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

Report of Independent Auditors and Consolidated Financial Statements
December 31, 2011 and 2010

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

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December 31, 2011 and 2010

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Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheets of Empresa Generadora de Electricidad Haina, S. A. and its subsidiary (collectively "the Company") at December 31, 2011 and 2010, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, expressed in United States Dollars (U.S. Dollars). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, expressed in U.S. Dollars, present fairly, in all material respects, the financial position of Empresa Generadora de Electricidad Haina, S. A. and its subsidiary at December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers

March 1, 2012

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

Consolidated Balance Sheets
December 31, 2011 and 2010

	Notes	2011	2010
Assets			
Current assets			
Cash and cash equivalents	3 and 4	US$183,879,288	US$110,923,941
Short-term investment	3 and 10	482,780	11,479,445
Accounts and notes receivable	3 and 5	161,429,726	109,672,281
Inventories	3 and 6	36,104,830	31,642,453
Prepaid expenses	7	15,843,621	18,650,737
Deferred income tax	3 and 20	200,571	539,857
Other current assets	8	10,736,709	557,909
Total current assets		408,677,525	283,466,623
Deposits in banks, restricted	3 and 15	7,831,183	7,831,183
Long-term note receivable	3, 5 and 26	1,305,556	-
Property, plant and equipment, net	3 and 11	295,297,636	276,659,590
Intangible assets	3	91,227	-
Deferred charges, net	3 and 12	6,462,901	7,511,501
Other assets	13	21,798,837	7,916,192
Total assets		US$741,464,865	US$583,385,089
Liabilities and Shareholders' Equity			
Current liabilities			
Line of credit	14	US$ -	US$ 5,000,000
Short-term debt	15	30,000,000	-
Current portion of long-term debt	16	17,656,315	14,600,000
Accounts payable	17	34,536,523	23,348,062
Payable to related parties	26	1,775,513	1,152,504
Income tax payable	3 and 20	26,806,238	5,700,765
Other current liabilities	18	8,355,169	6,912,380
Total current liabilities		119,129,758	56,713,711
Long-term debt	16	233,750,590	186,967,000
Deferred income tax	3 and 20	13,421,758	15,504,685
Other non-current liabilities		3,000	19,104
Total liabilities		366,305,106	259,204,500
Shareholders' equity	19		
Common stock, RD$100 par value (US$6.29)			
Class A – 22,975,500 shares authorized, issued and outstanding		144,500,000	144,500,000
Class B – 22,975,500 shares authorized, issued and outstanding		144,500,000	144,500,000
		289,000,000	289,000,000
Legal reserve		16,737,091	13,463,603
Retained earnings		100,454,663	52,258,394
Accumulated other comprehensive loss	3	(31,031,995)	(30,541,408)
Total shareholders' equity		375,159,759	324,180,589
Total liabilities and shareholders' equity		US$741,464,865	US$583,385,089

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

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

Consolidated Statements of Income
Years Ended December 31, 2011 and 2010

	Notes	2011	2010
Revenues	**21**		
Energy		US$564,223,768	US$373,912,220
Capacity		51,549,463	46,949,316
Others		1,766,851	1,647,801
		617,540,082	422,509,337
Operating costs			
Fuel	22	(255,177,432)	(166,849,523)
Purchased power	22	(154,679,563)	(92,774,899)
Transmission		(11,267,095)	(10,840,198)
Compensation for frequency regulation		(9,627,357)	(5,366,523)
Operating and maintenance expenses	23	(29,797,294)	(34,602,942)
Administrative and general expenses	24	(44,748,896)	(33,426,539)
Depreciation	11	(16,347,614)	(16,082,375)
		(521,645,251)	(359,942,999)
Operating income		95,894,831	62,566,338
Financial expenses, net	25	(5,422,885)	(10,397,441)
Foreign exchange gain (loss)		310,602	(737,309)
Other income (expense), net	27	660,242	(1,235,969)
Income before income tax		91,442,790	50,195,619
Income tax	20		
Current		(27,249,725)	(5,776,654)
Deferred		1,276,692	(2,445,702)
Net income		US$ 65,469,757	US$ 41,973,263

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

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

Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2011 and 2010

	Notes	Common Stock US$	Legal Reserve US$	Retained Earnings US$	Accumulated Other Comprehensive Loss US$	Total US$	Comprehensive Income US$
Balance at December 31, 2009		289,000,000	11,364,940	22,383,794	(30,944,869)	291,803,865	-
Net income		-	-	41,973,263	-	41,973,263	41,973,263
Dividends	19	-	-	(10,000,000)	-	(10,000,000)	-
Transfer to legal reserve		-	2,098,663	(2,098,663)	-	-	-
Change in unrealized gain on available-for-sale investments	3	-	-	-	403,461	403,461	403,461
Balance at December 31, 2010		289,000,000	13,463,603	52,258,394	(30,541,408)	324,180,589	42,376,724
Net income		-	-	65,469,757	-	65,469,757	65,469,757
Dividends	19	-	-	(14,000,000)	-	(14,000,000)	-
Transfer to legal reserve		-	3,273,488	(3,273,488)	-	-	-
Change in unrealized loss on available-for-sale investments	3	-	-	-	(490,587)	(490,587)	(490,587)
Balance at December 31, 2011		289,000,000	16,737,091	100,454,663	(31,031,995)	375,159,759	64,979,170

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

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

Consolidated Statements of Cash Flows
Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Net income	US$ 65,469,757	US$ 41,973,263
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on asset disposal	168	31,710
Gain from the sale of property, plant and equipment	(45,400)	-
Deferred income tax	(1,276,692)	2,445,702
Depreciation	16,347,614	16,082,375
Provision for doubtful accounts	235,391	509,172
Financial expenses	3,959,047	3,850,412
Loss on forward contracts	-	507,461
Net foreign exchange loss	-	538,052
Changes in assets and liabilities:		
Accounts receivable	(47,807,442)	29,836,306
Inventories	(6,964,950)	(4,412,857)
Prepaid expenses	2,807,116	781,343
Other assets	(24,061,445)	(1,600,179)
Accounts payable	12,617,574	9,686,657
Income tax payable	21,105,473	5,700,765
Payable to related parties	622,096	138,478
Derivative financial liability	-	(866,323)
Other liabilities	(1,920,067)	(5,391,109)
Other non-current liabilities	(16,104)	6,105
Net cash provided by operating activities	41,072,136	99,817,333
Cash flows from investing activities		
Proceeds from the sale of property, plant and equipment	59,745	-
Purchases of property, plant and equipment	(37,538,841)	(37,099,052)
Collection of other related party receivables	-	3,293,545
Disbursement of notes receivable	(1,500,000)	-
Purchases of investment securities	-	(2,165,254)
Sales of investment securities	10,535,320	13,359,722
Purchases of restricted investments	-	(19,043,470)
Sales of restricted investments	-	19,043,470
Net cash used in investing activities	(28,443,776)	(22,611,039)
Cash flows from financing activities		
Proceeds from line of credit	-	5,000,000
Repayment of line of credit	(5,000,000)	-
Proceeds from short-term debt	30,000,000	-
Repayment of long-term debt	(28,205,015)	(13,800,000)
Proceeds from long-term debt	78,044,920	13,000,000
Dividends paid	(13,999,087)	(9,997,470)
Debt issuance costs paid	(513,831)	(30,134)
Net cash provided by (used in) financing activities	60,326,987	(5,827,604)
Net increase in cash and cash equivalents	72,955,347	71,376,160
Cash and cash equivalents at beginning of year	110,923,941	39,547,781
Cash and cash equivalents at end of year	US$ 183,879,288	US$110,923,941

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

Consolidated Statements of Cash Flows
Years Ended December 31, 2011 and 2010

	2011	2010
Supplemental cash flow information		
Interest paid during the year	US$17,376,035	US$18,568,510
Income tax paid	3,660,000	1,510,922
Non-cash activities of:		
Operating activities		
Decrease in accounts receivable through the offset with accounts payable	US$ 4,070,235	US$20,414,360
Transfer from inventories to property, plant and equipment	2,502,573	3,220,954
Investing activities		
Unpaid additions (including capitalized interest) of property, plant and equipment	2,986,746	751,129

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

1. Description of the Entity and Nature of Operations

Empresa Generadora de Electricidad Haina, S. A. ("EGE Haina" or "the Company") was established on August 17, 1999 and incorporated on October 28, 1999 pursuant to the laws of the Dominican Republic, as part of the capitalization process of the Dominican electricity sector undertaken in 1999. EGE Haina is the largest generator of electricity in the country, when measured by installed capacity, currently operating 11 electric power generator units at six plants, consisting of San Pedro, Sultana del Este – barge, Haina and Barahona in the southern part of the country, Puerto Plata in the northern part of the country and Pedernales in the western part of the country. Additionally, the Company constructed a 25MW wind farm consisting of 14 wind generators located in Los Cocos, municipality of Oviedo, in the southern part of the country.

EGE Haina has contracted, through Power Purchase Agreements ("PPA"), approximately 82% (2010: 86%) of its power generation with three State owned distributors within the Interconnected Electricity System ("SENI"), Empresa Distribuidora del Norte, S. A. ("Edenorte"), Empresa Distribuidora del Sur, S. A. ("Edesur") and Empresa Distribuidora del Este, S. A. ("Edeeste") (collectively "the distribution companies"), and approximately 18% with a related operating company, Consorcio Energético Punta Cana-Macao, S. A. (2010: 14%).

EGE Haina equity interest holders include Haina Investment Co., Ltd (50%), Fondo Patrimonial de las Empresas Reformadas, a Dominican state-owned entity (49.994%) and other minority shareholders (0.006%).

2. Basis of Presentation and Foreign Currency Financial Statements

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). These consolidated financial statements include the accounts of EGE Haina and those of its wholly owned subsidiary EGE Haina Finance Company (collectively the "Company"). This subsidiary was formed in 2007 under the laws of the Cayman Islands, for the purpose of issuing a 144A/Regulation S US$175 million bond ("Senior Notes") which is described further in Note 16. All intercompany items have been eliminated in consolidation.

Foreign Currency Transactions and Translation
The Company's operations are conducted primarily in U.S. dollars which is its functional currency. Foreign exchange gains and losses arising from transactions denominated in a currency other than the U.S. dollar are included in net income. Assets and liabilities denominated in currencies other than U.S. dollar are translated at year end exchange rates. At December 31, 2011 and 2010, exchanges rates were Dominican Peso RD$38.87:US$1.00 and RD$37.63:US$1.00, respectively.

3. Significant Accounting Policies

A summary of significant accounting policies followed by the Company in the preparation of these consolidated financial statements are as follows:

Use of Estimates
The preparation of consolidated financial statements and related disclosures requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for the provision for bad debts or bad debt expense, depreciation and impairment of long-lived assets, income taxes and contingencies. Actual results could differ from those estimates.

Cash and Cash Equivalents
For cash flow purposes, the Company considers cash and cash at banks, as well as certificates of deposits and other highly liquid temporary investments with original maturities of three months or less, to be cash equivalents.

Deposits in Banks, Restricted
These amounts correspond to deposits in an Interest Reserve Account equal to the interest payable on the Senior Notes described in Note 16. These deposits are restricted and are classified as non-current assets.

Inventories
Inventories consist of bulk fuel and spare parts. Bulk fuel is recorded at weighted average cost, which does not exceed market since fuel generally has a very short turnover period. Spare parts are recorded at historical cost and written down when it is determined that spare parts have become obsolete. These spare parts are comprised of a large number of individual items of small value each. Management believes book values do not exceed market.

Revenue Recognition and Concentration of Credit Risk
Revenues from energy sales, both contracted and spot, are recognized based on the energy produced and energy demanded from clients during each calendar month. Each company in the Dominican Republic Interconnected System reports the end of month metering reading to the Organismo Coordinador ("OC"), the entity in charge of reporting the system transactions. The OC determines the amounts of energy sales made by contract and the amounts of energy sales made in the spot market. The energy sales made under contract are priced according to the respective contract and those sales made in the spot market are priced according to the market price.

The electricity sector in the Dominican Republic continues to be affected by the financial difficulties experienced by the local distribution companies and the increase in oil prices. Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of accounts receivable and deposits in banks. At December 31, 2011 and 2010 three customers accounted for 93% of gross accounts receivable and 87% of total revenues in 2011 (2010: 88%).

In July 2009, EGE Haina declared Edeeste in default under the rescheduling agreement signed in August 2006 (Note 21) and temporarily suspended the 100MW PPA between them. In January 2010 the Company fully collected the outstanding receivable from Edeeste, and in July 2010, the Company re-implemented the PPA with Edeeste for 50MW, with the remaining 50MW suspended until July 2012.

Intangible Assets
Intangible assets consist of easements acquired for the use of real estate owned by third parties. The easements grant EGE Haina only defined rights of usage over the portion of the property for an indefinite period of time. Management's intention is to use the land easement beyond the foreseeable future. Such intangible assets are not subject to amortization.

Property, Plant and Equipment, Net
Property, plant and equipment are recorded at cost. Depreciation expense has been determined using the straight-line method over the estimated useful lives of the related assets as specified below:

Asset	Estimated Useful Life (Years)
Buildings	50
Generation plants, including exchange parts	25
Wind farm (turbines)	20
Transportation equipment	5
Furniture and office equipment	4-5
Other equipment	4-5
Leasehold improvements	5

Exchange parts are items that can be repaired and reused. Therefore, their expected useful life (10 years) does not exceed that of the generation plants they support.

The cost of routine maintenance, repairs and replacements is charged to expense as incurred. The cost of significant overhauls, renewals and improvements, that increase the plants' capacity and/or increase efficiency and/or extend their useful lives, are added to the carrying amount of the respective assets.

For qualifying constructed assets, interest costs are capitalized as part of the overall cost when the construction occurs over extended periods of time.

When assets are withdrawn or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the results of the period in which the retirement occurs.

Impairment of Long-Lived Assets
The Company evaluates the carrying value of its long-lived assets for impairment when events or circumstances indicate that the Company may not recover the carrying amounts of the assets. The carrying value of a long-lived asset, or group of assets, is considered impaired when the expected undiscounted cash flows from the use and eventual disposition of such asset, or group of assets is less than its carrying value. In that event, an impairment loss would be recognized generally based on the amount by which the carrying value of the asset or group of assets exceeds its fair value. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

Deferred Charges, Net
Deferred charges correspond to:

(a) Costs in connection with the renegotiation of power contracts. These amounts are amortized on a straight-line basis over the term of the corresponding contracts.

(b) Debt issuance costs related to the issuance of debt described in Note 16. These deferred costs are amortized under the effective interest method over the term of the related financings.

Investments
The Company classifies investments as trading, held-to-maturity, or available-for-sale at the time of purchase. Investments held by the Company that are categorized as available-for-sale are reported at fair value with any related unrealized gains and losses reported net of tax, as a component of Accumulated other comprehensive loss in the Consolidated Balance Sheet. Investments held by the Company that are categorized as trading securities are reported at estimated fair value with any unrealized gains and losses included in other investment income on the consolidated statement of income. Investments that are categorized as held to maturity are recorded at amortized cost, which is adjusted for amortization. All of the Company's investments in marketable securities were reported at fair value at December 31, 2011 and 2010. Fair value is determined based on observable market quotes or valuation models using assessments of counterparty credit worthiness, credit default risk of underlying security and overall capital market liquidity. Declines in fair value that are considered other than temporary are charged to earnings and those that are considered temporary are reported as a component of accumulated other comprehensive income (OCI) in stockholders' equity. Premiums and discounts are amortized or accreted into earnings over the life of the available-for-sale security. At December 31, 2010, the Company had investments in Dominican Sovereign Bonds amounting to US$11.0 million, which were fully collected in 2011.

Income Taxes
The tax expense for the period comprises current and deferred income tax. Tax is recognized in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, tax is also recognized in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the Dominican Tax Law enacted or substantially enacted at the balance sheet date.

Deferred income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. The Company adjusts the valuation allowance when changes in circumstances cause a change in judgment about the future realization of the related deferred tax assets.

The provision for income tax also includes, if applicable, estimated taxes, interest and penalties related to uncertain tax positions to the extent that, based on technical merits, a conclusion is reached that they do not meet the more likely than not threshold.

Provision for Doubtful Accounts and Contingencies
The Company establishes a provision for doubtful accounts to provide for accounts receivable where, in management's judgment, it is not probable that such receivable will be fully collected. The level of the provision for doubtful accounts is based on management's evaluation of various factors, including the credit risk of customers, historical trends, and other information. While management uses the information available to make evaluations, adjustments to the allowance may be necessary should future economic conditions differ substantially from the assumptions used in making the evaluations.

Fair Value of Financial Instruments
The fair value of the current financial assets and current financial liabilities are estimated to be equal to their reported carrying amounts due to the short-term maturities of these instruments. The fair value of receivables and payables with related parties is estimated based on interest rate and repayments terms.

The financial debt is primarily arranged at fixed interest rates and exposes the Company to fair value interest rate risk. Management estimates the fair value of the Company's borrowings by discounting their future cash flows at market rate (Note 16).

Fair Value Measurement
The Company utilizes the methods of fair value as described in ASC 820 to value its financial assets and liabilities. As defined in ASC 820, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

- Level 2: Observable prices that are based on inputs not quoted in active markets, but corroborated by market data.

- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

Derivative Financial Instruments
The Company records all derivative financial instruments on the balance sheet at fair value, regardless of the purpose or intent for holding them. The accounting for changes in fair value of the derivative financial instruments varies, depending on whether the derivative is considered to be a hedge for accounting purposes, and whether the hedging instrument is a fair value or a cash flow hedge.

The Company used forward exchange contracts and put option contracts to manage some of its exposure to fluctuations in foreign currency exchange rates. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various derivative transactions. It is the Company's policy not to enter into derivative financial instruments for speculative purposes. The Company's forward and put option contracts were not documented as hedges for accounting purposes and therefore, the changes in the fair values of derivatives were recognized in the consolidated statement of income and classified within other income (expenses) in 2010 (Note 9).

At December 31, 2011 the Company does not maintain any derivative financial instruments.

Pension Information
The Company does not maintain any pension plans. Dominican laws provide for pension benefits to be paid to retired employees from government pension plans and/or privately managed funds plans to which employers and employees make contributions.

Dismissal Indemnity
Dismissal indemnity, which must be paid under certain circumstances as required by the Dominican labor code, is charged to expense when employees are dismissed without cause.

Comprehensive Income
ACS 220, "Reporting Comprehensive Income," requires a full set of general purpose financial statements to be expanded to include the reporting of "comprehensive income". Comprehensive income is comprised of two components, net income and other comprehensive income. At December 31, 2011, the balance in "Accumulated Other Comprehensive Loss" of US$(31,031,995) corresponds to accumulated foreign currency translation adjustments carried forward from when the Company's functional currency was the Dominican Republic Peso and at December 31, 2010, the balance of US$30,541,408 also includes accumulated unrealized gain on available-for-sale investments of US$490,587.

New Accounting Standards

Update 2011-03, Transfers and Servicing (Topic 860), Issued in April, 2011. Reconsideration of Effective Control for Repurchase Agreements

The amendments in this Update are effective for the first interim or annual period beginning on or after December 15, 2011. The amendments affect all entities that enter into agreements to transfer financial assets that both entitle and obligate the transferor to repurchase or redeem the financial assets before their maturity. The amendments do not affect other transfers of financial assets.

The amendments in this Update remove from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion.

Other criteria applicable to the assessment of effective control are not change by the amendments in this Update. Those criteria indicate that the transferor is deemed to have maintained effective control over the financial assets transferred (and thus must account for the transaction as a secured borrowing) for agreements that both entitle and obligate the transferor to repurchase or redeem the financial assets before their maturity if all of the following conditions are met:

1. The financial assets to be repurchased or redeemed are the same or substantially the same as those transferred.

2. The agreement is to repurchase or redeem them before maturity, at a fixed or determinable price.

3. The agreement is entered into contemporaneously with, or in contemplation of, the transfer.

The adoption of this standard did not have impact in the Company's consolidated financial position, results of operations or cash flows. The company currently does not have any agreements for the transfer of financial assets in which it is obligated to repurchase or redeem the financial assets before their maturity.

Update 2011-04, Fair Value Measurement (Topic 820), Issued in May, 2011. Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in USGAAP and IFRSs.

The amendments in this Update are effective for annual periods beginning after December 15, 2011. The amendments in this Update result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements.

The amendments in this Update apply to all reporting entities that are required or permitted to measure or disclose the fair value of an asset, a liability, or an instrument classified in a reporting entity's shareholders' equity in the financial statements.

Some of the disclosures required by the amendments in this Update are not required for nonpublic entities.

Those disclosures include the following:

1. Information about transfers between Level 1 and Level 2 of the fair value hierarchy.

2. Information about the sensitivity of a fair value measurement categorized within Level 3 of the fair value hierarchy to changes in unobservable inputs and any interrelationships between those unobservable inputs.

The amendments change the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments include the following:

1. Clarify the application of existing fair value measurement and disclosure requirements.

2. Change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements.

In addition, to improve consistency in application across jurisdictions some changes in wording are necessary to ensure that U.S. GAAP and IFRS fair value measurement and disclosure requirements are described in the same way (for example, using the word shall rather than should to describe the requirements in U.S. GAAP).

Except for additional disclosures within the notes to the financial statements, the adoption of this standard did not have impact in the Company's consolidated financial position, results of operations or cash flows.

Update 2011-05, Comprehensive Income (Topic 220), Issued in June 2011. Presentation of Comprehensive Income.

The amendments in this Update should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2012, and interim and annual periods thereafter.

Early adoption is permitted, because compliance with the amendments is already permitted. The amendments do not require any transition disclosures.

Under the amendments to Topic 220, Comprehensive Income, in this Update, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. In a single continuous statement, the entity is required to present the components of net income and total net income, the components of other comprehensive income and a total for other comprehensive income, along with the total of comprehensive income in that statement. In the two-statement approach, an entity is required to present components of net income and total net income in the statement of net income. The statement of other comprehensive income should immediately follow the statement of net income and include the components of other comprehensive income and a total for other comprehensive income, along with a total for comprehensive income.

Regardless of whether an entity chooses to present comprehensive income in a single continuous statement or in two separate but consecutive statements, the entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented.

The amendments in this Update do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. His amendments do not change the option for an entity to present components of other comprehensive income either net of related tax effects or before related tax effects, with one amount shown for the aggregate income tax expense or benefit related to the total of other comprehensive income items. In both cases, the tax effect for each component must be disclosed in the notes to the financial statements or presented in the statement in which other comprehensive income is presented. The amendments do not affect how earnings per share is calculated or presented.

Except for additional disclosures, the adoption of this standard did not have impact in the Company's financial position, results of operations or cash flows.

Update 2011-12, Comprehensive Income (Topic 220), Issued in December 2011. Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05.

The amendments in this Update are effective at the same time as the amendments in Update 2011-05 so that entities will not be required to comply with the presentation requirements in Update 2011-05 that this Update is deferring. For this reason, the transition guidance in paragraph 220-10-65-2 is consistent with that for Update 2011-05.

The amendments in this Update are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2011. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2012, and interim and annual periods thereafter.

In order to defer only those changes in Update 2011-05 that relate to the presentation of reclassification adjustments, the paragraphs in this Update supersede certain pending paragraphs in Update 2011-05. The amendments are being made to allow the Board time to redeliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. While the Board is considering the operational concerns about the presentation requirements for reclassification adjustments and the needs of financial statement users for additional information about reclassification adjustments, entities should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before Update 2011-05.

All other requirements in Update 2011-05 are not affected by this Update, including the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. Public entities should apply these requirements for fiscal years, and interim periods within those years, beginning after December 15, 2011. Nonpublic entities should begin applying these requirements for fiscal years ending after December 15, 2012, and interim and annual periods thereafter.

Except for additional disclosures, the adoption of this standard did not have impact in the Company's financial position, results of operations or cash flows.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2011	2010
Cash	US$ 72,540,137	US$ 13,928,749
Cash equivalents - certificate of deposit:		
At annual rates ranging from 4.25% to 1.15% (2010: from 1.15% to 3.25%)	111,339,151	96,995,192
	US$183,879,288	US$110,923,941

5. Accounts and Notes Receivable

Accounts and notes receivable consist of:

	2011	2010
Related parties – Trade, including current portion of a note receivable from Edesur of US$194,444 at December 31, 2011 (Note 26)	US$158,079,679	US$106,637,782
Other related parties (Note 26)	1,749,058	2,127,525
Other, including trade (b)	3,851,108	1,616,146
	163,679,845	110,381,453
Provision for doubtful accounts	(944,563)	(709,172)
	162,735,282	109,672,281
Long-term note receivable:		
Edesur (a)	(1,305,556)	-
Total current accounts receivable	US$161,429,726	US$109,672,281

a) In December 2011, EGE Haina entered into a financing agreement with Edesur for an amount of US$3.2 million, to be used by the latter in the re-construction of distribution infrastructure at or near the communities adjacent to Los Cocos wind farm, as described in Note 11. Edesur will reimburse EGE Haina the principal amount, starting the sixth month after the signing of the agreement, in 54 monthly installments bearing interest at the active interest rate published by the Dominican Central Bank. This financing agreement matures in November 2016. At December 31, 2011 the Company had disbursed US$1.5 million of the total financing agreement.

b) Other, including trade, includes US$2.6 million of a receivable from Barrick Gold of North America ("Barrick") in 2011. See Note 21 (c) for further detail on the service agreements entered into with Barrick.

Offsetting Agreements – Corporación Dominicana de Empresas Eléctricas Estatales ("CDEEE")

Agreements dated February and March 2010
During 2010, CDEEE and the Company agreed to offset US$18.3 million of the Company's accounts payable to Empresa de Generación Hidroeléctrica Dominicana ("HIDRO") and CDEEE against the same amount of accounts receivable from Edesur and Edenorte. The Company also agreed to offset US$2.1 million of the Company's accounts payable to other generation companies against the same amount of accounts receivable from these companies.

6. Inventories

Inventories consist of:

	2011	2010
Fuel	US$17,265,874	US$13,123,961
Parts	18,585,650	18,337,590
Inventories in transit	253,306	180,902
	US$36,104,830	US$31,642,453

At December 31, 2010, the Company has third party fuel oil inventory in custody of US$1.3 million (2011: nil), that is not included in the consolidated balance sheet.

7. Prepaid Expenses

Prepaid expenses consist of:

	2011	2010
Prepaid taxes and tax advances, net	US$13,509,490	US$17,076,240
Insurance	2,290,848	1,514,497
Other	43,283	60,000
	US$15,843,621	US$18,650,737

8. Other Current Assets

Other current assets consist of:

	2011	2010
Advance payment of energy purchase (a)	US$ 9,000,000	US$ -
Short-term portion of the transmission line (Note 13)	795,209	-
Other advance payments	941,500	557,909
	US$10,736,709	US$ 557,909

(a) On December 28, 2011, the Company entered into a short-term agreement with CDEEE for the purchase of electricity at the spot price less a two percent (2%) discount. Such agreement shall be in force until the advanced amount is fully consumed.

9. Derivative Financial Instruments

The following summarizes the Company's derivative financial instrument contracts at December 31, 2011 and 2010:

Foreign exchange risk management – In 2010 the Company used foreign currency forward exchange contracts ("Forward contracts") and non-deliverable currency option ("Put Option contracts") to reduce its cash flow volatility associated with foreign exchange rate changes. The Forward contracts and Put option contracts provided for the purchase or sale of foreign currencies at specified future dates at specified exchange rates.

Changes in the fair value of the Forward contracts not documented as cash flow hedges for accounting purposes resulted in a charge of US$507,461 in 2010 recorded in the consolidated statements of income as a component of other (expense) income, net (Note 27).

Changes in the fair value of the Put Option contracts not documented as cash flow hedges for accounting purposes resulted in a charge of US$648,600 in 2010 recorded in the consolidated statements of income as a component of other income (expense), net (Note 27).

As of December 31, 2011 and 2010, the Company had no Forward or Put Option contracts.

10. Fair Value of Financial Instruments

The estimated fair value amounts presented below have been determined by the Company using available market information or other appropriate valuation methodologies that require considerable judgment in developing and interpreting the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in an actual market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The carrying amounts of the Company's cash and cash equivalents, short-term investments, accounts and notes receivable, accounts payable and current notes payable approximate fair value because they have relatively short-term maturities and bear interest at rates tied to market indicators, as appropriate. The Company's long-term debt consists of debt instruments that bear interest at fixed rates tied to market indicators.

The carrying amounts and estimated fair values of the Company's financial instruments as of December 31, 2011 and 2010 are as follows:

	2011		2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Cash and cash equivalents	US$183,879,288	US$183,879,288	US$110,923,941	US$110,923,941
Investments (short-term)	482,780	482,780	11,479,445	11,479,445
Accounts and notes receivable (including long-term)	162,735,282	162,735,282	109,672,281	109,672,281
	US$347,097,350	US$347,097,350	US$232,075,667	US$232,075,667
Liabilities:				
Accounts payable, related parties, income tax payable and other current liabilities	US$ 71,473,443	US$ 71,473,443	US$ 37,113,711	US$ 37,113,711
Debt (short and long-term)	281,406,905	276,468,473	206,567,000	213,697,746
	US$352,880,348	US$347,941,916	US$243,680,711	US$250,811,457

Assets and liabilities that are measured at fair value on a recurring basis are as follows:

		Fair Value Measurements at Reporting Date Using		
Description	12/31/2010	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available-for-sale securities	US$10,994,345	US$ -	US$10,994,345	US$ -

11. Property, Plant and Equipment, Net

Property, plant and equipment, net consist of:

	2011	2010
Land	US$ 5,059,923	US$ 5,059,923
Buildings	1,352,398	1,008,716
Generation plants	344,933,885	344,933,885
Wind farm (a)	81,110,676	-
Transportation equipment	2,000,623	1,711,978
Furniture and office equipment	2,122,689	1,990,857
Other equipment	11,087,994	9,492,637
Leasehold improvements	1,242,490	929,493
Exchange parts	9,001,861	6,499,288
	452,852,616	366,566,854
Less: Accumulated depreciation	164,340,565	148,253,724
	288,512,051	218,313,130
Construction in progress (a) and (b)	1,725,662	53,286,537
	US$295,297,636	US$276,659,590

During 2011 and 2010, depreciation of property, plant and equipment was US$16,347,614 and US$16,082,375, respectively.

Property, plant and equipment include capitalized interests on borrowings attributed to the construction of assets. Interests capitalized amounted to US$4,916,377 in 2011 (2010: US$2,127,096).

(a) In 2009 the Company entered into a Supply and Installation Agreement and Service and Availability Agreement with Vestas Argentina, S. A. for the acquisition and installation of 14 V90 Wind Turbine Generators with an installed capacity of 25MW, located in Los Cocos, municipality of Oviedo, in the southern part of the country.

In March 2010 the Company assigned all rights, titles, interests and obligations of the abovementioned agreements to Urbaenergía, S. L. and Energía y Recursos Ambientales Internacional, S. L. - Unión Temporal de Empresas Ley 18/1982 ("UTE Los Cocos"), a joint venture organized under the laws of Spain specialized in the development of wind farms, and also entered into a Turnkey Engineering, Procurement and Construction Agreement with such company for the design, construction and installation and commissioning of the Los Cocos project.

On October 11, 2011, EGE Haina inaugurated the first wind farm in the Dominican Republic with an investment of US$81.1 million, and commenced operations in December 2011.

(b) In December 2011 EGE Haina entered into an Engineering, Procurement and Construction Agreement of a duel fuel (Heavy Fuel Oil and Natural Gas) combined cycle reciprocating engine power plant ("Quisqueya II plant"), with a net installed capacity of 215.5MW, with Wärtsilä Finland OY and Wärtsilä Dominicana SRL. The total contract value for the agreement amounts to US$198.7 million. The commercial operation date is expected by the second half of 2013. In January 2012, the Company made a down payment to Wärtsilä Finland OY by €24,342,768 (equivalent to US$32.1 million) in accordance with the contract. As security package, the Company entered into an escrow agreement with Citibank N.A. in order to secure certain payment obligations of the Company's to Wärtsilä Finland OY.

12. Deferred Charges

Deferred charges consist of:

	2011	2010
Deferred costs	US$11,811,229	US$11,811,229
Debt issuance costs	6,212,061	5,698,230
	18,023,290	17,509,459
Less: Accumulated amortization	11,560,389	9,997,958
	US$ 6,462,901	US$ 7,511,501

During 2011 and 2010, the amortization charges of the deferred charges amounted to US$1,562,431 and US$1,648,921, respectively (See Note 25). The estimated future amortization through the end of its useful life is expected to be:

Year	US$
2012	1,390,653
2013	1,283,299
2014	1,280,670
2015	1,269,966
2016 - 2017	1,238,313
	6,462,901

13. Other Non-Current Assets

Other non-current assets consist of:

	2011	2010
Transmission Line for Los Cocos project, long-term (a)	US$13,275,493	US$7,755,286
Advance payment to supplier (b)	8,321,040	-
Deposits for local rent	26,699	30,899
Other deposits	175,605	130,007
	US$21,798,837	US$7,916,192

(a) In 2007 the Company signed a contract with Elecnor, S. A. (the constructor) for the construction of a transmission line to interconnect the Los Cocos project to the interconnected electricity system. At December 31, 2011, the Company had made payments for US$14.1 million (2010: US$7.7 million). The total cost of this project is US$14.1 million, of which US$0.8 million are presented as short-term (Note 8). The transmission line is being used since the commercial operation date of the Los Cocos Project (Note 11).

In 2010 the Company signed a contract with ETED for the transfer of the abovementioned transmission line based on a construction budget for an amount of US$9.5 million. The total costs incurred in the construction, which was completed by the end of 2011, amounted to US$14.1 million, mainly due to a modification in the original route of the transmission line approved by ETED. On December 6, 2011, the Company sent a letter to ETED informing such invested amount along with all the supporting documentation, which is being analyzed by the latter in order to approve and amend the original contract.

According to the terms of the original contract, risks and title of the transmission line will pass to ETED once the construction is completed and the facility is commercially operational. Upon the legal transfer of the aforementioned facilities, the capitalized costs of the transmission line approved will be reimbursed by ETED. This reimbursement will be administered through the Company offsetting its future payables for transmission market tolls assessed by and due to ETED in accordance with the Electricity Law, until all capitalized costs are offset.

(b) Advance to supplier includes a US$8.3 million advance payment for the wind project known as "Los Cocos II". On December 30, 2011, the Company entered into a Turnkey Supply, Construction and Installation Agreement with UTE Los Cocos for the design, construction and installation and commissioning of a 52MW wind power project which will interconnect with, and therefore expand, the existing 25MW of Los Cocos (Note 11 (a)). The total value for the Engineering, Procurement and Construction contract amounted to US$91.0 million. The Company has already obtained permission for the expansion of 50MW, while the authorization of remaining 2MW is in process. On January 4, 2012, the Company made a US$19.1 million down payment in accordance with the contract.

On January 19, 2012, the above described contract was amended and separated into two (2) contracts of 50MW and 2MW, respectively. The terms of the agreement remain unchanged.

14. Line of Credit

The Company had a line of credit facility with total amount available for advance of US$5 million with a local bank, with an original maturity in July 2011. At December 31, 2010 the Company had advanced the available amount of US$5 million. This debt accrued interest at an annual fixed rate of 5% and was fully repaid in May 2011.

15. Short-Term Debt

On December 21, 2011, the Company signed a promissory note with The Bank of Nova Scotia, in the amount of US$30 million, with an interest rate equivalent to LIBOR (1 month) rate plus 3%, calculated over a 360 days base year. This promissory note matures in June 2012.

16. Long-Term Debt

Long-term debt consists of:

	2011	2010
9.5% Senior Notes (fixed rate bond maturing in April 2017 with a bullet payment). Interest is payable in 20 semi-annual installments (a)	US$164,867,000	US$164,867,000
US$50 million local bond, ten tranches of US$5 million each. Interest is payable on a monthly basis at annual interest rates which range from 6% to 7% (b)	50,000,000	-
US$30 million local bond, five tranches of US$6 million each. Interest is payable on a monthly basis at annual interest rates which range from 7.75% to 8.75% (c)	12,000,000	24,000,000
Loan payable to Popular Bank Ltd., Inc. (Popular Bank) at 6.5% annual interest rate. Maturity, November 2016 (d)	11,374,277	-
Loan payable to Banco BHD, S. A., Banco Múltiple (Banco BHD) at 6.5% annual interest rate. Maturity, May 2016 (d)	7,060,449	-

	2011	2010
Loan payable to Banco BHD at 6.5% annual interest rate. Maturity, March 2016 (d)	4,341,225	-
Loan payable to BHD International Bank (Panamá), S. A. (BHD International Bank) at 5.5% annual interest rate. Maturity, May 2016 (d)	1,763,954	-
Loan payable to Banco Popular Dominicano, S. A. – Banco Múltiple (Banco Popular Dominicano) at 5.75% annual interest rate. Maturity, November 2015 (d)	-	4,833,333
Loan payable to Banco Popular Dominicano at 5.75% annual interest rate. Maturity, December 2015	-	7,866,667
	251,406,905	201,567,000
Less: Current portion	(17,656,315)	(14,600,000)
	US$ 233,750,590	US$186,967,000

Management estimates the fair value of the Company's Senior Notes and corporate bonds, by discounting their future cash flows at the market rate, to be as follows:

	2011	2010
Senior Notes	US$159,740,699	US$171,873,848
Corporate Bonds	62,187,869	24,123,898
	US$221,928,568	US$ 195,997,746

a. The US$175 million fixed rate bond was issued by Haina Finance, the wholly owned subsidiary of EGE Haina and a tax-exempted Cayman Island company formed solely to issue this bond. Under the term of the issuance, Haina Finance must not engage in any business activity other than complying with its obligations under the bond. EGE Haina unconditionally and irrevocably guarantees the bond. Pursuant to a Participation Agreement between Haina Finance and Barclays Bank PLC, the gross proceeds from the bond were used by Haina Finance to purchase a participation in a loan made by Barclays Bank PLC to EGE Haina for US$175 million under a term loan agreement entered by EGE Haina and Barclays Bank PLC. Pursuant to the loan agreement EGE Haina is required to make payments on the same terms and conditions and at the same rate of interest as the payments required to be made by Haina Finance under the bond.

   The bond is secured by a first priority security interest on 100% of the outstanding capital of Haina Finance, all rights, title and interest in the Participation Agreement entered into by Haina Finance and Barclays Bank PLC. In addition, there are restrictive covenants.. Such covenants include limitations on: indebtedness, restricted payments, sale of assets, liens, affiliate transactions, mergers, dividends and other payment restrictions affecting subsidiaries, among others. According to the terms of the bond, Haina Finance established an Interest Reserve Account at Deutsche Bank Trust Company Americas, the bond's trustee, as a security for the bond. Haina Finance is required to maintain at all times an amount on deposit in this interest reserve account (or letters of credit or certain temporary cash investments having an aggregate face amount) equal to the interest payable on the bond on the immediately following interest payment date. This interest reserve account balance amounted to US$7.8 million at December 31, 2011 and 2010. On January 23, 2012, the Company posted an irrevocable standby letter of credit with Citibank, N.A. in favor of the trustee in order to replace the amounts held in the interest reserve account.

b. In April 2011, the Company obtained the approval from the Dominican Security Exchange Commission (Superintendencia de Valores) for the issuance of an unsecured local bond amounting up to US$50 million. This bond was fully placed in 10 tranches of US$5 million each, as follows:

Tranches	Size (US$)	Rate	Issuance Date	Maturity	Repayment Schedule
1-2	10,000,000	7.00%	05-19-2011	05-19-2016	Bullet payment
3-4	10,000,000	7.00%	06-01-2011	06-01-2016	Bullet payment
5-6	10,000,000	7.00%	06-28-2011	06-28-2016	Bullet payment
7-8	10,000,000	6.00%	10-19-2011	10-19-2014	Bullet payment
9-10	10,000,000	7.00%	10-19-2011	10-19-2016	Bullet payment
	50,000,000				

c. In March 2009, the Company obtained the approval of the Superintendencia de Valores for the issuance of an unsecured local bond amounting up to US$30 million. This bond was fully placed in five tranches of US$6 million each, as follows:

Tranche	Size (US$)	Rate	Issuance Date	Maturity	Repayment Schedule	Comment
1	6,000,000	8.00%	04-22-2009	04-22-2010	Bullet payment	Repaid at maturity
2	6,000,000	8.50%	05-26-2009	05-26-2011	Bullet payment	Repaid at maturity
3	6,000,000	8.50%	07-22-2009	07-22-2011	Bullet payment	Repaid at maturity
4	6,000,000	8.75%	10-22-2009	10-22-2012	Bullet payment	-
5	6,000,000	7.75%	12-18-2009	12-18-2012	Bullet payment	-
	30,000,000					

d. The Company has the following unsecured loans:

Financial Institution	Loan Amount (US$)	Rate[1]	Date	Monthly Installments	Maturity
Popular Bank	11,600,000	Variable	November, 2011	60 (US$301,123 each)	November, 2016
Banco BHD	8,000,000	Variable	May, 2011	60 (US$156,529 each)	May, 2016
Banco BHD	5,000,000	Variable	March, 2011	60 (US$97,831 each)	March, 2016
BHD International Bank	2,000,000	Variable	May, 2011	60 (US$38,202 each)	May, 2016
Banco Popular Dominicano[2]	5,000,000	Variable	November, 2010	60 (US$83,333 each)	November, 2015
Banco Popular Dominicano[2]	8,000,000	Variable	December, 2010	60 (US$133,333 each)	December, 2015

[1] The banks have the right, under the contracts, to change the interest rates from time to time in accordance with local market conditions.

[2] On November 27, 2011, the Company prepaid these loans. No penalties for early termination were paid as a result of this transaction.

17. Accounts Payable

Accounts payable consist of:

	2011	2010
Power vendors	US$25,759,048	US$15,679,005
International vendors	5,908,658	5,870,127
Local vendors	2,868,817	1,798,930
	US$34,536,523	US$23,348,062

18. Other Current Liabilities

Other current liabilities consist of:

	2011	2010
Accrued interest	US$ 2,887,666	US$ 2,833,489
Withholdings taxes and other	1,854,741	804,567
Personnel performance compensation accrual	1,389,963	1,454,104
Assets tax payable	1,066,361	1,138,959
Provision for legal claims (Note 28)	159,647	141,795
Other	996,791	539,466
	US$ 8,355,169	US$ 6,912,380

19. Shareholders' Equity

Common Stock
At December 31, 2011 and 2010, common stock consisted of 45,951,000 common shares issued and outstanding with par value of RD$100 (US$6.29). The following is a detail of the Company's shares:

	Common Stock	
	Shares Issued	Par Value
FONPER	22,972,500	US$144,481,132
HIC		
Shares issued for cash	22,975,500	144,500,000
Other shareholders	3,000	18,868
Balance at December 31, 2011 and 2010	45,951,000	US$289,000,000

Legal Reserve
The Dominican Commercial Code establishes that at least 5% of the annual net earnings be appropriated as a legal reserve of the Company until such appropriation equals 10% of the outstanding capital. This reserve may not be capitalized, returned to inappropriate retained earnings or used for payment of dividends.

Remittance of Profits
The Dominican Foreign Investment Law allows the repatriation of capital and remittance of profits in freely convertible currency. Dividends may be declared during each fiscal period up to the total amount of net profits, subject to a withholding tax, which can be offset with the income tax due by the Company.

Dividends
On April 6 and November 8, 2011, dividend payments amounting to US$10 million and US$4 million, respectively, were approved in General Shareholders' Meetings of the Company.

On May 18, 2010, a dividend payment amounting to US$10 million was approved in the General Shareholders' Meeting of the Company.

20. Income Tax

Dominican Republic Tax Law No. 139-11, enacted in June 2011, increased the corporate income tax rate from 25% to 29% for a two-year period. The income tax is applicable on the net taxable income. A 1% tax on assets (Asset Tax) also applies as an alternative minimum tax. The taxable base of the Asset Tax in case of power generation, transmission and distribution companies defined in the General Electric Law No. 125-01, dated July 26, 2001, is the total fixed assets, net of depreciation, as they are shown in the balance sheet at year end.

The Tax Law requires tax payers to file the corporate income tax returns denominated in Dominican peso (local currency). Those who use a functional currency other than the Dominican peso are required to keep their tax accounting records and official filings in local currency. In addition, Article 293 of the Tax Law establishes the recognition of the foreign exchange difference as deductible expense/taxable income in the determination of taxable base. The Tax Authorities annually indicate the exchange rate to be used for the valuation of monetary items originated in foreign currencies.

Current tax:

For the purpose of determining the current income tax, the reconciliation of income before income tax and the tax due, at the statutory rate, is:

	2011	2010
Income before income tax	US$ 91,442,790	US$ 50,195,619
Tax expenses benefit at the current tax rate of 29% (2010: 25%)	26,518,409	12,548,905
Permanent differences		
Nondeductible expenses	42,469	38,962
Inflation adjustment of nonmonetary assets	(3,192,488)	(2,766,822)
Taxes nondeductible	2,540,937	1,689,867
Nondeductible donations	28,914	121,736
Other nontaxable income	(262,317)	(349,508)
Exchange differences	2,728,630	2,566,891
Participation in subsidiary's loss	112,978	100,134
Exempt income under Law 57-07	1,240,328	-
Other adjustments	(43,089)	(185,067)
	3,196,362	1,216,193

	2011	2010
Temporary differences		
Depreciation	(1,323,266)	237,257
(Income) loss on the sale of fixed assets	(13,860)	3,834
Exchange rate differences	(46,664)	5,168
Non-capitalized assets	10,132	18,065
Other	(5,877)	186,092
	(1,379,535)	450,416
Current tax expense before income tax loss carry forward	28,335,236	14,215,514
Utilization of tax loss carry forward	-	(7,277,505)
Current income tax before asset tax credit	US$ 28,335,236	US$ 6,938,009
Asset tax (Note 24)	US$ (1,085,511)	US$ (1,161,355)
Current income tax	US$ 27,249,725	US$ 5,776,654

In 2011, the current income tax on the Company's taxable income exceeded the asset tax; therefore, the Company's obligation was to pay the tax based on taxable income, amounting to approximately US$28.3 million (2010: US$6.9 million). The asset tax portion is reflected within the general and administrative expenses in the consolidated statements of income.

Deferred income tax:

The components of the deferred income tax asset / liability recognized in the balance sheet consist of the following:

	December 31, 2011 US$	December 31, 2010 US$
Deferred income tax assets		
Current:		
Foreign currency	-	30,630
Bad debt reserve	207,498	167,538
Vacation accruals	219	137
Bonus for objective allowance	-	341,552
Total deferred tax assets	207,717	539,857
Deferred income tax liabilities		
Current:		
Foreign currency	(7,146)	-
Non-current:		
Fixed assets	(13,421,758)	(15,504,685)
Total deferred tax liabilities	(13,428,904)	(15,504,685)

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable earnings during the periods in which the temporary differences become deductible.

Uncertain tax positions

As of December 31, 2011 and 2010 management did not identify uncertain tax positions not achieving the more likely than not threshold; consequently the accrual of a reserve for uncertain tax positions was not considered necessary for those or prior years. Years 2008 to 2011 are unprescribed for the tax authorities review, in accordance with the statute of limitation established by the Dominican Tax Law.

21. Revenues

a. The Company invoices the distribution companies, Edenorte, Edesur and Edeeste, for the service of energy, capacity and transmission toll, according to the existing agreements renegotiated in August 2001 ("the Power Supply Contracts or PPA"). The terms and conditions for the sale of energy to distribution companies are as follows:

Edenorte	112MW
Edesur	138 MW
Edeeste (*)	100 MW
Term of contracts	15 years
Indexation	30% per Consumer Index Price (CPI) –USA 70% for fuel #6

The prices are stated in U.S dollars but can be paid in Dominican Pesos at the current exchange rate. The exchange rate index utilized tracks the market rate for the U.S. dollar based on daily foreign exchange trading by commercial banks published by the Dominican Republic Central Bank.

The revenues recognized for these services amounted to US$535.2 million in 2011 (2010: US$356.1 million).

(*) In August 2006, the Company and Edeeste signed a rescheduling agreement related to past-due accounts receivable of US$41.9 million, over a six-year term, with interest payable at an annual rate of 12%. In July 2009 the Company declared Edeeste in default under the rescheduling agreement signed in August 2006 and temporarily suspended the 100 MW PPA between them. In January 2010 the Company fully collected the outstanding receivable from Edeeste as of such date, and in July 2010, re-implemented the PPA with Edeeste for 50MW, with the remaining 50MW suspended until July 2012.

b. The Company maintains a PPA with Consorcio Energético Punta Cana-Macao, S. A. ("CEPM") (a related company), under which EGE Haina should originally supply a minimum of 48.1MW of capacity and associated energy to CEPM, through the CEPM's 138KV transmission line that connects its distribution system with one of EGE Haina's generation plants, La Sultana del Este. The PPA establishes a term of 18 years which matures in 2026. The price for capacity is adjusted monthly by the U.S. CPI. The price for electricity delivered under the PPA is equal to the cost of the fuel used by EGE Haina to generate the electricity plus a variable operating and maintenance margin. The prices and the amounts due are stated in U.S. Dollars. During 2011, the contracted capacity was increased to 65MW.

The revenues recognized for this service amounted to US$77.2 million in 2011 (2010: US$50.1 million).

c. During 2011 the Company entered into the following service agreements with Barrick:

(i) Reimbursement Agreement: Executed on June 28, 2011; whereupon EGE Haina provides advisory services and technical support to Barrick. In lieu of the services performed by the Company, Barrick shall pay the following: a) hourly rates of Haina's personnel; b) reasonable out-of-pocket expenses plus a ten percent (10%) fee and c) all amounts payable for services pursuant to contractor contracts, plus a ten percent (10%) fee.

(ii) Transmission Line Construction Management and Oversight Agreement ("CMOA T-Line"): Executed on August 31, 2011 and amended on October 25, 2011; whereupon EGE Haina provides services including, but not limited to, project development, procurement permits, construction management and oversight and contracting services necessary for the design, engineering, procurement, construction, testing and commissioning of a dedicated transmission line owned by Barrick. In lieu of the services performed by the Company, Barrick shall pay the following: a) a fixed fee equal to US$500,000 prorated over a 10-month period; b) hourly rates of EGE Haina's personnel plus a ten percent (10%) fee and c) reasonable out-of-pocket expenses plus a ten percent (10%) fee.

After year-end Barrick transferred all its rights, titles and interests arising from these contracts to Pueblo Viejo Dominicana Corporation (Dominican Republic Branch) ("PVCD").

These services provided revenues of US$0.8 million in 2011 recorded in the consolidated statement of income within other revenues.

d. Other revenues amounted to US$2.5 million in 2011 (2010: US$14.6 million).

22. Fuel and Purchased Power

Fuel Oil

The Company mainly purchased fuel oil supply in the spot market from diverse suppliers for years 2011 and 2010. During 2011, the Company consumed 2.2 million barrels with a cost of US$230.5 million (2010: 2.0 million barrels with a cost of US$149.7 million).

Coal

In 2011, EGE Haina maintained agreements with Glencore and Bulk Trading for the delivery of 164 thousand metric ton (MT) and 20 thousand MT, respectively, during that period. Additionally, coal was also purchased in the spot market from diverse suppliers for years 2011 and 2010. During 2011, the Company consumed 171 thousand MT with a cost of US$24.7 million (2010: 183 thousand MT with a cost of US$17.1 million). These agreements do not qualify as derivatives or embedded derivatives.

Purchased Power

The Company participates in the Dominican electricity spot market, as a seller or buyer. During 2011, the Company purchased 723 GWH of electricity, equivalent to US$154.7 million (2010: 560 GWH of electricity equivalent to US$92.8 million).

23. Operating and Maintenance Expenses

Operating and maintenance expenses consist of:

	2011	2010
Maintenance expenses (a)	US$10,134,604	US$13,518,754
Labor costs	9,040,498	9,830,591
Lubricants	3,999,726	3,478,732
Technical advisory fees	2,430,964	2,653,395
Professional services	1,284,679	2,708,236
Security services	723,708	653,530
Other	2,183,115	1,759,704
	US$29,797,294	US$34,602,942

(a) Sultana Operation and Maintenance Contracts

In 2007 the Company signed a maintenance contract with ABB S. A. ("ABB"), by which this supplier manages and executes the maintenance, including service and installation of delivered spare parts of all turbochargers, and the daily inspections at La Sultana del Este plant. For such service, the Company pays ABB a fixed hourly rate calculated on the basis of the agreed hours and number/type of turbochargers of CHF 8.80 (Swiss Franc).

This contract will end automatically once the last turbocharger has reached the agreed upon hours (total of 844,200 hours, distributed by 46,900 per 18 turbochargers), but not later than December 31, 2013. The Company has the option to unilaterally extend the hours by another 50,000 running hours (from 50,000 to 100,000 running hours). This option can only be exercised together with the option of the respective operating performance package agreed for the delivery of spare parts between customer and ABB Turbo Systems Ltd, Switzerland.

The party which terminates this operating performance package before the end of the contract term for other reasons than communication of failure, bankruptcy, force majeure or change in law, should pay the following amounts to the other party:

	US$
Within the first contractual year	1,000,000
Within the second contractual year	800,000
Within the third contractual year	600,000
Within the fourth contractual year	400,000
Within the fifth contractual year	200,000

At December 31, 2011 and 2010, none of the 18 turbochargers exceeded the contractually agreed hours of 46,900. During 2011 and 2010, payments under the contract amounted to US$1.8 million and US$1.5 million, respectively.

24. Administrative and General Expenses

Administrative and general expenses consist of:

	2011	2010
Management fees (Note 26)	US$18,217,432	US$12,463,613
Labor costs and office operation costs	11,474,328	9,328,658
Withholding taxes on management fees	5,015,222	3,115,903
Insurance	3,503,861	3,242,338
Technical advisory fees and other	2,739,617	2,273,390
Superintendence of Electricity and OC fees	2,712,925	1,841,282
Asset tax (Note 20)	1,085,511	1,161,355
	US$44,748,896	US$33,426,539

25. Financial Expenses, Net

Financial expenses, net consist of:

	2011	2010
Financial expenses:		
Interest on Senior Notes	US$ (15,662,364)	US$(15,618,859)
Interest on local bond	(2,881,981)	(2,439,495)
Interest on other debt	(1,461,796)	(454,808)
Interest on payables to power vendors	(511,616)	(543,850)
Capitalized interests (Note 11)	4,916,377	2,127,096
Sub-total	(15,601,380)	(16,929,916
Withholding taxes on interest	(1,566,237)	(1,566,236)
Amortization of deferred charges (Note 12)	(1,562,431)	(1,648,921)
Other financial expenses	(192,045)	(159,467)
	(18,922,093)	(20,304,540)
Financial income:		
Interest on trade accounts receivable	US$ 10,593,751	US$ 6,484,440
Interest on sovereign bonds	908,907	1,402,387
Interest from related parties other receivables (Note 26)	126,902	1,269,024
Interest on short-term investments	1,811,131	715,627
Other financial income	58,517	35,621
	13,499,208	9,907,099
Total financial expenses, net	US$ (5,422,885)	US$(10,397,441)

26. Related Parties Transactions and Balances

The Company had transactions and maintained balances with unconsolidated related companies, as described below:

	2011	2010
Balances		
Accounts receivable (Trade and Notes) (Note 5):		
Edesur – current and long-term	US$ 77,243,992	US$ 50,649,165
Edenorte	49,918,781	35,708,168
Edeeste	23,863,328	15,625,347
CEPM	7,053,578	4,655,102
	US$158,079,679	US$106,637,782
Other accounts receivable - current (Note 5):		
CEPM Energy, Ltd. (e)	US$ 1,354,765	US$ 1,241,188
Energía del Sur, S. A.	260,349	474,878
HIC	-	1,746
CEPM	133,944	10,869
FONPER	-	398,844
	US$ 1,749,058	US$ 2,127,525
Accounts payable:		
HIC	US$ 1,453,476	US$ 1,118,959
CEPM	318,594	31,015
Dividends to non-controlling interests	3,443	2,530
	US$ 1,775,513	US$ 1,152,504
Transactions		
HIC – management fee (a)	US$ 18,217,432	US$ 12,463,613
Sales of energy and capacity and interest charges (b)		
Edenorte	183,928,896	141,728,080
Edesur	272,803,543	203,660,214
Edeeste	88,886,447	27,227,018
CEPM – PPA sales and fees for storage of fuel (c)	77,192,357	50,181,103
CEPM Energy, Ltd. (d)		
Repayments received on related party loan balance	-	3,293,545
Interest collected on related party loan balance	10,542	1,269,024

a) *Management Fee - HIC*

As part of the capitalization process, HIC maintains an administration contract with the Company, expiring in 2020, with respect to its day-to-day operations under the direction of the Company' Board of Directors. HIC charges the Company 2.95% of annual net sales that represented US$18.2 million and US$12.5 million for 2011 and 2010, respectively. At December 31, 2011 and 2010, the Company had accounts payable balances to HIC of US$1.5 million and US$1.1 million, respectively.

b) *Sales Agreements with Distribution Companies*

The distribution companies Edesur, Edenorte and Edeeste are related parties. FONPER is one of the shareholders of such companies. Sales made by the Company to these distribution companies are based primarily on existing agreements which are more detailed in Note 21 (a).

c) *Sales Agreement with CEPM*

In August 2008 the Company entered into an 18-year agreement with CEPM under which EGE Haina would supply capacity and related energy to CEPM. See Note 21 (b) for further detail.

d) *Other Related Party Transactions*

In 2010 CEPM Energy, Ltd. agreed to pay a 10% interest rate per annum on the debt it has with EGE Haina since inception. During 2011, CEPM Energy made payments of US$10,542 which corresponded to accrued interest through June 30, 2011 (2010: US$4,562,569 of which US$1,269,024 corresponded to accrued interest through December 31, 2010).

27. Other Income (Expense), Net

Other income (expense), net consists of:

	2011	2010
Insurance reimbursement (*)	US$ 689,000	US$ -
Gain on the sale of fixed assets	45,400	-
Loss on asset disposal (*)	(168)	(31,710)
Loss on put option contract (Note 9)	-	(648,600)
Fair value loss on forward contract (Note 9)	-	(507,461)
Other	(73,990)	(48,198)
	US$ 660,242	US$ (1,235,969)

(*): Corresponds to an insurance reimbursement collected in 2011 for the damage of a power equipment which loss was recorded in 2010.

28. Contingencies

The Company is involved in certain legal proceedings from time to time that are incidental to the normal conduct of its business, such as labor lawsuits. Although the final outcomes cannot be predicted with certainty, the Company, based upon a thorough review of the facts and advice of counsels, believes that the ultimate disposition of these matters will not result in a loss exceeding the amounts recorded of US$159,647 and US$141,795 at December 31, 2011 and 2010, respectively (Note 18).

29. Subsequent Events

At the date of the issuance of the consolidated financial statements, management has evaluated the following subsequent events:

During January 2012, the Company entered into the following agreements with Pueblo Viejo Dominicana Corporation (Dominican Republic Branch) ("PVDC"):

- Pipeline Usage Agreement: PVDC agrees to provide to EGE Haina permission to use a pipeline, which shall be constructed by PVDC, to deliver oil and natural gas to Quisqueya II plant, owned by EGE Haina. Pursuant to this agreement EGE Haina shall pay: a) a fee equal to: (i) 50% of the total capital expenditure and cost of the construction of the pipeline plus a 2% interest rate per annum, minus (ii) US$3.5 million, over the term of seven years; and b) 50% of the costs incurred for the operation and maintenance of the pipeline during the term of the agreement. This agreement shall be in full force and effect for a 25-year period commencing on the commercial operation date of Quisqueya II plant.

- Operation and Maintenance Services Agreement – Quisqueya I: EGE Haina agrees to provide PVDC the services required for the operation and maintenance of a dual fired reciprocating engine power plant ("Quisqueya I"), owned by PVDC, with a net installed capacity of 215.5MW to be located in San Pedro de Macorís, Dominican Republic. In consideration of the services performed by EGE Haina, PVDC shall pay: a) a fixed monthly management fee of US$112,500 and; b) reimbursable expenses of all cost associated with the operation and maintenance of Quisqueya I. Such agreement shall be in full force and effect for a 10-year period commencing on the commercial operation date of Quisqueya I.

- Operation and Maintenance Services Agreement – Fuel Pipeline: EGE Haina will provide to PVDC services for management, operation, maintenance and administration of PVDC pipeline, that will be used to connect a heavy fuel oil loading terminal (Oil Terminal) and Quisqueya I. In consideration of the services performed by EGE Haina, PVDC shall pay: a) 50% of the cost of replacement parts, b) 50% of all direct costs of operation and maintenance of the pipeline and; c) an administrative charge equal to the sum of 10% of the 50% of the direct cost associated with the operation and maintenance of the pipeline. Such agreement shall be in full force and effect for a 10-year period commencing on the commercial operation date of Quisqueya I.

- Tank and Loading Dock Usage Agreement: EGE Haina agrees to provide to PVDC permission for the use of the unloading dock, pipeline, delivery system and related facilities that will be used by PVDC for the receipt, unloading, transmission and delivery of heavy fuel oil by tankers from the shore to the pipeline. Such agreement shall be in full force and effect for a 25-year period commencing on the commercial operation date of Quisqueya I.

- Power Plant Infrastructure Usage Agreement: PVDC agrees to provide to EGE Haina access to and sharing of laboratory, warehouse, administration building, guardhouse, workshop and switchyard tiebreaker for the operation and maintenance of Quisqueya II. EGE Haina shall pay to PVDC: i) US$1,000 on the date the Quisqueya I or Quisqueya II achieves commercial operation; and ii) during the period in which EGE Haina is not the operator of the Quisqueya I, US$25,000 on or prior the 5th day of each month. This agreement shall be in full force for a 25-year term commencing the commercial operation date of Quisqueya I.

- Substation Construction Management and Oversight Agreement ("CMOA Substation"): EGE Haina will provide services including, but not limited to, project development, procurement permits, construction management and oversight and contracting services necessary for the design, engineering, procurement, construction, testing and commissioning of a dedicated substation owned by PVDC. In consideration of the services performed by EGE Haina, PVDC shall pay: a) a fixed fee equal to US$300,000 prorated over a 10-month period and b) 10% of out-of-pocket expenses incurred by personnel, labor costs of employees and contractors, reasonable allocation, overheads and other administrative cost. This agreement shall be in full force until the construction of the aforementioned substation is completed.

- Operation and Maintenance Services Agreement – Substations: EGE Haina agrees to perform the services for management, operation, maintenance and administration of an approximately 345 kilovolt power plant substation to be located in Bonao, Dominican Republic. In consideration of the services performed by EGE Haina, PVDC shall pay all direct costs for the operation and maintenance of the substation. Such agreement shall be in full force and effect for a 10-year period commencing on the commercial operation date of Quisqueya I.

- Operation and Maintenance Services Agreement – T-Line (T-Line O&M Agreement): EGE Haina will perform the services required for management, operation, maintenance and administration of a T-Line with a 230Kv double circuit with approximately 101 km in length, each capable of carrying energy associated with a generation capacity of approximately 380 MVA. In consideration of the services performed by EGE Haina, PVDC shall pay all direct costs for the operation and maintenance of the first circuit of the T-Line. Such agreement shall be in full force and effect for a 10-year period commencing on the commercial operation date of Quisqueya I.

- Operation and Maintenance Services Agreement – Monte Rio: EGE Haina will perform the services required for management, operation, maintenance and administration of a 100 MW "Monte Rio" power plant and certain assets related thereto located near Puerto Viejo, Dominican Republic. In consideration of the services performed by EGE Haina, PVDC shall pay all direct costs for the operation and maintenance of this power plant. Such agreement shall be in full force and effect until Quisqueya II has achieved commercial operation.

- Power Purchase Agreement "PPA": PVDC agrees to provide energy and capacity to EGE Haina from the Monte Rio power plant, at the spot market price less one cent (US$0.01) per Kwh. The contract shall continue to be in full force and effect until the later of March 1, 2014 or when PVDC receives written notice form EGE Haina that Quisqueya II has achieved commercial operation.

During February 2012, the Company entered into the following agreements with PVDC:

- Short-term Contract for Purchase and Sale of Energy: EGE Haina agrees to purchase energy from the spot market and sell it to PVDC. The contracted capacity may not exceed 180 MW. PVDC shall pay EGE Haina the contracted capacity and associated energy at the spot market price, as calculated and published by the Coordinating Body (OC). EGE Haina shall incur in spot capacity and energy purchases on behalf of PVDC and pass-through all related cost, receiving as compensation a fixed brokerage fee of US$25,000 on a monthly basis. The contract shall continue to be in full force and effect until the later of November 1st, 2012, or when EGE Haina receives written notice form the PVDC that Quisqueya I has achieved commercial operation.

- Second Circuit Use Agreement: PVDC agrees to provide to EGE Haina permission to use the second circuit of the T-Line, to transmit electric energy from Quisqueya II into the National Electric Interconnected System (SENI). In consideration of the use of the second circuit, EGE Haina shall a) pay on a monthly basis the amount of US$1,000, and b) reimburse PVCD, for any period in which EGE Haina is not the operator of the T-Line, pursuant to the T-Line O&M Agreement, for all operations and maintenance costs related to the second circuit and incurred by PVDC for such month. Such agreement shall be in full force and effect for a 25-year period commencing on the commercial operation date of Quisqueya II.