration of the Induction Ceremony of athletes native to San Pedro into the Hall of Fame.

Since 2017, the company has provided support, through resources and the participation of volunteer employees, to the TECHO Foundation initiative, which promotes the construction of houses for low-income families. In 2018 the initiative in which EGE Haina was involved was held at Batey La Carretera in San Pedro de Macoris. Volunteer employees from the Sultana del Este and Quisqueya 2 plants participated in the activity

Five Years of Social Action in Enriquillo

A video was produced aimed at presenting to the community of Enriquillo the results of five years of social initiatives of the company in their locality. It gathers testimonies from representatives of the municipality, highlighting the positive impact this work has had there. A printed newsletter was also produced, where municipal authorities and representatives from various sectors give an account of the social action undertaken by EGE Haina in Enriquillo, which has benefited more than 13,000 residents of that municipality.

A meeting was held in the community to present these pieces. The video was further shown on local television and radio spots were broadcast extracted from the testimonies in the video.

5

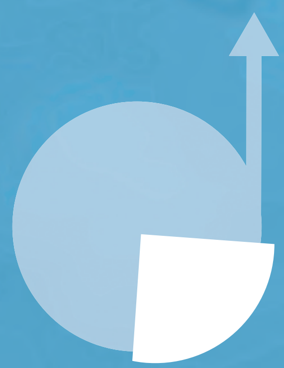
Financial and Operating Results

Compared to the previous year, 2018 was a period of financial growth for EGE Haina. The company experienced a rise in the average price of energy sales, in the margin of average sales and in revenues from frequency regulation. Consequently, it reported a net profit 55% higher than that registered in 2017. In addition, the Feller Rate international agency increased the risk rating of EGE Haina from A to A+, thanks to the financial strength and credit quality of the organization.

2018 Financial Results

EBITDA

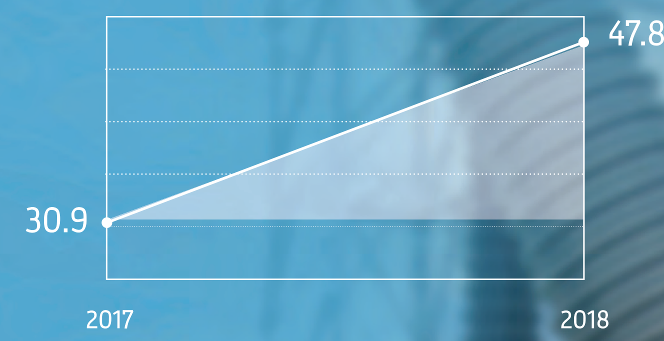
US$ 121.1 million



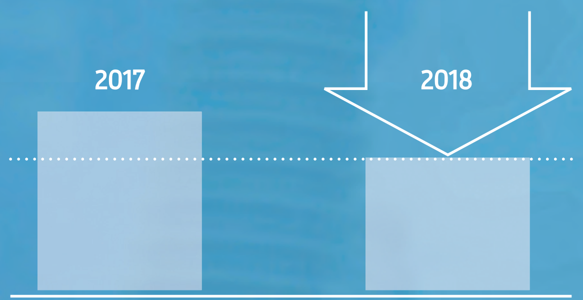
28.2 %
on the total sales

Net Profit

US$ 47.8 million



Operational & Maintenance Expenses



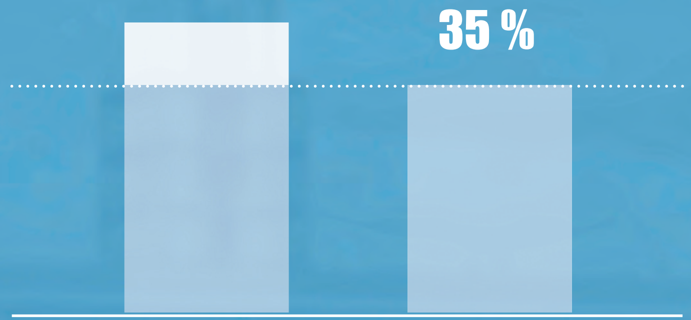
1.38 US¢/kWh

1.66 US¢/kWh

Margin on Sales

41.1 %

35 %



Year 2018

Historic Average

Credit Rating

A+
Feller Rate

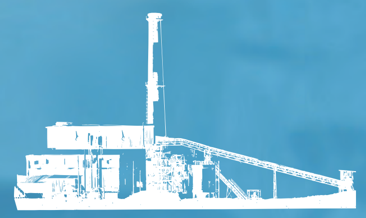
AA-
(DOM)
Fitch Ratings

Both with stable prospects

Major Investment Projects

US$ 100.6 MM

Second-phase construction of the
Larimar Wind Farm



US$ 30.3 MM

Repowering of the
Barahona Plant

Following the increase in the price of oil during the year, the company experienced a 23.9% increase in the average price of energy sales. This factor, combined with the effect of the new clients described above, as well as the increase in revenues from frequency regulation, contributed to achieve a sales margin of 41.1%, which is higher than the historical average of 35%.

As a result of its operations during 2018, the company obtained an EBITDA of US$ 121.1 MM, which represents 28.2% on total sales, a figure that is higher than the 27.3% 2017 index. The main events that contributed to this increase were: to

- The commissioning of the Sultana del Este plant in June 2018, after its shutdown in late 2017 due to damages to the medium voltage switchgear caused by the fire breakout already mentioned. This incident neither harmed our staff, the environment nor other plant assets.
- Greater wind generation compared to 2017, due to the start-up of phase II of the Larimar Wind Farm and the increase in wind power during the year.

Total operating and maintenance expenses per kilowatt hour (kWh) decreased from 1.66 US¢ per kWh in 2017, to 1.38 US¢ per kWh in 2018. This decrease was essentially the result of two factors: i) reimbursement of property damage and business interruption insurance on account of the event that occurred at the Sultana del Este plant, and ii) a lower cost in our asset insurance policy, even with an increase in the insured value. Total administrative and general expenses increased 35.8%, shifting from US$ 13.8 MM in 2017 to US$18.8 MM in 2018. This variation was mainly due to the following reasons:• Mayor gasto relativo a honorarios de administración, debido al incremento en las ventas.

- Higher expenditure relative to administration fees, due to sales increase.
- Increase in professional services and consultancies, mainly related to strategic company planning.
- Higher expenses for payments to regulatory bodies.

At the 2018 fiscal year-end close, the company reported a net profit of US$ 47.8 MM, higher by US$ 16.9 MM than the one reported in 2017. The increase in net profit was primarily due to the increase in EBITDA; due to a higher exchange gain in US$ 1.3 MM resulting from the devaluation of the Dominican peso vis-a-vis the US dollar, and to lower net interest expense. This was partially offset by a higher depreciation expense due to the capitalization of the Larimar Wind Farm expansion and the modernization of the Barahona Plant equipment, as well as a higher income tax expense as a result of the increase in net taxable income.

Working Capital Management

EGE Haina has adapted its financial strategy to respond to the different challenges and has managed the available resources with excellence. At the end of 2018 the company had cash availability and cash equivalents for US$ 55.1 MM, an adequate amount for the proper operation of the business and sufficient to meet its short and medium-term commitments. This balance represents a reduction of US$ 183.5 MM, or approximately 76.9%, compared to US$ 238.9 MM at the end of 2017. This reduction in the company's liquid resources was mainly due to larger arrears of the distribution companies and the CDEEE in paying its obligations, which at the end of 2018 amounted to US$ 195.8 MM for a 55% collections rate. However, in March 2019, the company received disbursements for US$ 159.7 MM, reducing accounts receivable to said companies to US$ 36.1 MM, corresponding to the energy sales for the month of December 2018 billed in January 2019. Additionally, during 2018 the company made a US$ 65.0 MM dividend payment to its shareholders for which the Dominican State received US$ 32.5 MM for its stock ownership.

The reduction in liquidity was partially offset by the stability of the flows received from sales made under contracts signed with unregulated users and other customers, following the diversification strategy of EGE Haina's commercial structure. The Income recognized in respect of these contracts amounted to US$ 113.8 MM in the year 2018.

Debt Management

At the close of 2018, the financial debt of EGE Haina was entirely composed of corporate bonds issued in the Securities Market of the Dominican Republic and amounted to US$ 349.3 MM, with a decrease of 10.4% equivalent to US$ 40.6 MM with regards to the US$ 389.9 MM financial debt reported as of December 31, 2017. This reduction was primarily due to the scheduled capital amortization corresponding to the fourth anniversary of the SIVEM-078 Issuance Program for a total of US$ 33.3 MM. This program was structured with capital maturities, in equal and consecutive amounts, during the fourth (2018), fifth (2019) and sixth (2020) years from the date of issuance. Additionally, the total amount of debt was impacted by the devaluation of the Dominican peso vis-a-vis the US dollar on EGE Haina's peso-denominated debt.

Credit Rating

As of December 2018, EGE Haina held a long-term national AA- (dom) rating with a stable outlook given by Fitch Ratings. In October 2018, the Feller Rate rating agency improved the risk rating of EGE Haina from A to A+ with a stable outlook, in response to improvements in the business profile of the company with a larger contract base, greater relevance of efficient generation, and from renewable sources, and the favorable financial position of EGE Haina in the opinion of the rating agency. Both ratings denote a sound credit quality with respect to other issuers or issuance in the country, with a good capacity to pay its obligations under the terms and deadlines agreed to.

Dividends

During the 2018 fiscal period, the Company's General Shareholders' Meeting approved the US$ 65.0 MM declaration in dividends. This amount was declared and paid in April.

Investment Detailss

The company has not made investments in other entities. During 2018 the main investment projects carried out in the normal course of business were:

- The completion of the construction of the second phase of the Larimar Wind Farm, consisting of 14 wind turbines with an installed capacity of 48.3 MW, and an investment of US$ 100.6 MM.
- The completion of the Barahona Plant repowering project through partial modernization of its equipment, for a total cost of US$ 30.3 MM.

Financial statements

Consolidated Financial Statements

Empresa Generadora de Electricidad Haina, S. A. and Subsidiaries

December 31, 2018

(Along with the Independent Auditors' Report)

Empresa Generadora de Electricidad Haina, S. A. and Subsidiaries

Consolidated Financial Statements

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Independent Auditor's Report

To the Board of Directors and the Shareholders of
Empresa Generadora de Electricidad Haina, S. A. and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Empresa Generadora de Electricidad Haina, S. A. and subsidiaries (hereinafter "the Company"), which comprise the consolidated statement of financial position at December 31, 2018, the consolidated statements of comprehensive income, of changes in equity and cash flows for the year then ended, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material aspects, the financial position of Empresa Generadora de Electricidad Haina, S. A. and Subsidiaries at December 31, 2018, its financial performance and cash flows for the year then ended, in conformity with International Financial Reporting Standards ("IFRS").

Basis for the opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are described in the section *Responsibilities of the auditor with regards to the audit of the consolidated financial statements* of our report We are independent of the Company, in accordance with the Code of Ethics for Accounting Professionals of the International Ethics Standards Board for Accountants ("IESBA"), the Code of Ethics of the Institute of Certified Public Accountants of the Dominican Republic (ICPARD, for its acronym in Spanish) along with the ethics requirements relevant to our audit of the consolidated financial statements and have met all other ethical responsibilities in accordance with these requirements and the Code of Ethics of IESBA and ICPARD. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

The key audit matters are those that, based on our professional judgment, have been the most significant to our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were considered as part of our audit of the consolidated financial statements taken as a whole, and as part of our opinion, and we do not express a separate opinion on these matters. We determined that the matters described below are key to the audit and should be communicated in our report.

We complied with the responsibilities described in the section "Responsibilities of the auditor with regards to the audit of the consolidated financial statements" regarding the key audit matters. Our audit therefore included procedures that were designed to respond to our assessment of the risks of material misstatement in the consolidated financial statements. The results of our audit procedures, including the procedures conducted to support the key matters described below, provide a basis for our audit opinion.

I Revenue recognition

Revenue from sale of contracted energy and sale to the spot market are recognized based on the energy produced and required by customers. The Coordinating Body of the National Interconnected Electric System of the Dominican Republic (OCSENI, for its acronym in Spanish) is in charge of determining the quantity of energy sold each day. Revenue for this concept are detailed in Note 21 of the accompanying consolidated financial statements. We have focused our attention on the recognition of invoices prepared each month by the Company, in relation to the monthly resolutions issued by the Coordinating Body of the National Interconnected Electric System of the Dominican Republic (OCSENI).

To support this matter, we conducted, among others, the following procedures:

- We assessed and tested the internal controls for the different revenue processes at the Company, at December 31, 2018.
- We conducted analytical procedures using information by type of revenue at December 31, 2018.
- We sent accounts receivable confirmations to customers at December 31, 2018.
- We recalculated revenue for the year ended December 31, 2018, considering all of the resolutions issued by the Coordinating Body of the National Interconnected Electric System of the Dominican Republic (OCSENI) against revenue recorded in the Company's books at December 31, 2018, and compared them with the reports of energy produced.
- We obtained the sales contracts in effect during the year ended December 31, 2018, and verified that the sales were performed per the contractual conditions, by recalculating them.
- We conducted cutoff tests of operations by revenue type for the 2018 close.

II Impairment of non-financial assets

The Company maintains non-financial assets, mainly the generation plants, for which it conducts a review of their carrying values as of each accounting close, apart from reviewing that there are no indications of impairment. The carrying amount at December 31, 2018 is included in Note 12 of the accompanying consolidated financial statements. We focused our attention on identifying whether there are reductions in value when events or circumstances indicate that recorded values may not be recoverable.

To support this matter, we conducted, among others, the following procedures:

- We requested to the Company's Management the analysis and assessment to determine the recoverable amount of each cash-generating unit that produces cash flows for the Company, and that is independent from the cash flows derived from other assets or groups of assets. We reviewed and assessed assets that are grouped by their lowest level and for which there are cash flows that are separately identifiable, according to the parameters established by the International Accounting Standard 36 "Impairment of Assets".
- We compared the values produced by the forecasts against the carrying values at December 31, 2018.

Other information included in the Company's annual report

The other information consists of information included in Management's annual report which is different from the consolidated financial statements and our corresponding audit report. Management is responsible for the other information.

The Company's annual report is expected to be available for us after the date of this audit report. Our opinion on the consolidated annual reports does not cover the other information and we do not express an opinion or any other type of assurance in that regard.

Regarding our audit of the consolidated financial statements, our responsibility is to read this other information as soon as it becomes available, and while doing so, consider if there is a material deviation between that other information and the consolidated financial statements, or the knowledge that we obtained during the audit. If we determine that the other information contains material deviations, we are required to report this fact.

Responsibilities of Management and those in charge of the Corporate Governance over the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as well as for the internal control that the Administration determines as necessary in order to prepare consolidated financial statements free from material misstatement, whether due to fraud or error.

In the preparation of the consolidated financial statements, Management is also responsible for assessing the Company's ability to continue as an on-going entity, disclosing, as applicable, the matters related to an on-going entity 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 responsible for the Company's Corporate Governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the auditor with regards to the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance on whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and issue an audit report including our opinion. Reasonable assurance is a high level of assurance, but does not constitute a guarantee that an audit performed per International Standards on Auditing will always detect a significant error when one exists. Errors can be due to fraud or error and are considered significant when they, individually or as a whole, can be expected to influence the economic decisions made by users based on these consolidated financial statements. As part of an audit under ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. Moreover, as auditors, we also:

- Identify and assess the risk of material misstatement in the consolidated financial statements, due to fraud or error, design and apply audit procedures to respond to those risks, and obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement due to error, since fraud may involve collusion, forgery, intentional omissions, intentional misstatements, or circumvention of internal control.

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

- Assess that the accounting policies used are adequate, as well as the fairness of accounting estimates and disclosures made by Management.

- Conclude on Management's adequate use of the going concern basis of accounting, and based on the audit evidence obtained, conclude on whether there is material uncertainty related to events or conditions that may generate significant doubts about the Company's capacity to continue as an on-going entity. If we conclude that there is material uncertainty, we are required to note in our audit report the corresponding disclosures in the consolidated financial statements, or express a modified opinion if those disclosures are not appropriate. Our conclusions are based on audit evidence obtained at the date of our audit report. Nevertheless, future events or conditions could cause the Company not to continue as an on-going entity.

- Assess the global presentation, structure and contents of the consolidated financial statements, including the disclosures, and whether those consolidated financial statements represent the underlying transactions and events in a manner that implies a reasonable presentation.

- Obtain sufficient and adequate evidence relating to the financial information of the entities or business activities of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, oversight and execution of the Group's audit. We are solely responsible for our audit opinion.

We communicated with those in charge of the Company's Management regarding among others, the scope and timing of our audit and the significant findings, including any significant weaknesses in internal control that we identified during our audit.

We also provided those in charge of Management a statement that we complied with the applicable ethical requirements on independence and reported all relationships and other matters that could be reasonably expected to affect our independence, and the corresponding exceptions.

Among the matters reported to those in charge of Company Management, we determined those that were the most significant in the audit of the consolidated financial statements at December 31, 2018, and are therefore key audit matters. We described those key audit matters in our audit report, unless a law or regulation did not allow a public disclosure of the matter, or, in extremely rare circumstances, if we determined that the matter should not be communicated in our report because it would be reasonable to expect that the negative consequences of doing so would surpass the public interest benefits of this communication.

The partner in charge of the audit performed by these independent auditors is Maylen A. Guerrero P. (CPA No. 5296).

Ernst + Young

March 26, 2019
Torre Empresarial Reyna II,
Suite 900, Piso 9,
Pedro Henríquez Ureña No. 138.
Santo Domingo, Dominican Republic

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	Notes	2018	2017
Assets			
Current assets			
Cash and cash equivalents	7	55,100,342	238,859,306
Notes, trade receivables and others	9	210,256,630	51,479,665
Inventory	11	34,262,816	35,468,828
Income tax receivable	19	-	3,398,753
Prepaid expenses		2,608,616	3,003,016
Total current assets		302,228,404	332,209,568
Income tax receivable	19	-	1,699,377
Property, plant and equipment	12 and 13	663,961,242	621,028,648
Other non current assets	14	10,540,585	3,760,308
Total assets		**976,730,231**	**958,697,901**
Liabilities and Equity			
Current liabilities			
Current debt and loans payable	15	33,333,327	33,333,327
Trade payables and others	16	132,894,434	79,086,332
Income tax payable	19	3,529,631	-
Lease liability	13	1,698,951	-
Other current liabilities	17	2,565,288	2,416,941
Total current liabilities		174,021,631	114,836,600
Non current debt and loans payable	15	315,963,603	356,561,902
Deferred tax liability, net	19	67,427,505	61,353,563
Lease liability	13	10,233,782	-
Decommissioning provision	12	2,601,383	2,185,455
Other non current liabilities		3,000	3,000
Total liabilities		570,250,904	534,940,520
Equity			
Paid-in capital	20	289,000,000	289,000,000
Legal reserve		28,900,000	28,900,000
Retained earnings		88,617,244	105,857,381
Other comprehensive income		(37,917)	-
Total equity		406,479,327	423,757,381
Total liabilities and equity		**976,730,231**	**958,697,901**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
December 31, 2018 and 2017

	Notes	2018	2017
Revenue	21	429,520,797	329,851,359
Cost of fuel and energy purchases	22	(237,884,346)	(170,080,797)
Operating and maintenance expenses	23	(31,071,494)	(34,559,862)
Administrative and general expenses	24	(18,782,451)	(13,835,134)
Employee benefits	25	(20,679,731)	(21,183,135)
Depreciation and amortization	12,13 and 14	(41,618,394)	(39,368,296)
Gain on foreign currency exchange, net		2,921,969	1,608,476
Other expenses, net	26	(8,606,755)	(1,452,638)
Operating income		73,799,595	50,979,973
Financial income	27	19,227,086	17,201,055
Financial expenses	28	(28,160,188)	(26,453,477)
Financial expenses, net		(8,933,102)	(9,252,422)
Income before tax		64,866,493	41,727,551
Income tax expense	19	(17,106,630)	(10,844,995)
Net income		47,759,863	30,882,556
Other comprehensive income, net of taxes			
Items that can be reclassified later to the consolidated income statement			
Employee benefit update		(37,917)	-
Comprehensive income		**47,721,946**	**30,882,556**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the years ended December 31, 2018 and 2017
(Amounts expressed in United States dollars - US$-)

	Note	Paid-in capital	Legal reserve	Retained earnings	Other comprehensive income	Total equity
Balance at January 1, 2017		289,000,000	28,900,000	119,974,825	-	437,874,825
Earnings:						
Net income		-	-	30,882,556	-	30,882,556
Shareholders' distributions:						
Declared dividends	20	-	-	(45,000,000)		(45,000,000)
Balance at December 31, 2017		289,000,000	28,900,000	105,857,381	-	423,757,381
Earnings:						
Net income		-	-	47,759,863	-	47,759,863
Shareholders' distributions:						
Declared dividends	20	-	-	(65,000,000)	-	(65,000,000)
Employees benefit update	25				(37,917)	
Balance at December 31, 2018		**289,000,000**	**28,900,000**	**88,617,244**	**(37,917)**	**406,479,327**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017
(Amounts expressed in United States dollars - US$-)

	Notes	2018	2017
Cash flows from operating activities			
Income before tax		64,866,493	41,727,551
Adjustments to reconcile income before tax to net cash (used in) provided by operating activities:			
Loss on disposal of property, plant and equipment	12 and 26	7,513,208	662,099
Gain on sale of property, plant and equipment	26	(214,959)	(612,545)
Depreciation	12	40,290,445	39,172,225
Amortization of right-of-use assets	13	1,104,402	-
Amortization of other non current assets	14	223,547	196,071
Amortization of debt issuance costs	15 and 28	207,134	248,510
Interests on decommissioning liability	28	159,539	-
Adjustment to the salvage value of property, plant and equipment	26	619,714	831,000
Adjustment to the net realizable value of inventories	26	926,282	872,994
Mutual agreement policy provision	25	(28,375)	389,655
Changes in fair value of notes receivable	26	-	(104,841)
Gain on foreign currency exchange, net		(7,466,459)	(4,586,871)
Financial expenses, net	27 and 28	8,566,429	9,003,912
Changes in assets and liabilities:			
Notes, trade receivables and others		(152,726,470)	14,551,703
Inventory		(777,982)	(3,033,170)
Prepaid expenses		120,098	(75,289)
Other non current assets		(6,446,975)	(2,194,768)
Trade and other payables		51,690,837	26,116,938
Other current liabilities		148,350	(27,650)
Interests received		12,204,081	16,600,662
Interests paid		(26,336,239)	(26,792,143)
Taxes paid		(2,509,583)	(5,505,447)
Net cash (used in) provided by operating activities		(7,866,483)	107,440,596
Cash flows from investing activities:			
Cash received from the sale of property, plant and		214,959	1,008,485
Additions to property, plant and equipment	12	(76,244,097)	(58,480,203)
Additions of intangible assets		(282,431)	(292,679)
Held-to-maturity investments		-	41,781,870
Lease payments		(1,247,094)	-
Net cash used in investing activities		(77,558,663)	(15,982,527)
Cash flows from financing activities:			
Proceeds from debt issuance	15	-	97,883,432
Repayments of debt	15	(33,333,327)	-
Dividends paid	10	(65,000,491)	(44,999,433)
Debt issuance costs	15	-	(144,642)
Net cash (used in) provided by financing activities		(98,333,818)	52,739,357
Net (decrease) increase in cash and cash equivalents		(183,758,964)	144,197,426
Cash and cash equivalents at beginning of year		238,859,306	94,661,880
Cash and cash equivalents at end of year		**55,100,342**	**238,859,306**

See accompanying notes to the consolidated financial statements.

1. Corporate information

Empresa Generadora de Electricidad Haina, S. A. ("EGE Haina" or "the Company") was established on August 17, 1999 and incorporated on October 28, 1999, in conformity with the laws of the Dominican Republic as part of the process of capitalization of the Dominican electric sector that took place that year.

The Company's administrative offices are located at Lope de Vega Avenue, Torre Novo-Centro, 17th floor, Naco, Santo Domingo, Dominican Republic. The shareholders of EGE Haina are Haina Investment Company. Ltd. ("HIC") (50%), Fondo Patrimonial de las Empresas Reformadas ("FONPER"), an entity of the Dominican State (49.994%) and other non-controlling shareholders (0.006%).

EGE Haina is the greatest power generation company in the country, when measured by its installed capacity. EGE Haina owns ten generation facilities of 744.7 MW, of which nine are commercially available, distributed throughout the country with a generation capacity totaling 711.7 MW: Sultana del Este, Quisqueya II and Quisqueya Solar in the eastern part of the country, Haina and Barahona in the south, and Pedernales, Los Cocos and Larimar in the west. The power facilities consist of a number of thermal units operated with fuel oil and coal, three wind generation farms of 175.0 MW and a photovoltaic power plant of 1.5 MW. The thermal units have different technologies: vapor turbines, diesel engines, a simple cycle gas turbine and combined cycle engines.

EGE Haina also operates Quisqueya I, a combined cycle plant with dual fuel (fuel and natural gas), with a net installed capacity of 225 MW, a 138KV substation, and a 230KV transmission line, according to the operation and maintenance contracts signed with Pueblo Viejo Dominicana Corporation Branch ("PVDC"), a dominican subsidiary of Barrick Gold Corporation that owns the plant.

Company's Management authorized the issuance of the consolidated financial statements on March 26, 2019. These consolidated financial statements must be submitted to the Shareholders' General Assembly for definite approval. They are expected to be approved without changes.

2. Basis of preparation of the consolidated financial statements

2.1 Basis of preparation

The Company's consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

The Company's consolidated financial statements have been prepared on a historical cost basis, except for financial assets and liabilities (including derivative instruments) measured at fair value through profit and loss and other comprehensive income.

The preparation of financial statements under IFRS requires the use of certain critical accounting estimates; it also requires management to use its judgment while applying the Company's accounting policies. The areas that involve a greater degree of judgment or complexity, or areas where assumptions or estimates are important for the consolidated financial statements, are disclosed in Note 4.22.

2. Basis of preparation of the consolidated financial statements (continued)

2.2 Basis of consolidation

Subsidiaries are entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its envolvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated as of the date on which control is transferred to the Company, and they are deconsolidated from the date that control ceases.

The consolidated financial statements at December 31, 2018 and 2017, include the financial statements of Empresa Generadora de Electricidad Haina, S. A. and Haina Overseas Corporation, Inc.

Haina Overseas Corporation, Inc., was created in March 2016 under the laws of the Cayman Islands, as a tax-exempt company, to venture into potential foreign investments. At the date of these statements, this subsidiary has no operations. In September 2018, Haina Overseas Corporation, Inc's subsidiary, HOC Panamá was dissolved; this subsidiary has no operations.

At December 31, 2017 the consolidated financial statements included EGE Haina Finance Company which was created in 2007, under the laws of the Cayman Islands, as a tax-exempt company, with the purpose of issuing a 144A/Regulation S bond of US$175 million ("Senior Notes"), which was fully settled in September 2013 and did not have operations since then. In September 2018, this company was dissolved.

The financial statements of the subsidiaries were prepared on the same date as the financial statements of Empresa Generadora de Electricidad Haina, S. A., using consistent accounting policies.

All balances, transactions, income and expenses, earnings and losses resulting from intra-group transactions have been fully eliminated in the consolidation process.

The consolidated financial statements at December 31, 2018 and 2017 were prepared on a historical cost basis except for certain items that were measured under the accounting policies explained in Note 4. The financial statements are expressed in United States dollars (US$).

3. Changes in accounting policies

The accounting policies adopted by the Company to prepare its consolidated financial statements at December 31, 2018 are consistent with those that were used for the preparation of the consolidated financial statements at December 31, 2017, except for the early adoption of IFRS 16 Leases whose impact is disclosed below.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaces NIC 17 Leases, NIFRIC 4 Determination of whether an Agreement Contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluation the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single model in the statement of financial position, similar to the accounting for financing leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of "low value" assets (eg, personal computers) and short-term leases (ie, leases with a term of 12 months or less). At the start date of a lease, the lessee will recognize a liability relate to the lease payments (ie, the lease liability) and an asset representing the right to use the underlying asset during the term of the lease (ie, the right-of-use asset). The lessees will be required to separately recognize the interest expense of the lease liability and the depreciation of the right-of-use asset.

3. Changes in accounting policies (continued)

Lessees are also required to remeasure the lease liability when certain events occur (for example, a change in the term of a lease or a change in future lease payments resulting from a change in the rate or index used to determine those payments.). In general, the lessee will recognize the amount of the remeasurement of the lease liability as an adjustment to the right to use the asset.

The lessors accounting under IFRS 16 remains substantially unchanged with respect to the current accounting under IAS 17. The lessors will continue to classify leases using the same classification principle according to IAS 17 and distinguish between two types of leases: operating and finance.

IFRS 16 also requires lessees and lessors to provide more extensive disclosures than those contemplated under IAS 17.

The Company decided for an early adoption of this standard, with the cumulative effect recognized on January 1, 2018. The comparative figures for 2017 have not been restated. The Company used the exemptions proposed by the standard for lease agreements which terms concluded within 12 months from the date of the initial application, and lease agreements for which the underlying asset was considered of low value.

The impact on the consolidated statements of financial position at December 31, 2018, is as follows:

	US$MM
Assets	
Property plant and equipment (right-of-use asset)	11.47
Prepaid expenses	(0.27)
Liability	
Lease liability	11.96
Trade payables and others	(0.03)
Net impact	**(0.74)**

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3. Changes in accounting policies (continued)

The impact on the consolidated statements of comprehensive income at December 31, 2018, is as follows:

	US$MM
Operating and maintenance expenses (Lease expenses)	(1.25)
Depreciation and amortization	1.10
Operating income	0.15
Financial expenses	(0.91)
Net income	**(0.76)**

Both the adoption of IFRS 15 Revenue from Contracts with Customers as well as other modifications and interpretations were applied for the first time in 2018, and had no impact on the Company's results; except for the additional disclosures required by these standards.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations; and applies, with limited exceptions, to all income arising from contracts with customers. IFRS 15 establishes a five-step accounting model for revenue arising from contracts with customers, and requires revenue to be recognized for an amount that reflects the consideration to which an entity expects to be entitled in exchange for the transfer of goods or services to a customer.

An entity shall account for a contract with a customer that is within the scope of this Standard only when all of the following criteria are met:

a. The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;

b. The entity can identify each party's rights regarding the goods or services to be transferred;

c. The entity can identify the payment terms for the goods or services to be transferred;

d. The contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and;

e. It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession.

3. Changes in accounting policies (continued)

IFRS 15 requires entities to exercise their judgment, taking into account all relevant facts and circumstances when applying each of the five steps in the model to contracts with their customers. The standard also specifies the accounting of the incremental costs of obtaining a contract and the costs directly related to a contract fulfillment. Except for the additional disclosures, the adoption of this standard had no impact on the Company's results.

Interpretation IFRIC 22 Foreign Currency Transactions and Advance Considerations

The interpretation clarifies that when determining the exchange rate to be used in the initial recognition of an asset, expense or income (or part of it) on the derecognition of a non-monetary asset or liability arising from the payment or receipt of advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or liability arising from the advance consideration. If there are multiple payments or receipts in advance, the entity must determine the date of the transaction for each payment or receipt of the advance consideration. Entities can apply the modifications completely retrospectively. The interpretation is effective for annual periods beginning on or after January 1, 2018.

Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting and non-vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with a net settlement feature for withholding tax obligations; and the accounting when a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

At the time of adoption, entities are required to apply the amendments without re-expressing the previous periods, but retrospective application is allowed if it is chosen for the three amendments and if other criterias are met. These amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to IAS 40 - Transfers of Investment Property

The amendments clarify when an entity must transfer properties, including properties under construction or development, to or from investment property. The amendments state that a change in use occurs when the property meets (or ceases to meet) the definition of investment property and there is evidence of change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities shall prospectively apply the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity shall reassess the classification of property held at that date and, if applicable, reclassify the property to reflect the conditions that exist at that date. The amendment becomes effective for annual periods beginning on or after January 1, 2018.

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3. Changes in accounting policies (continued)

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that the Measurement of Investments in Associates at Fair Value Through Profit or Loss is Available Separately for each Associate.

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect at the time of initial recognition and based on each investment, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity (other than an investment entity) has an interest in an associate or joint venture that is an investment entity, the entity may elect to maintain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries when applying the equity method. This choice is made separately for each associated entity or investment joint venture, at the end of the date on which: (a) the associated entity or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the associate of the investment entity or joint venture first becomes a parent. The amendments shall be applied retrospectively and are effective at January 1, 2018.

4. Summary of significant accounting policies

4.1 Currency, transactions in foreign currency and conversion of financial statements

The Company records transactions in foreign currency at the exchange rate prevailing at the transaction date. At the reporting period close, to determine its financial position and operating results, the Company remeasures and adjusts its monetary assets and liabilities in foreign currency at the exchange rate prevailing at that date. Exchange differences that may result from the application of this policy are recognized in the consolidated statement of comprehensive income for the year in which they occur, which charge to gain on foreign currency exchange, net.

The exchange rates used by the Company at December 31, 2018, to convert the balances in foreign currency (RD$ and EUR) to US dollars were RD$50.29 (2017: RD$48.32) per US$1 and €1.22 (2017: €1.11) per US$1.

The legal currency of the Dominican Republic is the dominican peso; however, the Company adopted the US dollar as the functional and reporting currency of its consolidated financial statements since it better reflects the events and transactions that it conducts. The adoption of the US dollar as the functional currency was based on the fact that the selling prices for services are determined in this currency, including the main costs and fuel purchases; as well, the cash flows from operating activities are usually denominated in US dollars.

4. Summary of significant accounting policies (continued)

4.2 Current - non current classification

The Company presents assets and liabilities in the consolidated statement of financial position based on a current or non current classification.

An asset is current when:

- It is held primarily for the purpose of trading.
- It is expected to be realised within twelve months after the reporting period.
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non current.

A liability is current when:

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

All other liabilities are classified as non current.

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

4.3 Cash and cash equivalents

Cash and cash equivalents are comprised of cash and highly liquid short-term investments, with a maturity equal to or less than three months from the date of acquisition. For purposes of the consolidated statement of cash flows, cash and cash equivalents are presented by the Company net of bank overdrafts, if any.

4.4 Financial instruments

4.4.1 Financial assets and other financial assets

The valuation of the Company's financial instruments is determined using the fair value or amortized cost, as defined below:

Fair value - The fair value of an investment negotiated in an organized financial market is determined using as reference the prices quoted in that market for exchanges performed at the reporting date of the consolidated statement of financial position. For financial instruments for which there is no active financial market, the fair value is determined using valuation techniques. These techniques may include recent market transactions between interested and fully informed market participants who act independently; references to the fair value of another substantially similar financial instrument; and discounted cash flows or other valuation models.

Amortized cost - The amortized cost is calculated using the effective interest method less any impairment loss. The calculation takes into consideration any premium or discount in the acquisition, and includes the transaction costs and fees that are an integral part of the effective interest rate.

4. Summary of significant accounting policies (continued)

4.4 Financial instruments (continued)

4.4.1 Financial assets and other financial assets (continued)

The financial assets are classified as measured at fair value through profit or loss, or as it may be appropriate. The Company determines the classification of its financial assets upon initial recognition.

The Company initially recognizes all of its financial assets at fair value plus costs directly attributable to the transaction, except for financial assets valued at fair value through profit or loss in which these costs are not considered. The Company classifies its financial assets in the category of notes, trade receivables and others on the date of initial recognition. This initial classification is reviewed by the Company at the end of each fiscal year.

The Company recognizes the purchase or sale of financial assets on the date of each transaction, which is the date on which the Company commits to buy or sell a financial asset.

The Company's financial assets include cash and cash equivalents, held-to-maturity investments, notes, trade receivable and others.

Notes, trade receivables and others are non-derivative financial assets with fixed or determined payments that are not quoted in active markets. They are initially recognized at the respective invoiced amounts. After initial recognition, receivables are measured by the Company at amortized cost using the effective interest method less any estimated impairment.

Collectability on these financial assets is analyzed periodically, and an impairment is recorded for any accounts classified as doubtful with the corresponding charge to the period results. Accounts declared uncollectible are deducted from the impairment allowance.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity investments, when the Company has the positive intention and ability to hold them to maturity.

After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method. Gains or losses are recognized in results of the year in which the investments are derecognized or impaired, as well as through its amortization.

4.5 Impairment of financial assets

The Company assesses at the date of the consolidated statement of financial position, whether there is objective evidence that a financial asset or group of assets could be impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The expected credit loss model is based on the differences between contractual cash flows and the cash flows that the Company expects to receive, discounted at the appropriate effective rate.

For the determination and valuation of the expected credit losses, the Company adopts the simplified approach and the rebuttable presumption of "default" after 365 days; certain balances could be excluded when there is evidence of conditions to justify their exclusion, for example payment agreements or new guarantees, among others.

4. Summary of significant accounting policies (continued)

4.5 Impairment of financial assets (continued)

In the estimation of impairment, the Company uses the portfolio's historical performance information and collectability for the last three years, excluding guarantees. This matrix is reviewed annually, unless there are new conditions or changes that materially affect the behavior of the recovery of financial assets.

Aiming to incorporate prospective information, the Company analyzed variables that could affect and help predict the behavior of the recoverability of financial assets, of which none showed adequate correlation. However, the Company periodically performs qualitative risk analyzes to identify changes in the estimated losses.

Impairment of financial assets carried at amortized cost

When the Company determines that it has incurred in an impairment loss in the value of its financial assets carried at amortized cost, it estimates the loss amount as the difference between the asset's carrying amount and the present value of future cash flows discounted at the financial asset's original effective interest rate; it deducts the loss from the asset's carrying value and recognizes such loss in the results of the year in which it occurs.

If, in a subsequent period, the amount of the impairment loss decreases and may be objectively related to an event subsequent to the impairment recognition, the impairment loss is reversed. Once the reversal is recorded, the carrying amount of the financial asset should not exceed the original recorded amount. The amount of the reversal is recognized in the results of the year in which it occurs.

4.6 Derecognition of financial assets

Financial assets are derecognized by the Company when the rights to receive cash flows from the asset have expired, or when the financial asset is transferred along with its inherent risks and benefits and contractual rights to receive cash flows from the asset are surrendered, or when the Company retains the contractual rights to receive cash flows and assumes the obligation to pay them to one or more parties.

4.7 Financial liabilities

4.7.1 Initial recognition and measurement of financial liabilities

Financial liabilities are classified as measured at fair value through profit or loss, notes and loans payable and derivative financial instruments designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

The Company recognizes all financial liabilities initially at fair value on the date of acceptance or contracting the liability; plus, in the case of debt and loans payable, directly attributable transaction costs. The Company's financial liabilities include debts and loans payable, trade payables and others, accounts payable to related parties and certain provisions, accruals and withholdings payable, and decommissioning provision.

4. Summary of significant accounting policies (continued)

4.8 Subsequent measurement of financial liabilities

The subsequent measurement of financial liabilities depends on their classification as described below:

Debts and loans payable, trade payables and others, accounts payable to related parties.

After initial recognition, debts, loans and trade payables and others are measured at amortized cost using the effective interest method. Gains or losses are recognized in the results of the year when the financial liability is derecognized as well as through the amortization process.

4.9 Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation has been paid, canceled or expired. When a financial liability is replaced by another, the Company derecognizes the original and recognizes a new liability. Differences that may result from the replacement of these financial liabilities are recognized in the results of the year in which they occur.

4.10 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract was signed, and are subsequently remeasured at fair value. By virtue of hedge accounting, the Company classifies its hedges under the following parameters:

a) As a fair value hedge when it is a hedge of the exposure to changes in fair value of recognized assets or liabilities or unrecognized firm commitments.

b) As a cash flow hedge when it is a hedge of the exposure to the variation of cash flows that (i) is attributed to a particular risk associated to a recognized asset or liability, or a highly likely expected transaction, and that (ii) could affect the period's results.

c) As a hedge of a net investment in a foreign operation.

On the date of insertion of a hedging agreement, the Company formally designates and documents the hedging relationship to which it wishes to apply the hedge accounting as well as its risk management objective and strategy to engage the hedge. The documentation includes the identification of the hedging instrument, item or transaction hedged, the nature of the risk being hedged, and how the entity will assess the effectiveness of the hedge instrument in offsetting the exposure to changes in cash flows of the hedged item attributable to the risk hedged. It is expected that these hedges are highly effective in offsetting the changes in cash flows and they are assessed continuously to determine whether they have been highly effective throughout the financial periods for which they were designated.

During the year ended December 31, 2018 and 2017, the Compnay did not participate in any hedge.

Cash flow hedges – The portion of gains or losses of the hedge instrument that is determined as effective is recognized in other comprehensive income in the reserve for cash flow hedges, and the ineffective portion of the gain or loss of the hedge instrument is recognized in the results of the year.

(Amounts expressed in United States dollars - US$-)

4. Summary of significant accounting policies (continued)

4.11 Inventories

Inventories are valued at cost or at their net realizable value, whichever is less. Inventory costs include all costs derived from their acquisition, as well as other costs incurred to bring them to their condition and current location. Inventories consist of bulk fuel (coal, bunker fuel oil and diesel), as well as spare parts; these are recorded at their weighted average acquisition cost and are derecognized when they are consumed, used or disposed. Merchandise in transit is recorded at its invoiced cost.

4.12 Property, plant and equipment

Property, plant and equipment are recorded at historical cost, net of the corresponding accumulated depreciation. The historical cost includes expenditures directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying value or as a separate asset, as applicable, only when it is likely that the future economic benefits associated with the item will be transferred to the Company, and the cost of that item can be reliably measured. The cost of replaced parts is derecognized. All other repair and maintenance costs are charged to the results of the year in which they are incurred.

Depreciation is calculated on a straight-line basis, over the estimated useful life of each asset. The residual value of depreciable assets, estimated useful life and depreciation methods are reviewed annually by Management and are adjusted when considered pertinent, at the end of each fiscal year.

The estimated useful lives of the Company's assets are as follows:

Category	Estimated useful life (in years)
Buildings	5 – 40
Generation plants, including reusable capital spare parts	1 – 50
Transportation equipment	5 – 10
Office furniture and equipment	2 – 5
Minor equipments	3 – 15

Construction and installation costs are charged to temporary accounts and subsequently transferred to the respective asset accounts once the works are completed. These works in process include all disbursements directly related to the design, development and financial costs attributable to the asset.

A component of property, plant and equipment is written off when it is sold or when the Company no longer expects future benefits from its use. Any loss or gain from the asset's disposal, calculated as the difference between the net carrying amount and the sales proceeds, is recognized in the results of the year in which the transaction occurs.

Reusable capital spare parts, as opposed to inventory spare parts, are those that can be repaired and reused. Their estimated useful life is 10 years and does not exceed that of the generation plants that they support.

The estimated costs of the obligation that the Company has for the decommissioning of the land leased, are capitalized to the respective assets and amortized over the term of the land lease. The amount of amortization of these estimated costs is recognized in the results of the year. The amount of the respective provision will be reduced as future cash disbursements are made. Note 4.22 "Significant accounting judgments, estimates and assumptions" and Note 12 "Property, plant and equipment" include additional information about the recognized decommissioning provision.

4. Summary of significant accounting policies (continued)

4.12 Property, plant and equipment (continued)

Major and minor maintenance

All disbursements recognized as major and minor maintenance expenses comprise those incurred in the reconditioning of the generation plants. They are charged directly to the consolidated statements of comprehensive income.

4.13 Other non current assets

Intangible assets

Intangible assets acquired separately are initially recorded at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss, as applicable.

The intangible assets held by the Company relate to acquisitions of computer software licenses that are capitalized based on the cost incurred to acquire and place the software into operation. These costs are amortized over their estimated useful life (between three and five years). Additionally, the Company has easement contracts, which relate to easements acquired from third parties to use their land. The easement grants EGE Haina the right of use over a portion of the property for an indefinite period. Management's intention is to use the easement beyond the foreseeable future. These intangible assets are not subject to amortization.

The useful lives of the intangible assets are defined as finite or indefinite. Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives, which are reviewed by the Company annually. Expenses related to the amortization of intangible assets are recognized in the results of the year in which they are incurred. Intangible assets with indefinite useful lives are not amortized and on an annual basis the Company conducts an assessment to identify reductions in their realizable value when events or circumstances indicate that recorded values may not be recovered. If this indication exists and the carrying value exceeds the recoverable amount, assets or cash generating units are measured at their recoverable amounts.

4.14 Impairment of non financial assets

Intangible assets with an indefinite useful life or intangible and tangible assets that are not ready for use, are not subject to amortization and are assessed for impairment each year. Assets subject to depreciation and amortization are assessed for impairment when events or changes in circumstances indicate that the carrying value may not be recovered. An impairment loss is recognized for the amount for which the carrying value of the asset exceeds its recoverable amount. The recoverable amount is the greater one between the fair value less costs of sale and its value in use. In order to assess for impairment, the assets are grouped at the lowest levels for which the cash flows are highly independent (cash generating units). Impairment losses of non financial assets previously recognized are reviewed for possible reversals at the end of each fiscal year.

4. Summary of significant accounting policies (continued)

4.15 Leases

Leases are recognized as the right to use an asset and its corresponding liability to the date on which the leased asset is available for use. The financial cost is recognized in the result of the period, by the remaining value of the liability in each period. The right-of-use asset is depreciated on a straight-line over the term of the lease. Lease assets and liabilities are measured at present value. Lease liabilities include the net present value of fixed and variable lease payments that depend on an index or rate. The lease payments are discounted using the incremental borrowing market rate adjusted to reflect the liabilities specific risks, 11% for leases in Pesos and 6.5% for leases in dollars.

Lease agreements for which the term of the lease ends within 12 months from its commencement date and leases for which the underlying asset is of low value are recognized in straight-line basis as expenses in the consolidated statement of comprehensive income.

The Company signed several land, generation assets and minor equipment lease agreements. These contracts have valid terms between 2 to 25 years, some of which have renewal options. The maturities of the lease agreements are negotiated individually and contain different terms and conditions.

4.16 Revenue recognition

Revenue is recognized upon the transfer of control of goods or services to the customer in an amount that reflects the consideration to which the entity expects to the entitled in exchange for those goods or services.

Sale of energy

Revenue from sale of energy, both contracted and to the spot market, are recognized based on the energy produced and demanded by customers on each calendar month, and their collection is reasonably assured. Each company in the National Interconnected Electric System (SENI according to its initials in Spanish) reports the end of month metering reading to the Coordinating Body of the National Interconnected Electric System (OCSENI according to its initials in Spanish), which is the entity in charge of reporting the system's transactions. OCSENI determines the quantity of energy sold by contract and those sold in the spot market. Contracted energy sales are priced per the contracts and those sales made in the spot market are priced per the market price.

Sale of services

Revenue from operation and maintenance fees of third party plants are recognized when the amount of ordinary revenue can be measured reliably, it is probable that the Company will receive economic benefits from the transaction, the stage of completion of the service rendered, at the reporting date of the consolidated statement of financial position, can be measured reliably and costs already incurred, as well as those remaining to complete the service, can be measured reliably. If revenue from services cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are considered to be recovered.

Financial income

Revenue arising from financial instruments is recognized in relation to the passage of time, calculated over the average monthly balances for the invested principal, applying the effective interest method. Interest income is included as financial income in the consolidated statements of comprehensive income.

4e. Summary of significant accounting policies (continued)

4.17 Cost and expense recognition

Costs and expenses are recognized in the consolidated statements of comprehensive income on an accrual basis, that is, when the real flow of goods and services (and what they represent) occurs, regardless of when the related monetary or financial flow occurs. The most important cost of the business is:

Cost of fuel: The cost of fuel, coal, bunker fuel oil and diesel is recognized in results when it is consumed. This effect is included as cost of fuel and energy purchases in the accompanying consolidated statements of comprehensive income.

4.18 Financing costs

The Company capitalizes as part of the cost of the asset the borrowing costs directly or indirectly attributable to the acquisition, construction, production or installation of an asset that necessarily requires a certain period of time to be suitable for use or sale. Borrowing costs include interests and other financing costs. Borrowing costs that do not meet the conditions for capitalization are recorded in the results of the year in which they are incurred.

4.19 Provisions, accruals and withholdings payable

Provisions, accruals and withholdings payable are recognized: i) when the Company has a present obligation (legal or implicit) as a result of a past event, ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation's amount can be made. The amount of recorded provisions is assessed periodically and required adjustments are recorded in the results of the year.

4.20 Cost of employee benefits

Pension plan

Starting on the effective date of Law 87-01, which establishes the Dominican Social Security System (SDSS), the Company recognizes as expenses the monthly contribution made to the pensions system to be deposited in the employees' individual capitalization accounts, as well as the employees' own contributions, as an accrual until they are deposited at the financial entities authorized by the Superintendence of Pensions of the Dominican Republic, to be later transferred to the individual accounts at the pension fund administrators.

Bonuses

The Company grants bonuses to its executives and employees based on work agreements and/or the fulfillment of goals, and the liability is accounted for with a charge to the results of the period when they are generated.

4. Summary of significant accounting policies (continued)

4.20 Cost of employee benefits (continued)

Mutual agreement policy

The Company, from previous years, has a policy through which, by mutual agreement with the employee, provides a remuneration at the time of the resignation of the employee, as long as a series of pre-established conditions are met. The calculation of the amount of the benefit will depend, among other things, on employment aging, and at least five years of employment relationship must have elapsed.

The methodology used by the Company to estimate this liability consists of evaluating the history of the payments made for this concept and estimating the amount based on these data using actuarial methods, using demographic and financial assumptions described in Note 25.

At December 31, 2018 y 2017, the liability for this concept is included in trade accounts payable and others in the consolidated statement of financial position.

Other benefits

The Company provides benefits to its employees, such as vacation and Christmas bonus, according to the provisions of the country's labor laws, as well as other benefits per its internal policies.

4.21 Taxes

Current income tax

Current income tax is calculated based on the provisions of Law 11-92, Tax Code of the Dominican Republic, its rules and modifications. The tax rate used to determine income tax at December 31, 2018 and 2017 is 27% of the net taxable income at that date.

The subsidiaries' operations (Note 2.2) are tax exempt in their country of incorporation, since their operations take place outside of said jurisdiction.

Tax on assets

Asset tax under the Dominican law is an alternative or minimum tax that is calculated, in this case for energy generation, transmission and distribution companies, as defined in the General Electricity Law No. 125-01, based on 1% of the balance of property, plant and equipment, net of depreciation.

Tax on assets co-exists with income tax, and taxpayers must pay the higher of the two each year. If one year the Company's tax obligation is to pay tax on assets, the excess over the income tax is recorded as an operating expense in the consolidated statements of comprehensive income.

4. Summary of significant accounting policies (continued)

4.21 Taxes (continued)

Deferred income tax

Deferred income tax is recognized for the temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates in effect or substantially in effect at the date of the consolidated statement of financial position and which are expected to be applicable when the corresponding deferred tax asset is realized or the tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that there will be available future taxable income to apply against the temporary differences.

Tax on the Transfer of Industrialized Goods and Services (ITBIS)

Energy sales are considered ITBIS exempt per the Tax Code of the Dominican Republic.

ITBIS incurred in the acquisition of assets or services is recorded in the acquisition cost of the asset or as an expense, depending on the case. The net value receivable from or payable to the Tax Authorities for ITBIS is included as other receivables or provisions, accruals and withholdings payable in the accompanying consolidated statements of financial position, as applicable.

4.22 Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements requires Management to conduct judgments, estimates and assumptions affecting the reported figures of revenue, expenses, assets and liabilities and the corresponding disclosures, as well as the disclosure of contingent liabilities. Given the implicit uncertainty of these estimates and assumptions, adjustments affecting the disclosed amounts of assets and liabilities may be required in the future.

In the process of applying its accounting policies, the Company has considered the following relevant judgments, estimates or assumptions:

Lease term

When determining the lease term, the Company considers all the facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise it. The renewal options (or periods after the termination options) are only included in the lease liability if it is considered that the contract will be extended.

At December 31, 2018, the Company, for most lease agreements, did not recognize the option to renew these contracts as part of the liability.

Impairment of non financial assets

The Company assesses, at each consolidated statement's reporting date, whether there are any indications that a non-financial asset could be impaired. Non financial assets are also assessed for impairment when there are indications that recorded values may not be recovered. When these values are calculated, management must estimate future cash flows expected for the related assets or for the generating unit, and it must use a discounted rate to calculate the present value of these cash flows.

4.22 Significant accounting judgments, estimates and assumptions (continued)

Depreciation of property, plant and equipment

The Company makes judgments when assessing the estimated useful lives of its assets, and determining the estimated residual values, if applicable. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets.

These estimates are based on the life cycles analysis of the assets and their potential at the end of their useful lives. The residual values of the assets and their useful lives are reviewed and adjusted if appropriate at each reporting date. During the years ended December 31, 2018 and 2017, management reviewed these estimates and did not make any adjustments or variations on the prior year's useful lives.

Fair value of derivative financial instruments

The fair value of derivative financial instruments that are not negotiated in an active market is determined using valuation techniques. The Company uses judgment to select a variety of methods and conduct assumptions that are mainly based on the market conditions existing at the reporting date of each consolidated statement of financial position.

For derivatives in a liability position, the fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at the reporting date, incorporating the counterpart credit risk in the discount rate used. At December 31, 2018, the Company does not maintain derivatives.

Decommissioning provision

The Company has recorded a provision for the decommissioning of the Quisqueya 2 power plant, as it is located on a leased land. To determine the fair value of the provision, assumptions and estimates are made in relation to the discount rate, the expected cost to dismantle and remove the plant and the expected date on which such costs will be incurred.

The fair value of the provision at December 31, 2018 is approximately US$2.6 million (2017: approximately US$2.2 million). The Company estimates that the costs should materialize over a period of 18 years, with the termination of the lease contract, and calculates the provision using the cash flow discount method with a market rate adjusted to the specific risks of such liability of 6.8%. If the estimated discount rate before taxes used in the calculation would have been 1% higher than the estimate made by the Company, the fair value of the provision would have been approximately US$ 2.2 million.

Mutual agreement policy

The estimate of the obligation under the mutual agreement policy is determined by actuarial valuations. Actuarial valuations involve making several assumptions that may differ from actual future events. Assumptions include the determination of the death rate, disability and turnover, dismissal factor, retirement age, the discount rate, salary increase and minimum wage increase. Due to the complexity of the valuation and its long-term nature, the calculation of the obligation is very sensitive to changes in these assumptions. All assumptions are reviewed on each closing date.

4. Summary of significant accounting policies (continued)

4.22 Significant accounting judgments, estimates and assumptions (continued)

Deferred tax asset

The determination of the amount of deferred tax assets that qualify to be recognized requires significant judgement by the Company, based upon the likelihood of the term and the level of future taxable profits, together with future tax planning strategies.

Expected credit losses

The Company evaluated the credit conditions of accounts receivable to establish the estimate for expected credit losses. At December 31, 2018, 95% of the receivables balances correspond to the three government distribution companies and CDEEE, whose aging is approximately 6.5 months past due. The Company has not had a history of uncollectibility with these companies. Since 2015, these companies have maintained a collectibility ratio at the end of each period of more than 100%. This debt generates monthly interest at the average active commercial rate (average rate of 2018: RD$ 12.50% and US$ 5.88%). During 2018, the Company collected approximately US$143 million for a collection ratio of 55% and recorded interest income of approximately US$15.4 million. The Company did not recognize any loss on trade receivables at December 2018, due to the experience of credit losses, expectations and collection history of the balances owed

5. Future changes in accounting policies

International Financial Reporting Standards or their interpretations, that have been issued but have not become effective at December 31, 2018, are described below. The standards or interpretations described are only those that, per Management's belief, may have a significant effect on the Company's disclosures, position or financial performance when they are applied at a future date. The Company has the intention of adopting these Standards or interpretations when they become effective, and is in the process of assessing their impact on the financial information.

Interpretation IFRIC 23 — Uncertainty Over Income Tax Treatments

The interpretation addresses the income tax accounting when the tax treatments involve an uncertainty that affects the application of IAS 12 and does not apply to taxes or charges outside the scope of IAS 12, nor does it specifically include the requirements related to interest and associated penalties with uncertain tax treatments.

The interpretation specifically addresses the following:
- If an entity considers uncertain tax treatments separately.
- The assumptions made by an entity about the examiantion of tax treatments by the tax authorities.
- How an entity determines taxable profit / loss, tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

An entity must determine whether it considers each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that best estimates the resolution of uncertainty should be followed. The interpretation is effective for annual periods beginning on or after January 1, 2019 and certain transition options are available.

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5. **Future changes in accounting policies (continued)**

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value in other comprehensive income, provided that the contractual cash flows are "solely payments of principal and interest on the principal amount oustanding" (the SPPI criteria) and the instrument is maintained within the appropriate business model for such classification. The amendments to IFRS 9 clarify that a financial asset approves the SPPI criteria regardless of the event or circumstance that causes the early termination of the contract without taking into account which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively and are effective at January 1, 2019, allowing early application.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address accounting when an amendment, curtailment or settlement of a plan occurs during a reporting period. The amendments specify that when an amendment, curtailment or settlement of a plan occurs during the annual reporting period, the entity must:

- Determine the current service cost for the remainder of the reporting period after the plan amendment, curtailment or settlement by using updated actuarial assumptions to remeasure the net defined benefits liability (asset) in order to show the offered plan benefits and the plan assets from the date of the change.
- Determine the net interest for the remainder of the period following the plan amendment, curtailment or settlement using: the net defined benefits liability (asset) that reflects the benefits offered under the plan and the plan assets from the date of the change; and the discount rate used to remeasure the net defined benefits liability (asset).

The amendments also clarify that an entity first determines any past service cost, or gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in the results. Then, an entity determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in this effect, excluding the amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments or settlements that occur on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, allowing early application.

Amendments to IAS 28: Long Term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long term interests in an associate or joint venture to which the equity method is not applied but which, in substance, forms part of the net investment in the associate or joint venture (long term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long term interest.

The amendments also clarified that, when applying IFRS 9, an entity does not take into account the losses of the associate or joint venture, nor the impairment losses of the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from the application of IAS 28 Investments in Associates and Joint Ventures.

The amendments must be applied retrospectively and are effective at January 1, 2019, allowing early application.

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5. **Future changes in accounting policies (continued)**

Amendments to IFRS 10 and IAS 28: Sale or Contributions of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 on the accounting treatment for the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is fully recognized. However, any gain or loss arising from the sale or contribution of assets that do not constitute a business is only recognized in proportion to the unrelated investor's interests in the associate or joint venture. The IASB has deferred indefinitely the effective date of these amendments, however, an entity that adopts them in advance must apply them prospectively.

Annual improvements for the 2015-2017 cycle (issued in December 2017):

IFRS 3 Business Combinations

The amendments clarify that when an entity obtains control of a company that is a joint operation, it applies the requirements for a business combination achieved in stages, including the remeasurement of previously held interests in the assets and liabilities of the joint operation at fair value. By doing so, the acquirer remeasure its total share previously held in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

IFRS 11 Joint Agreements

A party that participates in, but does not have joint control of, a joint operation could obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the shares previously held in that joint operation are not remeasured. An entity applies these amendments to transactions in which it obtains joint control as of the beginning of the first annual reporting period beginning on or after January 1, 2019, and its early application is allowed.

IAS 12 Income Tax

The amendments clarify that the consequences of income tax on dividends are linked more directly to transactions or past events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the consequences of income tax on dividends in results, other comprehensive income or equity according to where the entity originally recognized those transactions or past events. An entity applies these amendments for annual reporting periods beginning on or after January 1, 2019, and its early application is allowed. When an entity applies these amendments for the first time, it applies them to the income tax consequences of the dividends recognized on or after the beginning of the first comparative period.

5. **Future changes in accounting policies (continued)**

IAS 23 borrowing costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualified asset when all the activities necessary to prepare that asset for its intended use or sale are substantially completed. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual period over which the entity first applies those modifications. An entity applies those modifications for annual reporting periods beginning on or after the 1st. January 2019, allowing early application.

6. **Balances in foreign currency**

A summary of financial assets and liabilities denominated in foreign currency included in various categories of the accompanying consolidated statement of financial position is presented below:

	December 31, 2018	December 31, 2017
Expressed in Dominican pesos		
Balances:		
Financial assets:		
Cash and cash equivalents	2,612,165	120,852,196
Notes, trade receivables and others	127,454,463	17,985,394
Income tax receivable	-	5,098,130
	130,066,628	143,935,720
Financial liabilities:		
Trade payables and others	4,200,250	3,887,509
Income tax payable	3,529,631	
Other current liabilities	1,304,856	1,390,412
Non current debt and loans payable	183,275,204	190,747,310
Lease liability	1,722,307	
	194,032,248	196,025,231
Excess of financial liabilities	**(63,965,620)**	**(52,089,511)**

	December 31, 2018	December 31, 2017
Expressed in Euros		
Balances:		
Financial assets:		
Cash and cash equivalents	33,356	302,929
Notes, trade receivables and others	385	32,806
	33,741	335,735
Financial liabilities:		
Trade payables and others	3,674,920	1,650,691
Excess of financial liabilities	**(3,641,179)**	**(1,314,956)**

7. **Cash and cash equivalents**

Below is a breakdown of cash and cash equivalents:

	December 31, 2018	December 31, 2017
Cash on hand:		
Denominated in US dollars	1,500	1,500
Denominated in Dominican pesos	16,604	19,868
Denominated in Euros	1,668	1,714
Cash in banks (i):		
Denominated in US dollars	9,161,362	16,983,808
Denominated in Dominican pesos	1,354,638	1,046,343
Denominated in Euros	31,688	301,215
Cash equivalents (ii):		
Denominated in US dollars	43,291,959	100,718,873
Denominated in Dominican pesos	1,240,923	119,785,985
	55,100,342	**238,859,306**

(i) Cash deposited in bank accounts earns interest based on daily rates determined by the corresponding banks. During the year ended at December 31, 2018, these accounts generated US$189,087 (2017: US$289,532) (Note 27), which reported as financial income in the accompanying consolidated statements of comprehensive income. At the date of these consolidated financial statements, there were no restrictions on the use of cash in banks.

(ii) At December 31, 2018, these are certificates of deposit that expire in three months or less, which accrue interest at annual rates in Dominican pesos between 5.89% and 9.58% anual (2017: 6.21% and 10.51%) and 2.37% and 3.49% (2017 2.15% and 3.72%) for US dollars. During the year ended December 31, 2018, these generated interest income of US$3,384,490 (2017: US$5,461,918) (Note 27), which are reported as financial income in the accompanying consolidated statements of comprehensive income.

At December 31, 2018 and 2017, there was no difference between the recorded values and the fair values of these financial assets.

8. **Held-to-maturity investments**

Correspond to certificates of deposit in US dollars with a maturity greater than 90 days, automatically renewable, which earn annual interest rates of 3.50% in 2017. These certificates were cancelled in March 2017 and generated interest income of US$327,437 (Note 27), which are reported as financial income in the accompanying consolidated statements of comprehensive income.

9. Notes, trade receivables and others

The composition of notes, trade receivables and others is as follows:

	December 31, 2017	2017
Trade receivables: (Note 33)		
Related parties (Note 10)	176,109,094	34,687,140
Unrelated third parties (a)	31,270,855	14,152,587
	207,379,949	48,839,727
Other accounts receivable:		
Unrelated third parties	2,170,985	1,329,461
Related parties (Note 10)	390,570	1,044,505
Advances to suppliers	247,918	230,138
Fuel tax (b)	67,208	35,834
	210,256,630	**51,479,665**

(a) See Note 21 c-d, f-k, m-n for further details.

(b) The payment of taxes on fuel imports became effective after the approval of Decree No. 275-16, which regulated the reimbursement process of selective consumption taxes on fossil fuels and petroleum derivatives created through Law 253-12. These amounts are reimbursed to the extent that fuels are consumed.

The aging detail of notes, trade receivables and others at December 31, is as follows:

		Past due but not impaired			
Year	Not past due	From 31 to 60 days	From 61 to 90 days	More than 91 days	Total
2018	**89,179,970**	**27,348,150**	**25,943,410**	**67,785,100**	**210,256,630**
2017	32,107,452	19,372,213	-	-	51,479,665

Past due notes and trade receivables generate interest equivalent to the average commercial banking lending rate published by the Central Bank of the Dominican Republic. At December 31, 2018, the average rate was 12.06% (2017: 11.15%) for balances in Dominican pesos and 6.08% (2017: 6.39%) for balances in US dollars.

During the year ended December 31, 2018, interest generated by notes and trade receivables amounted US$15,653,509 (2017: US$11,122,168) (Note 27). These interests are reported as financial income in the accompanying consolidated statements of comprehensive income.

10. Balances and transactions with related parties

The Company has important balances and transactions with related parties. These transactions are conducted under conditions agreed by the parties, which results in charges between them, by mutual agreement.

The transactions that the Company conducts with related entities and shareholders consist mainly of sales of energy and capacity, operating services, payment of management fees, fuel purchases, land leases, etc.

At December 31, the balances and transactions with related parties and shareholders are as follows:

	Relationship	December 31, 2018	2017
Balances			
Accounts receivable:			
EDENORTE Dominicana, S. A. (Edenorte) (i)	Related	40,485,294	8,390,063
Empresa Distribuidora de Electricidad del Este, S. A. (Edeeste) (i)	Related	100,226,638	18,867,103
EDESUR Dominicana, S. A. (Edesur) (i)	Related	33,713,344	5,953,265
DOMICEM, S.A. (ii)	Related	979,965	1,158,096
Pasteurizadora Rica, S. A. (RICA) (i)	Related	703,853	318,613
		176,109,094	34,687,140
Other accounts receivable:			
San Pedro Bio-Energy, S.R.L. (iii)	Related	390,449	1,044,505
HIC	Shareholder	121	-
		390,570	1,044,505
		176,499,664	**35,731,645**

		December 31, 2018	2017
Accounts payable to related parties and shareholders:			
HIC	Shareholder	2,597,027	1,138,722
DOMICEM, S.A.	Related	122,791	-
V Energy, S. A.	Related	-	16,973
		2,719,818	1,155,695
Dividends payable (vi):	Shareholders		
Balances at January 1		15,568	15,001
Add: Dividends declared		65,000,000	45,000,000
Less: Dividends paid		(65,000,491)	(44,999,433)
Balances at December 31		15,077	15,568
		2,734,895	**1,171,263**

10. Balances and transactions with related parties (continued)

	Relationship	December 31, 2018	2017
Transactions:			
Revenue			
Sale of energy, capacity and interest charges			
Edesur (i)	Related	75,566,742	70,125,536
Edenorte (i)	Related	63,818,340	60,011,338
Edeeste (i)	Related	135,714856	78,334,613
DOMICEM (ii)	Related	12,571,296	12,156,339
RICA (iii)	Related	3,631,382	272,919
		291,302,616	220,900,745
Revenue from pre-operating services			
San Pedro Bio-Energy, S. R. L. (iv)	Related	185,340	1,525,968
Management fees			
HIC (vii) (Note 24)	Shareholder	12,670,864	9,730,615
Fuel purchases			
V Energy, S. A (viii)	Related	410,436	295,214
Land leases			
Cristóbal Colon, S. A (ix)	Related	585,991	568,381
DOMICEM (ix)	Related	260,456	-
		846,447	568,381
Dividends paid (vi):			
HIC	Shareholder	32,500,000	22,500,000
FONPER	Shareholder	32,495,756	22,497,062
Minority shareholders	Shareholders	4,735	2,371
		65,000,491	44,999,433

(i) Sale agreements with distribution companies Edesur, Edenorte and Edeeste. These distribution companies are related since FONPER, a shareholder of EGE Haina, is also a shareholder of these companies. Sales made by the Company to these distribution companies are based partially on existing agreements that are described in more detail in Note 21.

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10. Balances and transactions with related parties (continued)

(ii) In 2014, the Company signed a three-year agreement with DOMICEM, S.A. (DOMICEM) through which EGE Haina supplies the capacity and related energy. See Note 21 for further details. This company is related through a member of HIC's Administrative Board.

(iii) In 2018, the Company signed a three-year agreement Pasteurizadora Rica, S. A. (RICA) through which EGE Haina supplies all the energy required by RICA's operations. See Note 21 for further details. This company is related through a member of HIC's Administrative Board.

(iv) In July 2016, the Company signed a pre-operating service contract with San Pedro Bio-Energy, S. R. L., to start operating a generation facility, Planta de Biomasa de San Pedro Bio-Energy This agreement ended in February 2018 (See Note 21). This company is related through a member of HIC's Board of Directos.

(v) At December 31, 2018 and 2017 these correspond to dividends declared and paid to shareholders. These were authorized per the minutes of the Shareholders' General Assembly held those years.

(vi) As part of the capitalization process, HIC maintains a management contract which expires in 2020, for the daily management of the Company's operations, under the leadership of the Company's Board of Directors. Per this contract, HIC charges the Company 2.95% of net annual revenue.The cost of this service amounts approximately US$12.7 million (2017: US$9.7 million, approximately). Note 24 states the taxes applicable to that service.

(vii) During the year ended December 31, 2018, the Company purchased fuel from V Energy, S.A. under the fuel supply contract signed April 5, 2017, for approximately US$0.4 million (2017: approximately US$0.3 million). Once this fuel is consumed, it is recognized in the consolidated statements of comprehensive income as operating and maintenance expenses (Note 23). This company is related through members of the Board of Directors of HIC and EGE Haina.

(viii) The Company maintains a land lease contract with Cristóbal Colón, S. A. (Cristóbal Colón), where the plant Quisqueya 2 is located, signed on April 26, 2012 for a term of 25 years. The Company agreed to pay US$424,000 each year, subject to indexation by the US Consumer Price Index, plus applicable taxes. At December 31, 2018, the total amount paid under this contract was US$0.6 million, approximately (2017: approximately US$0.6 million). This company is related through a member of HIC's Board of Directors.

(ix) The Company has a lease agreement on generation facilities with DOMICEM, signed on September 18, 2015 for a period of 6 years, beginning in August 2018. The Company agrees to pay an annual amount of US$41,500 subject to indexation according to the firm capacity recognized by the SENI. At December 31, 2018, the total paid under this contract amounted to approximately US$0.3 million. This company is a related one through a member of the HIC Board of Directors.

Transactions with related parties have been made under equivalent conditions as transactions with mutually independent parties.

10. Balances and transactions with related parties (continued)

Compensation to key personnel

During the year ended December 31, 2018, the expense for salaries and compensation paid to key personnel and severance benefits was approximately US$8.3 million (2017: approximately US$9.2 million), which are defined as those who occupy the positions of General Manager, Vice Presidents, directors and managers.

11. Inventory

Inventory is comprised as follows:

	December 31, 2018	December 31, 2017
Spare parts (at cost)	20,900,697	22,298,199
Fuels (at cost):		
Bunker (Fuel Oil)	6,030,525	9,828,569
Coal	2,786,651	1,171,362
Diesel	1,255,304	702,484
Inventory in transit - spare parts, at cost (a)	3,289,639	1,468,214
	34,262,816	35,468,828

(a) These correspond to spare parts and construction parts inventories, which were in transit at year end. These include specific import costs at that date. 99% of the inventory in transit was received at February 28, 2019 (2017: 100% received on February 28, 2018).

During the year ended December 31, 2018, the Company recognized US$0.9 million approximately (2017: US$0.9 million approximately) in losses for adjustments to the net realizable value of inventories (Note 26).

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12. Property, plant and equipment, net

The movements of property, furniture and equipment for the years ended December 31, are as follows:

	Land	Buildings	Generation Plants (a, b)	Transportation Equipment	Furniture and Office Equipment	Minor Equipment	Works in Process (a,b)	Total
Acquisition costs:								
Balance at January 1, 2017	14,085,626	63,083,944	651,208,978	2,981,429	4,758,721	1,023,558	3,474,254	740,616,510
Additions	-	-	4,420,254	563,028	259,989	51,068	56,508,818	61,703,147
Disposals	-	(226,361)	(5,841,585)	(544,484)	-	-	-	(6,612,430)
Transfers	-	514,497	1,260,280	-	-	268,384	(2,043,161)	-
Balance at December 31, 2017	14,085,626	63,372,080	651,047,927	2,999,963	4,918,710	1,343,010	57,939,911	795,707,227
Additions	112,632	96,905	1,660,858	366,546	153,460	173,721	77,649,279	80,213,401
Disposals	-	(11,709)	(11,637,434)	(99,109)	-	(17,411)	-	(11,765,663)
Transfers	-	553,329	133,170,494	-	42,701	252,166	(134,018,690)	-
Balance at December 31, 2018	14,198,258	64,010,605	774,241,845	3,267,400	5,114,871	1,751,486	1,570,500	864,154,965
Accumulated depreciation:								
Balance at January 1, 2017	-	(11,010,913)	(121,465,874)	(2,145,257)	(4,247,983)	(238,851)		(139,108,878)
Depreciation expenses for the year	-	(3,607,362)	(34,827,134)	(334,204)	(204,573)	(198,952)	-	(39,172,225)
Disposals	-	169,801	2,912,875	519,848	-	-	-	3,602,524
Balance at December 31, 2017	-	(14,448,474)	(153,380,133)	(1,959,613)	(4,452,556)	(437,803)		(174,678,579)
Depreciation expenses for the year	-	(3,574,189)	(35,932,335)	(328,530)	(152,806)	(302,585)		(40,290,445)
Disposals	-	3,581	3,228,159	72,261	-	4,933	-	3,308,934
Balance at December 31, 2018	-	(18,019,082)	(186,084,309)	(2,215,882)	(4,605,362)	(735,455)	-	(211,660,090)
Net carrying value:								
Balance at December 31, 2018	**14,198,258**	**45,991,523**	**588,157,536**	**1,051,518**	**509,509**	**1,016,031**	**1,570,500**	**652,494,875**
Balance at December 31, 2017	14,085,626	48,923,606	497,667,794	1,040,350	466,154	905,207	57,939,911	621,028,648

(a) In June, 2017, EGE Haina signed an engineering, supply and construction contract for the construction of the second phase of the Larimar Wind Farm. The Company capitalized this work in October 2018 with a total investment of approximately US$ 100.6 million.

In November 2017, EGE Haina signed an engineering, supply and construction contract to obtain greater efficiency from the Barahona plant through the modernization of part of its equipment. The Company capitalized this work in October 2018 with a total investment of approximately US$ 30.3 million.

At December 31 of 2018, the net amount of property, plant and equipment presented in the consolidated statement of financial position includes US$11,466,367, corresponding to the Company's leases (Note 13).

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

Additionally, property, plant and equipment property includes approximately US$2.6 million (approximately US$2.2 million) corresponding to the present value of the decommissioning provision of the Quisqueya 2 power plant as it is located on a leased land. Such provision was determined by calculating the present value of future cash flows, discounted at a market rate adjusted to the specific risks of such liability of 6.8% (2017: 7.3%). This amount will be depreciated using the straight-line method over the remaining useful life of the underlying asset. At December 31, US$ 115,024 of depreciation were recorded, which are reports as depreciation and amortization in the accompanying consolidated statements of comprehensive income.

Of the total amount of acquisitions for 2018, US$80,213,401 (2017: US$61,703,147), US$4,309,417 (2017: US$4,810,947) do not represent cash flows. Additionally, during 2018 were paid US$340,113 (2017: US$1,588,003) related to balances pending as of the prior year close.

Of the total amount of property and equipment derecognition at December 31, 2018, approximately US$6.6 million correspond to the replacement of assets for the modernization of the Barahona plant, approximately US$0.8 million to the decommissioning of the Puerto Plata plant and approximately US$0.1 million of minor assets (Note 26).

Property, plant and equipment includes fully depreciated assets in use with an acquisition cost of approximately US$27.9 million (2017: approximately US$18.5 million).

During the year ended December 31, 2018, the Company recognized aproximately US$0.6 million (2017: US$ 0.8 millones aproximately) of loss for adjustments to the salvage value of property, plant and equipment (Note 26).

Property, plant and equipment includes capitalized interest on loans attributed to the construction of the assets. The capitalized interests amounted US$6,654,153 in 2018 (2017: US$2,102,231) (Note 28). The capitalization rate used was approximately 8.79% for 2018 (2017: approximately 8.17%).

13. Leases

The leases correspond to the right to use land for the installation of assets of the Company, rental of a generation facility and applicable rentals of minor equipment in accordance with IFRS 16. Leases are included in property plant and equipment and they are composed as follows:

	December 31, 2018	2017
Right to use assets		
Land	2,649,364	-
Generation Assets	7,800,909	-
Minor equiptment	48,286	-
Others	967,808	-
	11,466,367	-

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13. Leases (continued)

	December 31, 2018	2017
Amortization cost for the right to use assets		
Land	235,988	-
Generation Assets	738,831	-
Minor equiptment	12,071	-
Others	117,512	-
	1,104,402	-
Interest expense (Note 28)	907,449	-
Short-term lease expense (Note 23)	3,222	-

During the year ended December 31, 2018, the Company paid leases for approximately US$1.2 million.

Lease liability:

	December 31, 2018	2017
Current	1,698,951	-
Non current	10,233,782	-
	11,932,733	-

14. Other non current assets

Other non current assets are comprised as follows:

	December 31, 2018	2017
Right-of-use (a) and (b)	9,065,354	2,617,711
Intangible assets:		
Software	1,182,554	1,009,991
Less: Accumulated amortization (c)	(913,671)	(720,970)
Software, net	268,883	289,021
Easement	668,284	558,580
Intangible assets, net	937,167	847,601
Improvement to leased property	274,418	-
Less: Accumulated amortization (d)	(30,682)	-
Improvement to leased property	243,736	-
Collateral and rental deposits	294,328	294,996
	10,540,585	3,760,308

(a) Corresponds to the right of use of the pipeline owned by PVDC, under the agreement signed in 2012, for the fuel supply of the Quisqueya 2 power plant. This contract expires in 2037.

(b) Corresponds to the right of use of the transmition line owned by PVDC, under the agreement signed in 2013, was ammedmented in 2018, for the use of the Quisqueya 2 power plant. This contract expires in 2037.

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14. Other non current assets (continued)

(c) At December 31, 2018, intangible assets amortization expense was US$192,865 (2017: 196,071), which are included in the line of depreciation and amortization in the accompanying consolidated statements of comprehensive income.

(d) At December 31, 2018, Improvement to leased property amortization expense was US$30,682, which are included in the line of depreciation and amortization in the accompanying consolidated statements of comprehensive income.

15. Current and non current debt and loans payable

Debt and loans payable short and long term consist of:

	December 31, 2018	December 31, 2017
Current debt and loans payable		
Current portion of long term debt	33,333,327	33,333,327
Non current debt and loans payable		
Local bonds (a)	349,941,857	390,747,290
Less: current portion of long term debt	(33,333,327)	(33,333,327)
Less: debt issuance costs	(644,927)	(852,061)
	315,963,603	356,561,902
	349,296,930	**389,895,229**

(a) Local bonds

i. In 2017, the Company issued an unsecured local bond for RD$4,665,960,000 million pesos, equivalent at December 2017 to US$92,781,070, with a 10 years term, fully disbursed in 20 tranches of RD$233,298,000 million pesos each, equivalent to US$4,639,053 million each, with interests payable on a monthly basis, according to the approval of the Superintendence of Securities of the Dominican Republic (SIV) in December 2017, as described below:

Tranches	Amount	Annual rate	Date of issuance	Maturity	Payment calendar
1-4	933,192,000	11.50%	28-06-2017	28-06-2027	Payment on maturity
5-14	2,332,980,000	11.25%	14-08-2017	14-08-2017	Payment on maturity
15-20	1,399,788,000	11.00%	04-10-2017	04-10-2027	Payment on maturity
	4,665,960,000				

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15. Current and non current debt and loans payable (continued)

equivalent at December 2017 to US$90,494,134, with a 10 years term, fully disbursed in 20 tranches of RD$227,547,500 million pesos each, equivalent to US$4,524,707 million each, with interests payable on a monthly basis, according to the approval of the Superintendence of Securities of the Dominican Republic (SIV) in December 2015, as described below:

Tranches	Amount	Annual rate	Date of issuance	Maturity	Payment calendar
1-3	682,642,500	12.00%	27-06-2016	27-06-2026	Payment on maturity
4-10	1,592,832,500	11.50%	21-07-2016	21-07-2026	Payment on maturity
11-16	1,365,285,000	11.25%	10-08-2016	10-08-2026	Payment on maturity
17-20	910,190,000	11.25%	19-09-2016	19-09-2026	Payment on maturity
	4,550,950,000				

iii. During 2015, the Company issued an unsecured local bond for US$100 million, fully disbursed in 10 tranches of US$10 million each, with interests payable on a monthly basis, through the SIV's approval in December 2014, as shown below:

Tranches	Amount	Annual rate	Date of issuance	Maturity	Payment calendar
1	10,000,000	7.00%	23-01-2015	23-01-2025	Payment on maturity
2	10,000,000	6.50%	25-02-2015	25-02-2025	Payment on maturity
3-5	30,000,000	6.25%	25-03-2015	25-03-2025	Payment on maturity
6-8	30,000,000	6.00%	28-04-2015	28-04-2025	Payment on maturity
9-10	20,000,000	5.75%	11-06-2015	11-06-2025	Payment on maturity
	100,000,000				

iv. In 2014, the Company issued an unsecured local bond for US$100 million, fully placed in 10 tranches of US$10 million each, with interests payable on a monthly basis, through the SIV's approval in December 2013, as shown below:

Tranches	Amount	Annual rate	Date of issuance	Maturity	Payment calendar
1	10,000,000	6.25%	01-23-2014	01-13-2020	Equal annual payments 2018-2020
2-3	19,999,992	6.00%	02-13-2014	02-13-2020	Equal annual payments 2018-2020
4-5	20,000,000	6.00%	03-04-2014	03-04-2020	Equal annual payments 2018-2020
6-7	19,999,988	6.00%	02-17-2014	03-17-2020	Equal annual payments 2018-2020payments
8	10,000,000	6.00%	04-21-2014	04-21-2020	Equal annual payments 2018-2020
9-10	20,000,000	5.75%	05-27-2014	05-27-2020	Equal annual payments 2018-2020
	99,999,980				

During 2018, approximate US$ 33.3 million of tranches 1-10 were repaid.

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15. Current and non current debt and loans payable (continued)

The annual movement of current and non current debt and loans payable is presented below:

	December 31, 2018	December 31, 2017
Balance at the beginning of the year	389,895,229	296,494,800
Documents and loans payable issued during the year	-	97,883,432
Repayments made during the year	(33,333,327)	-
Unrealized exchange differences	(7,472,106)	(4,586,871)
Debt issuance costs paid	-	(144,642)
Amortizations of debt issuance costs (Note 28)	207,134	248,510
Balance at the end of the year	**349,296,930**	**389,895,229**

A summary of the maturities of the non current debt and loans payable is presented below:

	December 31, 2018	December 31, 2017
At December 31, 2018		33,333,327
At December 31, 2019	33,333,327	33,333,327
At December 31, 2020	33,333,327	33,333,327
Onward	283,275,203	290,747,309
	349,941,857	**390,747,290**

16. Trade payables and others

Trade payables and others consist of:

	December 31, 2018	December 31, 2017
International fuel suppliers	110,572,024	66,338,641
Local energy suppliers	2,356,068	1,285,248
Other local suppliers	4,926,302	3,922,178
Other international suppliers	9,489,470	3,273,494
Accounts payable to related parties and dividends (Note 10)	2,734,895	1,171,263
Withholdings payable	1,199,674	1,406,791
Accruals payable	1,139,274	1,252,703
Mutual agreement policy (Note 25)	476,727	436,014
	132,894,434	**79,086,332**

From the total trade payables and other payables, approximately US$110.6 million (2017: approximately US$66.3 million) correspond to pending balances of fuel purchases, with up to 180 days term from the invoice issuance date, and are accruing annual interests of LIBOR plus 1.9% (2017: LIBOR 120 days plus 1.2% annual). Of the remaining trade payables and others, most have maturities of zero to thirty days.

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17. Other current liabilities

Other current liabilities consist of:

	December 31, 2018	December 31, 2017
Provision for personnel compensation (Note 25)	2,498,970	2,298,071
Legal contingencies (Note 17)	66,318	118,870
	2,565,288	**2,416,941**

18. Legal contingencies

At December 31, 2018, the Company is involved in certain legal procedures that occasionally arise in the ordinary course of business, such as labor lawsuits. Although the final result cannot be established with certainty, the Company reviewed the facts and representations of its legal advisors, and considered that the final outcome of these matters will not involve a loss exceeding the recorded provision of US$66,318 (2017: US$118,870).

19. Income tax

According to the Dominican Tax Code, modified by the Tax Reform Law No. 253-12, income tax for 2018 and 2017 is determined based on 27% of the net taxable income, following the expenses deductibility rules set in this code.

Asset tax under the Dominican laws is an alternative or minimum tax that is calculated, in this case for energy generation, transmission and distribution companies, as defined in the General Electricity Law No. 125-01, based on 1% of the balance of property, plant and equipment, net of depreciation.

The Tax Law requires taxpayers to maintain their accounting records and prepare tax returns in Dominican pesos (local currency) for tax purposes. This requirement also applies for those who use a functional currency different from the Dominican peso. Also, Article 293 of the Tax Law establishes the recognition of exchange differences as deductible expenses or taxable revenue in the determination of taxable income. The tax authorities annually indicate the exchange rate to be used in the measurement of monetary items originated in foreign currencies.

Tax expense

The income tax expense for the year ended December 31 was as follows:

	December 31, 2018	December 31, 2017
Current income tax	11,032,688	4,877,139
Deferred income tax	6,073,942	5,967,856
	17,106,630	**10,844,995**

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19. Income tax (continued)

Below is a reconciliation between income before taxes, at the current tax rate, and the expense for the years ended 2018 and 2017, as well as a reconciliation of the Company's effective tax rate.

	December 31, 2018	December 31, 2017
Income before tax	64,866,493	41,727,551
Income tax calculated at the rate in effect	17,513,953	11,266,439
Taxes and other non-deductible expenses	209,145	257,047
Exchange differences	(420,547)	(158,388)
Share of losses in subsidiary	1,424	2,489
Exempt income, net, under Law No. 57-07 (a)	(2,510,095)	(815,394)
Adjustment of tax depreciation	(5,805,827)	(5,245,648)
Other adjustments	2,044,635	(159,992)
Current income tax before tax credits	11,032,688	5,146,553
Tax credits under Law No. 57-07 (b)	-	(269,414)
Current income tax	**11,032,688**	**4,877,139**

(a) The activities related to Los Cocos I and II wind farms benefit from a 100% income tax exemption until 2020, according to Law No. 57-07 "Incentivo al Desarrollo de Energía Renovable" (Incentive for Development of Renewable Energy").

(b) The investment made in the Quisqueya Solar plant enjoys tax exemption incentives for self-producers for activity related to electro-solar installations (photovoltaic) of up to 40% of the investment in equipment, as an income tax credit. This credit will be discounted from income tax in three consecutive years, at a rate of 33.33% per year, according to Law No. 57-07. At December 31, 2017, the credit has been totally consumed.

Below is the effective tax rate for the years ended December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Statutory income tax rate	27%	27%
Inflation of non-monetary assets	(0.3%)	(2%)
Non-monetary assets adjustment	1.8%	-
Non-deductible expenses	0.4%	0.4%
Exchange difference	(0.7%)	(0.5%)
Other permanent adjustments	(4.6%)	(7.0%)
Effective income tax rate	**23.6%**	**18%**

19. Income tax (continued)

Tax on assets

Income tax was higher than tax on assets, which is applied as an alternative minimum tax, thus the tax was paid based on taxable income. The asset tax estimation is as follows:

	Currency	December 31, 2018	December 31, 2017
Property, plant and equipment, net		28,049,869,626	26,108,381,018
Exempt assets under Law No. 57-07		(4,687,809,722)	(5,049,985,525)
Revaluation of assets		(424,367,027)	(811,399,279)
Assets subject to taxation	RD$	22,937,692,877	20,246,996,214
Tax rate		1%	1%
Tax on assets	RD$	229,376,929	202,469,962
Average exchange rate		49.59	47.58
Total tax on assets	US$	**4,625,467**	**4,255,359**

Income tax (credit) payable balance

The movement of the income tax credit balance at December 31, 2018 and 2017, is as follows:

	Consolidated Statement of Financial Position 2018	Consolidated Statement of Financial Position 2017
Balance at the beginning of the year	5,098,130	4,624,216
Unrealized exchange differences	(147,035)	(154,394)
Advance payment of taxes paid during the year	2551,962	5,505,447
Current income tax expense	(11,032,688)	(4,877,139)
Balance of the income tax credit	(3,529,631)	5,098,130
Less: long-term portion	-	(1,699,377)
	(3,529,631)	**3,398,753**

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19. Income tax (continued)

Deferred tax

The components of deferred income tax at December 31, 2018 and 2017, as well as its movements in the years then ended are:

	Consolidated Statement of Financial Position	
	2018	2017
Deferred tax assets:		
Allowance for inventory impairment	260,974	13,225
Total deferred tax assets	260,974	13,225
Deferred tax liabilities:		
Fiscal difference of property, furniture and equipment	(64,958,135)	(58,473,594)
Other non monetary assets	(2,730,344)	(2,893,194)
Total liabilities for deferred tax assets	(67,688,479)	(61,366,788)
Deferred tax liability, net	**(67,427,505)**	**(61,353,563)**

	Consolidated Statements of Comprehensive Income	
	2018	2017
Fiscal difference of property, furniture and equipment	(6,484,541)	(5,793,860)
Allowance for inventory impairment	247,749	(303,438)
Provisions and others	162,850	129,442
Total	**(6,073,942)**	**(5,967,856)**

20. Equity

Share capital

At December 31, 2018 and 2017, the shared capital consisted of 45,951,000 common shares issued and outstanding, with a nominal par value of RD$100 (US$6.29). Below is an itemization of the distribution and class of shares:

	Share capital		
	Shares issued	Class of Shares	Total amount
HIC	22,975,500	B	144,500,000
FONPER	22,972,500	A	144,481,132
Other shareholders	3,000	A	18,868
Balance at December 31	**45,951,000**		**289,000,000**

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20. Equity (continued)

Legal reserve

The Commercial and Limited Liability Corporations Law of the Dominican Republic establishes that at least 5% of the annual net income should be segregated as part of the Company's legal reserve until the balance is equal to 10% of the outstanding capital. This reserve cannot be capitalized, reassigned to retained earnings or used for the payment of dividends. In 2016, the Company reached the maximum legal amount required.

Dividends paid

The Foreign Investment Law of the Dominican Republic establishes the right to repatriate capital and remit benefits in freely convertible currencies. Dividends may be declared each fiscal year up to the total amount of accumulated earnings and net benefits of the year, and are subject to the payment of 10% withholding tax.

In April, 2018, the Company declared dividends for its shareholders of US$65,000,000 (2017: in May of US$45,000,000) of which US$15,077 (2017: US$15,568) are outstanding. At December 31, 2018, the dividend declared per share is US$1.41 (2017: US$0.98).

Earnings per share

During the years ended December 31, 2018 and 2017, earnings per share were as follows:

	December 31,	
	2018	2017
Net income	47,759,863	30,882,556
Number of shares	45,951,000	45,951,000
Net income per share for the year	**1.04**	**0.67**

21. Revenue

During the years ended December 31, the composition of revenue from contracts with customers is as follows:

	December 31,	
	2018	2017
Sale of energy (a - j)	155,218,697	105,221,628
Sale of capacity (a - j)	22,551,656	13,413,651
Operating and maintenance services (k - l)	1,543,724	2,833,373
Fuel storage service	886,869	846,804
Other	230,158	237,036
Total contracted revenue	**180,431,104**	**122,552,492**

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21. Revenue (continued)

Sale of energy and capacity in the spot market:

	December 31, 2018	December 31, 2017
Sale of energy (m - n)	209,257,406	163,997,752
Sale of capacity (m - n)	39,832,287	43,301,115
Total revenue in the spot market	**249,089,693**	**207,298,867**
Revenue from contracts with customers	180,431,104	122,552,492
Sale of energy and capacity in the spot market	249,089,693	207,298,867
Total revenue	**429,520,797**	**329,851,359**

a. In December 2018, the Company signed power purchases ("PPA") agreements with the Distribution Companies for the supply of energy, capacity (40 MW) and connection rights. The agreements expire on April 19, 2022. The source of production of this energy will be essentially the Barahona Carbón power plant. The price is established in US dollars and indexed by the US Consumer Price Index (CPI) and the associated fuel prices. The revenue recognized under this contract were approximately US$33.0 million, (2017: US$2.0 million.)

b. In 2017, the Company signed a PPA with a Distribution Company, for which EGE Haina must supply 3.97 MW of capacity and associated energy to the isolated system of the southern part of the country. The source of production of this energy will be essentially the Pedernales power plant. The PPA establishes an original term of 2 years. The price is established in US dollars and indexed by the US Consumer Price Index (CPI). The revenue recognized for this contract were approximately US$3.3 million (2017: US$2.7 million).

c. In 2018, the Company signed a PPA with a local related dairy industry company, for which EGE Haina must supply the entire energy required by this company's operations. The PPA establishes an original term of 2 years. The price is established in US dollars and indexed by the US Consumer Price Index (CPI). The revenue recognized for this contract were approximately US$3.2 million (2017: US$0.3 million).

d. The Company maintains a PPA with a local energy generation and distribution company, under which EGE Haina must supply at least 65MW of capacity and associated energy. In November 2015, the Company received a request to increase the contracted capacity to 81MW, effective in March 2017. The PPA establishes a term of 18 years that expires in 2026. The prices and amounts invoiced are determined in US dollars. The revenue recognized for this contract were approximately US$77.2 million (2017: US$54.1 million approximately).

e. In 2014, the Company signed a PPA with a local related cement company, for which EGE Haina must supply the entire energy required by this company's operations. The source of production of this energy will essentially be Los Cocos I and II wind farms. The PPA established an original term of 3 years. The price established is the price by law for energy, based on the wind energy production, adjusted by the company's nodal factor, according to the Coordinating Body. The prices and amounts invoiced are determined in US dollars. In 2016, two amendments were signed through which the term of the PPA was extended until July 2020, and a fixed sale price indexed per the US Consumer Price Index (CPI) was set. The revenue recognized for this contract were approximately US$12.6 million (2017: approximately US$12.2 million).

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21. Revenue (continued)

f. In 2016, the Company signed a PPA with a local cement company, for which EGE Haina must supply the entire energy required by this company's operations. The source of production of this energy will essentially be the wind farms. The PPA establishes an original term of 5 years. The price is fixed and indexed by the US Consumer Price Index. The prices and amounts invoiced are determined in US dollars. The revenue recognized for this contract were approximately US$14.2 million (2017: approximately US$17.4 million).

g. In 2016, the Company signed a PPA with Corporación Dominicana de Empresas Eléctricas Estatales ("CDEEE"), for which EGE Haina must supply the entire energy generated by the Larimar I wind park. The PPA establishes an original term of 20 years. The price is fixed, and should be raised 1.67% for the year, until reaching a limit of 20% of the base price. The prices and amounts invoiced are determined in US dollars. The revenue recognized for this contract were approximately US$27.5 million (2017: approximately US$21.0 million).

h. In December 2017, the Company signed a PPA with a local duty free zone for which EGE Haina must supply all of the energy demanded by that company's operations. The PPA establishes an original term of 2 years, starting from January 2018. The established price is fixed annually indexed by the CPI of the United States of America. The prices and amounts billed are determined in US dollars. The revenue recognized in 2018 for this contract amount to approximately US$ 6.1 million.

i. In 2017, the Company signed a PPA with a local metallurgical company for which EGE Haina must supply all of the energy demanded by that company's operations. The PPA establishes an original term of 2 years, starting from February 2018. The established price is fixed annually indexed by the CPI of the United States of America. The prices and amounts billed are determined in US dollars. The revenue recognized in 2018 for this contract amount to approximately US$0.4 million.

j. In April 2018, the Company signed a PPA with a company that commercializes construction materials, hardware, small hardware and supplies in general, for which EGE Haina must supply all the energy required by the company's operations. The PPA establishes an original term of 2 years. The established price is fixed annually indexed by the CPI of the United States of America. The prices and amounts billed are determined in US dollars. The income recognized by this contract amounts to approximately US$0.2 million.

k. The Company maintains service contracts with PVDC for the operation and maintenance of the Quisqueya I plant, for a term of 10 years ending in 2023. These services generated revenue of approximately US$1.4 million in 2018 and 2017 each.

l. The Company maintained a pre-operating service contract signed in July 2015 with a local related company to start operating a generation facility, Planta de Biomasa de San Pedro Bio-Energy, which expired in January 2016. In April 2016, an amendment was signed which recognizes that starting in May 2016, the operation and maintenance service began and the Company began setting a fixed rate and all costs associated to the service, which ended in February 2018. These services generated revenue of approximately US$0.2 million in 2018 (2017: approximately US$1.4 million).

21. Revenue (continued)

m. The Company participates in the Dominican electricity spot market, as a seller or buyer. From the generation provided to the SENI, the portion that is not fully contracted results in a sale to the spot market; otherwise, when the sale contracts exceed the energy provision, this results in a purchase to the spot market. In 2017, the Company sold excess energy for 1,630.7 GWh (2017: 1,845.3 8 GWh in electricity, equivalent to approximately US$239.1 million (2017: US$198.3 million approximately).

n. Energy revenue include approximately US$4.8 million (2017: US$4.7 million, approximately), which correspond to the Compensation service of the Superintendence of Electricity (SIE Compensation) and approximately US$5.2 million (2017: US$4.3 million approximately), which correspond to the Frequency Regulation service.

22. Cost of fuel and purchase of energy

	December 31, 2018	December 31, 2017
Fuel (a) - (c)	223,892,482	157,557,103
Transmission	12,226,641	11,346,142
Purchased energy and capacity	1,765,223	1,177,552
	237,884,346	**170,080,797**

Fuel

(a) Fuel Oil

At December 31, 2018, EGE Haina maintained an agreement with a external supplier for the delivery of fuel for the period 2018 and 2017. In 2018, the Company consumed 3.0 million barrels at a cost of US$199.6 million (2017: 2.8 million barrels at a cost of US$138.0 million).

(b) Coal

At December 31, 2018, EGE Haina maintained an agreement with a foreign supplier for the delivery of 160 thousand metric tons of coal (MT) (2017: 160 thousand tons). In 2018, the Company consumed 157 thousand MT at a cost of US$15.3 million (2017: 179 thousand MT at a cost of US$14.5 million).

(c) Gasoil

In 2018, EGE Haina maintained contracts with a related local supplier for the purchase of a maximum of 720 thousand gallons of gasoil per year (2017: 720 thousand gallons). The contract price is established in the market by the Ministry of Industry and Commerce of the Dominican Republic, minus a discount. Additionally, in 2018 and 2017, the Company purchased gasoil in the spot market. In 2018, the Company consumed 99 thousand barrels at a cost of US$9.0 million (2017: 78.2 thousand barrels at a cost of US$5.1 million).

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21. Cost of fuel and purchase of energy (continued)

Purchased energy and capacity

(d) Spot Market

At December 31, 2018 and 2017, the Company participates in the Dominican electricity spot market, as a seller or buyer. During the year 2017, the Company recorded an energy cost of approximated US$0.4 million according to a true-up adjustment of the spot transacions in April 2017.

(e) Power Purchase Agreement (PPA)

The Company signed a PPA on October 1, 2013, for the purchase of the energy produced by the Quilvio Cabrera wind farm from a local generation and distribution company, at a spot price less a discount per Kwh. The contract has a term of 20 years and is subject to one-year renewals from that date, with the consent of both parties. Additionally, that company agreed to pay for the use the EGE Haina substation which allows the energy from that wind park to be injected to the SENI. During 2018, the Company purchased 14.8 GWh of energy for approximately US$1.4 million (2017: 11.2 GWh for approximately US$0.8 million).

23. Operating and maintenance expenses

During the years ended December 31, operating and maintenance expenses were itemized as follows:

	December 31, 2018	December 31, 2017
Maintenance expenses	15,767,950	19,189,147
Insurance	5,298,714	5,846,093
Lubricants	3,730,186	3,247,513
Professional services	1,408,681	513,885
Security services	1,274,339	1,185,197
Technical advisory fees	1,150,218	1,053,005
Land leases	3,222	989,379
Other	2,438,184	2,535,643
	31,071,494	**34,559,862**

24. Administrative and general expenses

During the years ended December 31, administrative and general expenses were itemized as follows:

	December 31, 2018	December 31, 2017
Management fees (Notes 10) (i)	12,670,864	9,730,615
Superintendence of Electricity and OCSENI fees (ii)	2,318,662	1,817,179
Office operating costs	2,179,778	1,585,665
Professional services	1,613,147	701,675
	18,782,451	**13,835,134**

(i) Starting on November 2016, the Company discontinued the practice of accretion on the management fee.

(ii) According to the General Electricity Law No. 125-01, companies operating electricity generation businesses should make contributions to the regulatory bodies. This contribution amounts to 0.5% of the Company's share of the transactions in the Wholesale Electricity Market.

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25. Employee benefits

The composition of employee benefits for the years ended December 31, is as follows:

	December 31, 2018	December 31, 2017
Salaries, benefits and other severance benefits	19,353,906	19,846,588
Social security contributions	1,325,825	1,336,547
	20,679,731	**21,183,135**

Mutual agreement policy

At December 31, 2018, the Company made the best estimate of its obligation under the mutual agreement policy (Note 4.20). The summary of the provision at December 31, 2018, is as follows:

	December 31, 2018	December 31, 2017
Balance at the beginnig	436,014	-
Service cost	(28,375)	389,655
Interest cost	48,252	46,359
Exchange effect	(17,081)	-
Employee benefit update	37,917	-
Balance at the end	**476,727**	**436,014**

Demographic and financial assumptions were used to estimate the obligation. The demographic assumptions include the mortality, disability and turnover rate, dismissal factor and retirement age. The financial assumptions include the determination of the discount rate, salary increase and minimum salary increase. Additionally, in order to do the provision, sensitivity analysis on the changes in the discount rate, the rate of salary increase and the payment of labor benefits were made.

26. Other expenses, net

	December 31, 2018	December 31, 2017
Disposals of property, plant and equipment	(7,513,208)	(872,994)
Adjustment to the net realizable value of inventories (Note 11)	(926,282)	(831,000)
Adjustment to the salvage value of property, plant and equipment (Note 12)	(619,714)	(662,099)
Tax on checks and transfers	(141,658)	(86,269)
Changes in fair value of notes receivable (Note 9 (b))	-	104,841
Gain on sale of property, plant and equipment	214,959	612,545
Others, net	379,148	282,338
	(8,606,755)	**(1,452,638)**

27. Financial income

	December 31, 2018	December 31, 2017
Interest on trade receivables and notes receivable (Note 9)	15,653,509	11,122,168
Interest on certificates of deposit (Notes 7 and 8)	3,384,490	5,789,355
Other financial income (Note 7)	189,087	289,532
	19,227,086	**17,201,055**

28. Financial expenses

	December 31, 2018	December 31, 2017
Interests on local bonds	31,670,429	27,074,043
Interests on debt with agents of the Dominican electric market	69,418	7,121
Capitalized interests (Note 12)	(6,654,153)	(2,102,231)
Sub total	25,085,694	24,978,933
Interests on financing related to fuel purchases	1,558,680	980,815
Lease interests	907,449	-
Interests related to decommissioning	159,539	-
Amortization of debt issuance costs	207,134	248,510
Other financial expenses	241,692	245,219
	28,160,188	**26,453,477**

29. Commitments and contingencies

a) Lawsuits

On August 8, 2012, through a written document filed with the Tax District Attorney, representatives acting on behalf of FONPER, filed a notice of criminal complaint (hereinafter referred to as "Lawsuit") alleging breach of Art. 408 of the Dominican Criminal Code (Breach of Trust), against certain executives of EGE Haina and the parent company HIC. EGE Haina was notified of the Lawsuit on September 17, 2012.

It questioned the methodology to calculate the management fee that EGE Haina pays to HIC (Notes 10 (vii) and 23); certain taxes paid by EGE Haina over this fee; some of the commercial terms and corporate authorizations to sign the energy sale contract with CEPM (Note 21 (d)) and an alleged salary payment by EGE Haina to HIC's directors. On April 11, 2013, the Tax District Attorney instructed the "Cámara de Cuentas de la República" (Chamber of Accounts) to perform an audit on EGE Haina, as a part of its 2013 Annual Audit Plan, covering the period from 2008 to 2011. After evaluating the points described above, the Chamber of Accounts in its final report only suggested certain recommendations that aim to improve the internal control regarding the tax applicable to the management fee (Notes 10 (vii) and 23); which were adopted by the Company. This process is currently underway and although the result of the litigation is inherently unpredictable, the Company does not expect the outcome will have a material adverse effect on its financial condition or results of operations.

29. Commitments and contingencies (continued)

In addition, since 2012 EGE Haina's Board of Directors is aware of the existence of a request for arbitration, filed by HIC against FONPER (hereinafter referred to as the "Arbitration"), before the International Chamber of Commerce. This process ended in 2017.

30. Financial risk management objectives and policies

The Company's operations expose it to a variety of financial risks: market risk (including exchange risk, interest rate in fair value, interest rate in cash flows and price), credit risk and liquidity risk. The Company uses derivative financial instruments to cover certain risk exposures.

Risk management is controlled by the General Management, under the guidelines approved by the Management Board.

Foreign exchange risk

As a result of the Company's operations in foreign currency, its exposed to foreign exchange risk when the values of its assets and liabilities are denominated in foreign currency, and therefore their periodic measurement depends on the foreign currency exchange rate in effect in the financial market, mainly the Dominican peso and the Euro. Exchange risk consists of the recognition of exchange differences in the entity's income and expenses, resulting from variations in the exchange rates of the functional currencies or operating currencies and the respective foreign currency. This risk depends on the net position in foreign currency, as shown in Note 6.

The following table presents a sensitivity analysis of the effect on the consolidated financial statements of a reasonable variation in the exchange rate of the Dominican peso and the Euro versus the US dollar:

		Variance in Exchange Rate	Effect on income before tax
2018	RD$	+5%	(2,776,362)
2018		-5%	2,776,362
2017	RD$	+5%	(2,480,453)
2017		-5%	2,480,453
2018	EUR	+5%	(173,389)
2018		-5%	173,389
2017	EUR	+5%	(62,617)
2017		-5%	62,617

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30. Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk is the risk that the Company is unable to fulfill its financial obligations. To mitigate this risk, the Company monitors its liquidity needs to ensure it has sufficient cash to meet its operating requirements, and available credit lines in the event that it needs them. At December 31, 2018, the Company had US$44.5 million in financial certificates with original maturities of three months or less (2017: US$220.5 million), cash on hand and in banks for US$10.6 million (2017: US$18.4 million).

The table below analyzes the Company's financial commitments according to the relevant maturity grouped based on the remaining period from the reporting date of the consolidated statement of financial position until the end of the contractual period. The amounts disclosed on the table are non-discounted contractual cash flows.

Balances	2018 less than 1 year	From 1 to 2 years	From 2 to 5 years	More than 5 years	Total
Debt and loans payable	62,721,001	87,740,069	203,146,202	206,108,381	559,715,653
Trade payables and others	132,894,434	-	-	-	132,894,434
Other current liabilities	2,565,288	-	-	-	2,565,288
Decommissioning provision	-	-	-	2,601,383	2,601,383
Lease liability	1,698,951	1,571,739	3,505,187	5,156,856	11,932,733
Other non current liabilities	-	-	3,000	-	3,000
	199,879,674	89,311,808	206,654,389	213,866,620	709,712,491

Balances	2017 less than 1 year	From 1 to 2 years	From 2 to 5 years	More than 5 years	Total
Debt and loans payable	65,558,975	125,222,849	111,193,955	337,630,649	639,606,428
Trade payables and others	79,086,332	-	-	-	79,086,332
Other current liabilities	2,416,941	-	-	-	2,416,941
Decommissioning provision	-	-	-	2,185,455	2,185,455
Other non current liabilities	-	-	3,000	-	3,000
	147,062,248	125,222,849	111,196,955	339,816,104	723,298,156

Interest risk

Interest risk is the risk that the fair value of future cash flows of a financial instrument could fluctuate as a result of variations in market interest rates. The Company's exposure to this risk is basically related to long term obligations with variable interest rates.

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30. Financial risk management objectives and policies (continued)

The Company maintains important liabilities, comprised mainly of non current debt and bank loans payable, subject to interest rates variations. The Company manages this risk by constantly assessing the evolution of interest rates in the local and international markets in order to determine with a high degree of certainty the risks associated with the financial cost of liabilities, and whenever possible, minimizing the effects of this risk.

At December 31, 2018, the Company's entire non current debt is agreed at fixed rates, thus the Company is not exposed to this risk.

Credit Risk

Credit risk is the risk that one of the counterparts does not comply with its obligations derived from a financial instrument or purchase contract, and this translates into a financial loss.

Credit risk arises mainly from cash and cash equivalent accounts, held-to-maturity investments, derivative financial instruments and trade receivables. In terms of cash and cash equivalents, held-to-maturity investments and derivative financial instruments, the Company only works with recognized foreign and local financial institutions.

The main financial assets that potentially expose the Company to credit risk concentration consist mainly of accounts receivable from related parties and shareholders. The main buyers of energy and power in SENI are the three government distribution companies, Edenorte, Edesur and Edeeste (collectively "the distribution companies"). 61% of the Company's total revenue for 2018 (2017: 60%) originated from sales to the Distribution Companies, which comprised 83% (2017: 63%) of accounts receivable from related parties and shareholders at December 31, 2018. The Company has not had a history of uncollectibility with those distribution companies.

Regarding the risks of cash and cash equivalents as well as investments held-to-maturity, the Company's maximum exposure to noncompliance by the counterpart would be the carrying value of these assets.

The credit quality of the financial assets that have not matured and that have not suffered impairment losses may be assessed in relation to the credit rating granted by external entities, as follows:

	2018	2017
Cash in banks and short term bank deposits:		
Local credit rating - Fitch/Feller		
AA+	35,836,891	191,569,059
A-	1,636	23,401
A	10,053,579	580
	45,892,106	191,593,040
International credit rating – Fitch		
A+	9,188,464	47,243,184
	9,188,464	47,243,184
Cash on hand	19,772	23,082
Total cash and cash equivalents	55,100,342	238,859,306

30. Financial risk management objectives and policies (continued)

	2018	2017
Accounts and notes receivable without an external credit rating (more than 6 months:		
Commercial, existing customers / related parties with past noncompliance	207,770,518	49,884,232
Notes receivable, related parties / unrelated without previous noncompliance		-
Other receivables (excludes prepayments), related parties / unrelated parties without prior noncompliance	2,238,194	1,365,295
	210,008,712	51,249,527

Fuel price risk

The Company is exposed to the risk resulting from the fluctuation of international fuel prices. Since the Dominican Republic is not a producer of fuel, the Company purchases fuel for the generation of energy from international suppliers at prices based on international indexes plus a transportation charge. In general, the cost of fuel for the Company is determined by reference to the index published by Platts, which is the same one used in the indexation formulas in the prices of energy sales agreements. Additionally, the energy prices declared for spot market transactions include the fluctuations of fuel prices. As a result, the Company has a natural hedge against the fluctuation of fuel prices.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit ratio and healthy capital ratios to support its business and maximize profits. Company Management conducts a close follow-up of its capital management to guarantee that it can continue as a on-going business. In general, the main strategy is to maintain a healthy credit rating, and maintain adequate financial ratios to guarantee the continuity of the business operations and maximize returns for shareholders, through debt optimization and equilibrium of the consolidated statement of financial position. The Company manages its capital structure and timely requests shareholders for any adjustments in light of changes in the economic environment where it operates. To maintain or adjust the capital structure, the Company may request shareholders to adjust previously agreed dividends, capital returns, or increase capital contributions if necessary. These policies had no significant changes in 2018 and 2017.

The Company monitors its capital structure based on the net debt to EBITDA ratio, which is one of the ratios observed when dividends are paid or debt is incurred. The net debt is calculated as the total financing less cash and cash equivalents and held-to-maturity investments, as shown in the consolidated statement of financial position. EBITDA is obtained by adding to the operating profit the depreciation and amortization expense, the gain on foreign currency exchange, net and other expenses, net, as shown in the consolidated statements of comprehensive income.

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30. Financial risk management objectives and policies (continued)

This ratio basically measures the Company's debt capacity as a multiple of its EBITDA. The ratio of net debt to EBITDA at December 31, 2018 and 2017, is shown below:

	2018	2017
Non current debt and loans payable	349,296,930	389,895,229
Less: cash and cash equivalents	(55,100,342)	(238,859,306)
Less: held-to-maturity investments		-
Net debt	294,196,588	151,035,923
EBITDA (Note 32)	121,102,775	90,192,431
Net debt to EBITDA index	2.4	1.7

Financial instruments

The carrying value of cash and cash equivalents, held-to-maturity investments, notes, trade receivables and others,current debt and loans payable is approximately equal to the fair value of these instruments, due to their high liquidity or their short term maturity.

The fair value of non current debt and loans payable is similar to their carrying value and was determined using future cash flows discounted at the rates prevailing at the reporting date of the consolidated statement of financial position, as indicated below:

	December 31, 2018		December 31, 2017	
	Recorded value	Fair value	Recorded value	Fair value
Debt and loans payable	349,941,857	367,772,556	389,895,229	405,748,505

Fair value estimates are calculated as of the reporting dates, based on relevant market information and financial instruments information. These estimates do not reflect a premium or discount that could result in holding financial instruments as available-for-sale, since none of them are held for that purpose.

31. Financial instruments

As stated in Notes 4.4 y 4.7, the Company's main financial instruments include cash and cash equivalents, notes, held-to-maturity investments, trade receivables and others, current and non current debt and loans payable, trade payables and others, and other liabilities. Since these are mainly short term instruments, Management believes that their carrying amounts approach their fair values. The carrying value of loans payable approaches their fair value since they were agreed at variable interest rates.

Fair value estimates are calculated as of the reporting dates, based on relevant market information and financial instruments information. These estimates do not reflect a premium or discount that could result in holding financial instruments as available-for-sale.

The nature of these estimates is subjective and involves uncertain aspects and Management's judgment, thus these figures cannot be determined with absolute accuracy. Consequently, should there be changes in the assumptions on which the estimates are based, these could differ from final results.

31. Financial instruments (continued)

Fair value hierarchy

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table presents the Company's assets measured at fair value:

		Measurement of fair value At December 31, 2017 using		
	Balance	Level 1	Level 2	Level 3
Liabilities:				
Lease agreement	11,932,733			11,932,733
Decommissioning provision	2,601,383	-	-	2,601,383
Mutual agreement policy provision	476,727	-	-	476,727
	15,010,843	-	-	**15,010,843**

		Measurement of fair value At December 31, 2017 using		
	Balance	Level 1	Level 2	Level 3
Liabilities:				
Mutual agreement policy provision	436,014	-	-	436,014
Decommissioning provision	2,185,455	-	-	2,185,455
	2,621,469	-	-	**2,621,469**

At December 31, 2018, the nature of these fair value estimates is subjective and involves uncertain aspects and Management's judgment, thus these figures cannot be determined with absolute accuracy. Consequently, should there be changes in the assumptions on which the estimates are based, these could differ from final results.

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32. Segment information

Operating segments are components that involve business activities that could obtain revenue or incur in expenses, whose operating results are regularly reviewed by the Chief Operating Decision Maker or CODM, and for which the reserved financial information is available. The CODM is the person or group of persons that decide which resources should be assigned to an operating segment and assesses their performance for the entity. The CODM roles are performed by the Company's General Manager.

The CODM reviews and assesses the Company's operating performance based on cash flow reports, contracts and agreements with suppliers of equipment and services, operators and plans for advertising and expansion. They key performance measurement used by the CODM is the EBITDA, deducting depreciation and amortization expenses, the gain on foreign currency exchange, net and other expenses, net from the operating profit of the Company as a whole. The CODM also reviews revenue and gross profits for the entire Company, but not for different service categories or by region. Following the criteria set in IFRS 8, and given that the EBITDA derives from a single business activity, the Company has determined that it mainly has one single operating and reporting segment: production and sale of energy.

The segment information reviewed by the CODM for the years reported is:

	2018	2017
Revenue	429,520,797	329,851,359
Operating profit	73,799,595	50,9797,971
EBITDA	121,102,775	90,192,431
Total assets at December 31,	976,730,231	958,697,901
Total liabilities at December 31,	570,250,904	535,954,601

Since the EBITDA is not a standard measure of IFRS, the Company's definition of EBITDA may differ from that of other entities. A reconciliation of EBITDA with the year's net profit is:

	2018	2017
EBITDA	121,102,775	90,192,431
Depreciation and amortization	(41,618,394)	(39,368,296)
Gain on foreign currency exchange, net	2,921,969	1,608,476
Other expenses, net	(8,606,755)	(1,452,638)
Financial expenses, net	(8,933,102)	(9,252,422)
Profit before income tax	64,866,493	41,727,551
Income tax expense	(17,106,630)	(10,844,995)
Profit of the year	**47,759,863**	**30,882,556**

All of the Company's operating assets are located, and all of the revenue are generated, in the Dominican Republic.

33. Subsequent event

Subsequent to December 31, 2018 and until the date of issuance of the consolidated financial statements, the Company has collected approximately US$159.7 million of receivables from the three (3) distribution companies (Edenorte, Edeeste and Edesur) and the CDEEE.

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