Dominican Power Partners

(An Indirectly Owned Subsidiary of The AES Corporation)

Financial Statements as of and for the years ended December 31, 2019 and 2018 with Report of Independent Auditors

CONTENT

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Report of Independent Auditors

The Board of Directors and Shareholders of
Dominican Power Partners

We have audited the accompanying financial statements of Dominican Power Partners, which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of comprehensive income, changes in shareholder's equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dominican Power Partners at December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young

May 29, 2020
Santo Domingo,
Dominican Republic

Dominican Power Partners
(An Indirectly Owned Subsidiary of The AES Corporation)
BALANCE SHEETS
As of December 31, 2019 and 2018
(Amounts expressed in thousands of US dollars)

			2019		2018
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	*1c, 2*	**$**	**11,258**	$	30,884
Short term investments	*1d*		**95**		89
Accounts receivable	*4*		**137,367**		105,531
Other receivable – related parties	*3*		**128,601**		149,298
Other receivable			**839**		11
Inventories	*1e*		**4,312**		2,447
Prepaid expenses	*5*		**87**		231
Total current assets			**282,559**		288,491
PROPERTY, PLANT AND EQUIPMENT, NET:					
Land			**8,006**		8,006
Plant and electricity generating equipment			**390,931**		392,344
Accumulated depreciation			**(91,782)**		(80,870)
Construction in progress			**3,345**		2,571
Property, plant and equipment, net	*1g, 6*		**310,500**		322,051
OTHER ASSETS:					
Intangible assets, net	*1h, 7*		**1,790**		1,894
Prepayments			**510**		197
Right-of-use asset, net	*8*		**172**		—
Total other assets			**2,472**		2,091
TOTAL		**$**	**595,531**	$	612,633

Dominican Power Partners
(An Indirectly Owned Subsidiary of The AES Corporation)
BALANCE SHEETS (Continued)
As of December 31, 2019 and 2018
(Amounts expressed in thousands of US dollars)

	Notes	2019	2018
LIABILITIES AND SHAREHOLDER'S EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	*9*	**$ 17,889**	$ 10,384
Accounts payable – related parties	*3*	**76,504**	82,641
Dividends payable	*3*	**—**	59,669
Line of credit	*10*	**5,000**	—
Income tax payable	*1j, 11*	**6,027**	24,629
Lease liability	*8*	**177**	—
Total current liabilities		**105,597**	177,323
LONG - TERM LIABILITIES:			
Bonds payable - net	*10*	**305,900**	305,434
Deferred income tax	*1j, 11*	**18,498**	11,095
Long – term compensation		**36**	41
Total long – term liabilities		**324,434**	316,570
SHAREHOLDER'S EQUITY:			
Common stock, US$1 par value; 500,000,000 shares authorized; 15,000,100 shares issued and outstanding		**15,000**	15,000
Contributed capital		**104,976**	104,976
Additional paid–in-capital		**1,029**	996
Retained earnings (accumulated deficit)		**44,495**	(2,232)
Total shareholder's equity		**165,500**	118,740
TOTAL		**$ 595,531**	$ 612,633

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

Dominican Power Partners
(An Indirectly Owned Subsidiary of The AES Corporation)
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2019 and 2018
(Amounts expressed in thousands of US dollars)

	Notes	2019	2018
REVENUES:			
Electricity sales – contracts	*3, 15 a, b*	**$ 262,586**	$ 205,959
Electricity sales – intercompany and spot market	*3*	**32,175**	107,352
Total revenues	*1k*	**294,761**	313,311
OPERATING COSTS AND EXPENSES:			
Cost of revenues – electricity purchases	*3, 12*	**35,262**	37,546
Cost of revenues – fuel and fuel related costs	*3*	**100,861**	104,074
Operating, maintenance and general expenses	*13*	**21,998**	19,447
Depreciation and amortization	*1g, 6, 7*	**16,275**	15,700
Total operating costs and expenses		**174,396**	176,767
OPERATING INCOME		**120,365**	136,544
OTHER EXPENSE:			
Interest expense – net	*14*	**(12,415)**	(16,335)
Debt discount amortization	*10*	**(95)**	(71)
Other expense – net		**4**	(647)
Exchange (gain) loss - net		**479**	(338)
Total other expense - net		**(12,027)**	(17,391)
Income before income tax expense		**108,338**	119,153
Income tax expense	*1j, 11*	**(32,811)**	(33,946)
NET COMPREHENSIVE INCOME		**$ 75,527**	$ 85,207

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

Dominican Power Partners

(An Indirectly Owned Subsidiary of The AES Corporation)

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

For the years ended December 31, 2019 and 2018

(Amounts expressed in thousands of US dollars)

	Notes	Number of Shares	Common Stock	Contributed capital	Additional paid-in-capital	Retained earnings (accumulated deficit)	Total
Balance as of January 1, 2018		15,000,100	$ 15,000	$ 104,976	$ 963	$ (27,770)	$ 93,169
Net comprehensive income		—	—	—	—	85,207	85,207
Dividends declared	3	—	—	—	—	(59,669)	(59,669)
Stock - based compensation		—	—	—	33	—	33
Balance as of December 31, 2018		15,000,100	15,000	104,976	996	(2,232)	118,740
Net comprehensive income		—	—	—	—	**75,527**	**75,527**
Dividends declared	**3**	—	—	—	—	**(28,800)**	**(28,800)**
Stock - based compensation		—	—	—	**33**	—	**33**
Balance as of December 31, 2019		**15,000,100**	**$ 15,000**	**$ 104,976**	**$ 1,029**	**$ 44,495**	**$ 165,500**

The accompanying notes are an integral part of these financial statements

Dominican Power Partners
(An Indirectly Owned Subsidiary of The AES Corporation)
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018
(Amounts expressed in thousands of US dollars

	2019	2018
OPERATING ACTIVITIES:		
Net comprehensive income	**$ 75,527**	$ 85,207
Adjustments to reconcile net comprehensive income to net cash provided by operating activities:		
Depreciation	**15,794**	15,604
Amortization of intangible asset	**481**	96
Amortization of right-of-use assets	**319**	—
Exchange gain (loss), net	**(479)**	338
Stock - based compensation	**33**	63
Loss on asset disposals	**15**	785
Amortization of deferred financing costs	**367**	325
Amortization and capitalization of debt discount	**95**	71
Deferred income tax	**8,054**	5,866
Changes in assets and liabilities:		
Increase in accounts receivable	**(31,357)**	(45,502)
Decrease (increase) in other receivable – related parties	**20,697**	(103,182)
Decrease (increase) in other receivable	**(828)**	1,394
Increase in inventories	**(1,865)**	(380)
Decrease in prepaid expenses and other assets	**141**	37
Increase (decrease) in accounts payable and accrued liabilities	**5,592**	(2,936)
(Decrease) increase in accounts payable – related parties	**(6,137)**	48,827
(Decrease) increase in income tax receivable	**(18,602)**	13,129
Net cash provided by operating activities	**67,847**	19,742
INVESTING ACTIVITIES:		
Additions to property, plant and equipment	**(2,780)**	(7,022)
Additions of intangible assets	**(993)**	(697)
Advance payments for the acquisition of property, plant and equipment	**(510)**	(197)
Loan received from related party	**4,210**	—
Loan paid to related party	**(4,210)**	—
Net cash used in investing activities	**(4,283)**	(7,916)

Dominican Power Partners
(An Indirectly Owned Subsidiary of The AES Corporation)
STATEMENTS OF CASH FLOWS (Continued)
For the years ended December 31, 2019 and 2018
(Amounts expressed in thousands of US dollars

	2019	2018
FINANCING ACTIVITIES:		
Dividends paid	**$ (88,469)**	$ —
Proceeds from line of credit	**35,000**	—
Payment of line of credit	**(30,000)**	—
Payment of lease liabilities	**(317)**	—
Net cash used in financing activities	**(83,786)**	—
Effect of exchange rate changes on cash	**596**	510
Net (decrease) increase in cash and cash equivalents	**(19,626)**	12,336
Cash and cash equivalents at the beginning of the year	**30,884**	18,548
Cash and cash equivalents at the end of the year	**$ 11,258**	$ 30,884
Supplemental disclosures of cash flow information:		
Cash payments for income taxes	**$ 44,730**	$ 16,959
Cash payments for interest	**$ 20,326**	$ 20,021
Supplemental schedule of non-cash activities:		
Property, plant and equipment purchases not paid	**$ 3,036**	$ 1,756
Intangible asset purchases not paid	**$ 444**	$ 1,060

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

1. Nature of business, basis of presentation, and significant accounting policies

Nature of Business – Dominican Power Partners ("the Company" or "DPP") is an indirectly owned subsidiary of The AES Corporation ("the Parent Company" or "AES"). The Company was organized under the laws of the Cayman Islands and was incorporated on November 14, 1995. On September 8, 2016, the Board of Directors relocated its place of effective management to Madrid, Spain. DPP has a branch in Santo Domingo, Dominican Republic that owns the generation units Los Mina V and VI and a 10MW battery energy storage solution. The plants have a gross generating capacity of 368 megawatts and consist of two simple cycle turbo gas turbines and the energy storage solution and related electricity generating equipment. The plants began commercial operations on May 4, 1996.

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

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

During the year, some contracts were signed with clients in the market for large entities, which are allowed to generate their own electricity or contract directly with generators, or the unregulated market (normally known as "Non-Regulated Users"). As of December 31, 2019, the Company has a total of 18 contracts with non-regulated users (2018: 1) with a total of 53 MW in 2019 (2018: 0.8 MW) of contracted capacity.

The Branch's administrative offices are located at Avenida Winston Churchill No. 1099, Torre Acrópolis, 23 floor, Ensanche Piantini, Santo Domingo, Dominican Republic.

1. Nature of business, basis of presentation, and significant accounting policies (Continued)

Basis of presentation **–** The Company maintains its accounting records in U.S. dollars and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Significant Accounting Policies **–** A summary of the significant accounting policies used in the preparation of the accompanying financial statements are as follows:

a. ***Use of estimates*** – The preparation of financial statements in conformity with U.S. GAAP 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Although management believes the estimates and assumptions used in the preparation of these financial statements were appropriate in the circumstances, actual results could differ from those estimates and assumptions.

b. ***Transactions in foreign currency*** – The functional and reporting currency of the Company is the U.S. dollar because the majority of its cash flows are currently, and are expected in the future to be, denominated in U.S. dollars. Transactions denominated in other currencies (mainly Dominican Pesos, RD$, local currency of the Dominican Republic) are recorded at the rate of exchange in effect at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted into the Company's functional currency at the rate of exchange in effect at the balance sheet dates; the effect of changes in exchange rates is recognized in the statements of comprehensive income.

c. ***Cash and cash equivalents*** **–** The Company considers all highly-liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Part of the cash and cash equivalents includes certificates of deposit used as collateral for employees financing.

d. ***Short term investments*** **–** The Company's short term investments are primarily certificates of deposit with original maturities in excess of three months with remaining maturities of less than one year.

e. ***Inventories*** – Inventories consist of materials and spare parts, and are stated at the lower of cost or market value and are classified in the balance sheets in accordance with the period in which the inventories are expected to be consumed. Costs are determined using the weighted average cost method. The carrying amount in spare parts and supplies is typically reduced in instances where the items are considered obsolete. The Company performs periodic physical inventories and any difference is adjusted in the statements of comprehensive income.

1. Nature of business, basis of presentation, and significant accounting policies (Continued)

f. ***Concentration of credit risk*** – La Corporación Dominicana de Empresas Eléctricas (CDEE) is the main customer of the Company. Therefore, DPP's accounts receivable are exposed to potential credit loss from this entity. Contract revenues from CDEEE represented approximately 67% and 66% of the total revenues for the years ended December 31, 2019 and 2018, respectively, and the accounts receivable balance from CDEEE represented approximately 40% and 35% of the total current assets as of December 31, 2019 and 2018, respectively. Management monitors accounts receivable for collectability on a monthly basis and records an allowance for doubtful accounts when necessary.

To mitigate the risk of liquidity and credit concentration, the Company may make sales of accounts receivable due or near maturity. These sales are mainly made on the government portfolio at par value or with premium, with the purpose of covering the commitments generated by the operations and reducing the use of cash provided by financing activities. During the year ended December 31, 2018, the total sales of accounts receivable amounted to $71.4 million. In 2019, the Company did not sell accounts receivable.

g. ***Property, plant and equipment*** – Property, plant and equipment, including the cost of improvements, are stated at cost. Cost includes major expenditures for improvements and replacements, which extend useful lives or increase capacity. Interest costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Interest cost capitalized for the years ended December 31, 2019 and 2018, amounted to $0.2 million and $0.1 million, respectively.

Maintenance and repairs are expensed as incurred. In accordance with the plant maintenance schedule, which is based on equivalent operating hours, the Company performs combustion, hot path and major inspections which include the removal and exchange of certain hot parts (burners, combustor baskets, transition pieces, vanes, blades, etc.).

The Company incurred maintenance expenses of $5,927 and $3,787 for the years ended December 31, 2019 and 2018, respectively, presented in the statements of comprehensive income in the section operating, maintenance and general expenses. All major maintenance disbursements represent the reconditioning of the plant or other assets. These costs, which are not included in the amounts above, are capitalized and then depreciated over the estimated useful life of each asset.

1. Nature of business, basis of presentation, and significant accounting policies (Continued)

g. Property, plant and equipment (Continued)

Depreciation is computed primarily using the straight-line method over the estimated useful lives of the assets, which are determined on a composite basis.

Capital spare parts, including rotable spare parts, are included in generation plants and are depreciated over their estimated useful life after the part is placed in service.

Following are the estimated useful lives of the Company's assets:

	Estimated Useful lives
Generation plant and spare parts	8 to 40 years
Buildings	30 to 65 years
Vehicles	4 to 5 years
Office equipment and others	4 to 7 years

The Company evaluates the impairment of long lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

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

i. Leases – The Company has operating leases for office space and land in which the Company is the lessee. Operating leases with an initial term of 12 months or less are not recorded on the balance sheet and are expensed on a straight-line basis over the lease term.

Right-of-use assets represent our right to use an underlying asset for the lease term while lease liabilities represent our obligation to make lease payments arising from the lease.

1. Nature of business, basis of presentation, and significant accounting policies (Continued)

i. ***Leases – (continued)***

Right-of-use assets and lease liabilities are recognized on commencement of the lease based on the present value of lease payments over the lease term.

The Company determines discount rates based on its existing credit rates of its unsecured borrowings, which are then adjusted for the appropriate lease term.

j. ***Deferred financing costs*** – Financing costs related to international and local bonds are deferred and amortized using the effective interest method, over the term of such financings. The total net balance of the deferred financing are presented as a direct reduction from the face amount of the related debt. The Company recorded amortization expense of $367 and $325, net of capitalization, respectively, for the years ended December 31, 2019 and 2018.

k. ***Income taxes*** – The Company recognizes deferred income tax assets and liabilities for the future tax consequences of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases, measured using enacted rates. The effects of changes in the statutory rates are accounted for in the period that includes the enactment date. Deferred income tax assets are also recognized for the estimated future effects of tax loss carryforwards. Deferred income tax assets are reduced to the extent it's more likely than not that future benefits will not be realized.

l. ***Revenue recognition*** – The Company derives its revenue from the sale of electricity through contracts or the spot market. Revenue is recognized upon the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

The electricity is sold to distribution companies, non-regulated users and other spot market agents.

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

1. Nature of business, basis of presentation, and significant accounting policies (Continued)

l. Revenue recognition (continued)

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

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

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

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

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

As a practical expedient, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised goods or service to the customer and when the customer pays for that goods or service will be one year or less.

(Amounts expressed in thousands of US dollars)

1. Nature of business, basis of presentation, and significant accounting policies (Continued)

m. ***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 affiliate receivables and payables is not practical to estimate due to the related party nature.

The international and local bonds as of December 31, 2019, are stated at fixed interest rates and expose the Company to fair value interest rate risk. Management estimates the fair value of the Company's borrowings by discounting their future cash flows at market rates and is classified at Level 2 in the hierarchy of fair value (Note 16).

n. ***Severance benefits*** **–** The Dominican Republic Labor Code requires severance benefits be paid to employees terminated without justified cause. The Company recognizes the expense for these severance benefits as incurred.

o. ***New Accounting Standard*** – The following table provides a brief description of recent accounting pronouncements that had and/or could have a material impact on the Company's financial statements. Accounting pronouncements not listed below were assessed and determined to be either not applicable or are expected to have no material impact on the Company's financial statements.

New Accounting Standard Adopted

ASU Number and Name	Description	Date of Adoption	Effect on the financial statements upon adoption
2016-02, 2018-01, 2018-10, 2018-11, 2018-20, 2019-01, Leases (Topic 842)	See discussion of the ASU below.	January 1, 2019	See impact upon adoption of the standard below.

On January 1, 2019, the Company adopted ASC 842 Leases and its subsequent corresponding updates ("ASC 842"). Under this standard, lessees are required to recognize assets and liabilities for most leases on the balance sheet, and recognize expenses in a manner similar to the prior accounting method. For lessors, the guidance modifies the lease classification criteria and the accounting for sales-type and direct financing leases. The guidance eliminates previous real estate-specific provisions.

1. Nature of business, basis of presentation, and significant accounting policies (Continued)

***o. New Accounting Standard** – (continued)*

During the course of adopting ASC 842, the Company applied various practical expedients including:

- The package of practical expedients (applied to all leases) that allowed lessees and lessors not to reassess:

  a. whether any expired or existing contracts are or contain leases,
  b. lease classification for any expired or existing leases, and
  c. whether initial direct costs for any expired or existing leases qualify for capitalization under ASC 842.

- The transition practical expedient for lessees that allowed businesses to not separate lease and non-lease components. The Company applied the practical expedient to all classes of underlying assets when valuing right-of-use assets and lease liabilities. Contracts where the Company is the lessor were separated between the lease and non-lease components.

The Company applied the modified retrospective method of adoption and elected to continue to apply the guidance in ASC 840 Leases to the comparative periods presented in the year of adoption. Under this transition method, the Company applied the transition provisions starting at the date of adoption. There was no cumulative effect of the adoption of ASC 842 on the Company's balance sheet as of January 1, 2019.

(Amounts expressed in thousands of US dollars)

2. Cash and cash equivalents

Cash and cash equivalents as of December 31, 2019 and 2018, are detailed as follows:

	2019	2018
Cash in US dollars	**$ 7,434**	$ 8,542
Cash in Dominican Pesos	**3,744**	187
Cash equivalents:		
Term deposits and certificates of investment in US dollars, average annual interest rate of 2.3% as of December 31, 2018.	—	22,074
Term deposits in Dominican Pesos, average annual rate of 6.8% as of December 31, 2019 and 2018.	**80**	81
Total	**$ 11,258**	$ 30,884

Cash equivalents represent financial certificates maturing in less than three months from the original maturity, of which $0.1 million is used as collateral for loans to employees as of December 31, 2019 and 2018, on which there are no restrictions.

3. Related parties

In 2002, DPP signed both a natural gas purchase agreement (“the Gas Purchase Contract”) and a Natural Gas Transportation Contract with AES Andres DR, S.A. (“Andres”), that commenced upon completion of the Andres’ Liquefied Natural Gas (LNG) facility and gas pipeline in March 2003. Both contracts expire in April 2023.

The cost associated with gas purchases amounted to $92,300 and $95,630 for the years ended December 31, 2019 and 2018, respectively, and the cost associated with gas transportation amounted to $8,561 and $8,444 for the years ended December 31, 2019 and 2018, respectively, are presented in the statements of comprehensive income as cost of revenues – fuel and fuel related costs.

On May 10, 2017, DPP signed a new contract for the supply of capacity and associated energy with Andres. This contract began on June 1, 2017 and remains in effect indefinitely unless both parties agree to suspend it. The revenues associated with this contract consist of energy sales which are presented as part of the revenues in the statements of comprehensive income, for the years ended December 31, 2019 and 2018 amounted to $31 million and $105.3 million, respectively.

3. Related parties (continued)

For the years ended December 31, 2019 and 2018, the Company purchased energy and frequency regulation from its related company Empresa Generadora de Electricidad Itabo, S.A. of $0.4 million and $0.6 million, respectively.

The Company has a comprehensive insurance contract with AES Global Insurance Corporation (AGIC), a related company owned by The AES Corporation, which covers certain operating risks including damage to machinery and business interruption. For this contract, the Company has recognized in operating, maintenance and general expenses in the statements of comprehensive income, insurance cost of $3.6 million and $3.0 million for the years ended December 31, 2019 and 2018, respectively.

On February 1, 2019 the combined cycle unit suffered a damage in one of the blades of the wheel nine. For this damage the Company received a compensation for businesses interruption of $12.8 million and it is presented in cost of revenues.

On April 7, 2017, the Company obtained a guarantee contract with AES Andres B. V., an affiliate company, which acts as guarantor of the Corporate Bonds Issuance Program approved by and registered with the Superintendence of Securities of the Dominican Republic obtained by the Company on December 13, 2016 (note 9). The Company agreed to pay a guarantee charge equivalent to 0.15% of the total bonds issued on the last day of the corresponding calendar year. For the years ended December 31, 2019 and 2018, the Company recorded guarantee charges of $0.4 million and $0.4 million, respectively, which are included in the statements of comprehensive income under operating, maintenance and general expenses as management fees.

The Company entered into a management agreement (the "Services Agreement") on December 17, 2009 with AES Solutions, LLC. ("Solutions"), a related company owned by The AES Corporation, through which Solutions is responsible for provide technical assistance and transfer technology necessary to ensure its competitiveness in the Dominican energy market. The contract has a validity of 3 years and after this period it is expected to be renewed annually. DPP will have to pay for this contract, the actual cost assumed by Solutions plus 4% of said cost. Fees incurred related to this contract are presented in the statements of comprehensive income under general, operating, maintenance and general expenses totaling $1.9 million and $3.3 million for the years ended December 31, 2019 and 2018, respectively. On July 1, 2019 this agreement wasassigned to AES Latin América, S. de R.L., a related company owned by subsidiaries of AES. The expenses for fees related to this contract from July 1, 2019 to December 31, 2019 totaled $3.1 millions and a balance payable due of $1.0 millions at December 31, 2019.

(Amounts expressed in thousands of US dollars)

3. Related parties (continued)

The Company declared dividends for $59.7 million during 2018, which were paid in 2019. The Company declared dividends in 2019 for $28.8 million, which were totally paid. The distribution of dividends is based on fiscal accounting.

Lease contract

The Company signed a contract with Empresa Generadora de Electricidad Itabo, S. A. , an affiliate company, on September 10, 2014 for the lease of land, buildings and structures located in the old energy complex Los Mina, effective from October 1, 2014 and automatically renewed under the same conditions. This agreement will remain in effect until the Company exercises its purchase option right as established in the Option Agreement. The contract states an annual lease of $0.1 million, to be adjusted annually according to the consumer price index of the United States of America. As of December 31, 2018, the Company has registered $0.2 million for this concept and for 2019 the Company recorded the contract as lease under the new accounting principle (see note 8).

As a result of the operations and contracts mentioned above and other less significant transactions carried out with affiliates, related party other receivables and other payable as of December 31, 2019 and 2018, are as follows:

		2019		2018
Other receivables - related parties:				
AES Argentina Generación, S. A.	**$**	**179**	$	179
Empresa Generadora de Electricidad Itabo, S. A.		**32**		49
AES Andres DR, S. A.		**127,965**		148,918
Other		**425**		152
Total other receivables - related parties	**$**	**128,601**	$	149,298

(Amounts expressed in thousands of US dollars)

3. Related parties (continued)

		2019		2018
Accounts payable - related parties:				
AES Andres DR, S. A.	$	**74,484**	$	81,807
AES Latin América S. de R.L.		**1,030**		—
AES Corporation, Inc.		**47**		47
AES Andres B.V.		**390**		390
New Caribbean Investments, S.R.L.		**48**		43
Empresa Generadora de Electricidad Itabo, S. A.		**254**		100
AES Engineering, LLC		**235**		235
Others		**16**		19
Total accounts payable - related parties	**$**	**76,504**	$	82,641

4. Accounts receivable

The accounts receivable balances as of December 31, 2019 and 2018, consist of the following:

		2019		2018
CDEEE	**$**	**112,793**	$	85,558
Other receivables		**24,574**		19,973
Accounts Receivable	**$**	**137,367**	$	105,531

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

Sector Agreements

On March 15, and August 19, 2019, the Company entered into contracts for the sale and assignment of credits and rights with the CDEEE, the distribution companies owned by the Government of the Dominican Republic and the bank Banco de Reservas (the Bank), in which the Bank committed and paid $83.7 million for 100% of the accounts receivable that the Company had with the distribution companies at that date. This transaction was a sale without recourse for the Company.

(Amounts expressed in thousands of US dollars)

5. Prepaid expenses

The prepaid expenses balances as of December 31, 2019 and 2018, consist of the following:

	2019	2018
Prepayments to vendors	**$ 80**	$ 200
Prepaid insurance	**7**	6
Other prepaid expenses	**—**	25
Total	**$ 87**	$ 231

6. Property, plant and equipment - net

The activity in property, plant and equipment, net as of December 31, 2019, consist of the following:

	2018	Additions	Retirements	Transfer	2019
Original value:					
Generation plant	$ 373,315	**$ 32**	**$ (4,529)**	**$ 3,835**	**$ 372,653**
Buildings	3,545	**—**	**(267)**	**1,333**	**4,611**
Vehicles	467	**—**	**—**	**—**	**467**
Spare parts	13,435	**835**	**(98)**	**(2,793)**	**11,379**
Office equipment and others	1,582	**31**	**(3)**	**211**	**1,821**
Subtotal	392,344	**898**	**(4,897)**	**2,586**	**390,931**
Accumulated depreciation:					
Generation plant	(77,977)	**(14,816)**	**4,514**	**(563)**	**(88,842)**
Buildings	(1,900)	**(185)**	**267**		**(1,818)**
Vehicles	(316)	**(28)**	**—**	**—**	**(344)**
Spare parts	534	**(627)**	**98**	**563**	**568**
Office equipment and others	(1,211)	**(138)**	**3**	**—**	**(1,346)**
Subtotal	(80,870)	**(15,794)**	**4,882**	**—**	**(91,782)**
Subtotal	311,474	**(14,896)**	**(15)**	**2,586**	**299,149**
Land	8,006	**—**	**—**	**—**	**8,006**
Construction in progress	2,571	**3,360**	**—**	**(2,586)**	**3,345**
Total, net	$ 322,051	**$ (11,536)**	**$ (15)**	**$ —**	**$ 310,500**

During the years ended December 31, 2019 and 2018, the Company recorded depreciation expense of $15,794 and $15,604, respectively.

(Amounts expressed in thousands of US dollars)

7. Intangible asset - net

The following table summarizes the balances comprising internal use software in the accompanying balance sheets as of the end of the years indicated:

	2019			2018		
	Original Value	**Accumulated Amortization**	**Net Balance**	Original Value	Accumulated Amortization	Net Balance
Internal use software	**$ 3,112**	**$ (1,322)**	**$ 1,790**	$ 2,735	$ (841)	$ 1,894
Total	**$ 3,112**	**$ (1,322)**	**$ 1,790**	$ 2,735	$ (841)	$ 1,894

The movements of internal use software is shown below:

	Internal use software
Balance as of January 1, 2018	$ 233
Additions	1,757
Amortization	(96)
Balance as of December 31, 2018	1,894
Additions	**377**
Amortization	**(481)**
Balance as of December 31, 2019	**$ 1,790**

The following table summarizes the estimated amortization expense for 2020 through 2023:

2020	$ 770
2021	683
2022	191
2023	146
Total	**$ 1,790**

(Amounts expressed in thousands of US dollars)

8. Lease

The Company has operating leases for office space and land in which the Company is the lessee. Under ASC 842, lessees are required to recognized assets and liabilities for most leases on the balance sheet, and recognize expenses in a manner similar to prior accounting method.

The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives paid to the lessee up front. In the event that the terms of the lease include the option to extend or terminate the lease, they are explicitly established in each contract.

Operating lease expense for lease payments is recognized on a straight line basis over the term of the lease. Variable payments excluded from right-of-use assets and lease liabilities are recognized as incurred.

Right-of-use assets are long-term in nature. The following table summarizes the balances of assets and liabilities for financial leasing, presented in the balance sheets as of December 31, 2019:

	Classification in the Balance Sheets	Land	Building	Total
Assets				
Beginning balance as of January 1, 2019		$ 317	$ 174	$ 491
Amortization expense		(138)	(181)	(319)
Total Right-of-use assets as of December 31, 2019	Right-of-use assets	**$ 179**	**$ (7)**	**$ 172**
Liabilities				
Operating lease (current)	Lease liability	$ 141	$ 36	177
Total operating lease liabilities		**$ 141**	**$ 36**	**$ 177**

The following table summarizes supplemental balance sheet information related to leases as of the period indicated:

December 31, 2019	**Land**	**Building**
Weighted-average remaining lease term — operating leases	0.25 Years	0.75 Years
Weighted-average discount rate — operating leases	5.96%	3.56%

(Amounts expressed in thousands of US dollars)

8. Lease (continued)

The following table summarizes the components of lease expense recognized in cost and expenses in the statements of comprehensive income for the year ended:

Components of the Lease Cost	**Classification in the Statements of Comprehensive Income**	**December 31, 2019**
Amortization expense	Operating, maintenance and general expense	$ 319
Total lease cost		**$ 319**

The following table shows the future lease payments under operating and finance leases for continuing operations together with the present value of the net lease payments as of December 31, 2019 for 2020:

Year	**Land**	**Building**	**Total**
2020	$ 141	$ 36	$ 177

9. Accounts payable and accrued liabilities

The accounts payable and accrued liabilities balance as of December 31, 2019 and 2018, consist of the following:

	2019	2018
Local and international suppliers	**$ 6,752**	$ 1,614
Energy suppliers	**7,561**	4,697
Incentive compensation payable	**629**	1,845
Other accrued liabilities	**2,947**	2,600
Total	**$ 17,889**	$ 10,756

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

(Amounts expressed in thousands of US dollars)

10. Financial debt - net

Short - term debt (Line of credit)

On December 6, 2019, the Company borrowed an amount of $10 million with an interest rate of LIBOR plus 1.5% . The Company repaid $5 million on December 2019 and keep an amount of $5 million pending to pay, which are presented in the balance sheet.

Long - term debt - net

International bonds

On May 11, 2016, the Company issued international bonds under Rule 144A and Regulation S totaling $50 million, with a single installment payment due in May 2026, bearing an annual interest of 7.95%. Interest is payable semiannually from November 2016 and the Company paid issuance costs of $2.1 million.

As of December 31, 2019 and 2018, the Company has balances related to the international bonds totaling $48.5 million and $48.3 million, respectively, net of deferred financing costs and unamortized discount, which are amortized under the effective interest method over the life of the debt, as detailed below:

		2019		2018
Bonds payable	**$**	**50,000**	$	50,000
Deferred financing costs, net		**(789)**		(892)
Unamortized discount		**(741)**		(836)
Total	**$**	**48,470**	$	48,272

		2019		2018
Deferred financing costs at the beginning of year	**$**	**892**	$	968
Amortization of deferred financing costs during the year		**(103)**		(76)
Total deferred financing costs at the end of the year	**$**	**789**	$	892

		2019		2018
Unamortized discount at the beginning of the year	**$**	**836**	$	907
Amortization of discount		**(95)**		(71)
Total unamortized discount at the end of the year	**$**	**741**	$	836

(Amounts expressed in thousands of US dollars)

10. Financial debt - net (continued)

As a consequence of the aforementioned issuance of international bonds, the Company must comply with certain obligations and limitations in order to carry out certain transactions, such as, the incurrence of additional debt or to declare and pay dividends. Before executing the aforementioned transactions, the Company must validate and verify that all contract covenants are being complied with including:

- Financial Ratios to Incur Additional Debt: refers to ratios that the Company must comply with in order to incur in additional debt, except for the exceptions stipulated in the relevant financing agreement.

- Financial Ratios to Pay Dividends: refers to ratios that the Company must comply with in order to make a dividend payment, except for the exceptions stipulated in the relevant financing agreement.

- Debt Service Coverage Ratio: has to be greater than 2.5x and Debt to EBITDA ratio has to be less than 3.5x.

Local bonds

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

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

Local bonds payable	Rate %	Maturity	2019 Amounts US$
Tranche 1	6.25	February 2027	$ **50,000**
Tranche 2	6.25	April 2027	**50,000**
Tranche 3	6.25	May 2027	**50,000**
Tranche 4	6.25	June 2027	**50,000**
Tranche 5	6.00	August 2027	**35,000**
Tranche 6	5.90	November 2027	**25,000**
			$ 260,000

(Amounts expressed in thousands of US dollars)

10. Financial debt - net (continued)

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

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

As of December 31, 2019 and 2018, the balance of the these local bonds payable totals $257.4 million and $257.2, respectively, net of deferred financing costs, as detailed below:

		2019		2018
Local bonds payable	**$**	**260,000**	$	260,000
Deferred financing costs, net		**(2,570)**		(2,838)
Bonds payable, net	**$**	**257,430**	$	257,162

		2019		2018
Deferred financing cost at the beginning of the year	**$**	**2,838**	$	3,089
Deferred financing costs capitalized		**(4)**		(2)
Amortization of deferred financing costs		**(264)**		(249)
Total deferred financing costs at the end of the year	**$**	**2,570**	$	2,838

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

As of December 31, 2019, the Company is in compliance with all of its commitments and restrictions in relation to such financing arrangements.

11. Income tax

DPP is a company incorporated with limited liability in the Cayman Islands which operates in the Dominican Republic through a Branch office and, therefore, is not subject to the payment of income taxes in the Cayman Islands. On September 8, 2016, the DPP Board of Directors changed its residence to Spain. For Dominican tax purposes, DPP's Branch is considered a foreign entity, therefore subject to the Dominican tax regime applicable to business activities established by Law 11-92 of May 31, 1992, plus its subsequent amendments. Even though the Branch has the US dollar as its functional currency, income tax calculations are determined in local currency, the Dominican peso.

Current income tax

The current income tax is calculated based on Law 11-92, Tax Code of the Dominican Republic, its regulations and its modifications. The tax used to determine the income tax at December 31, 2019 and 2018 was 27% of the net taxable income.

Tax on assets

The tax on assets corresponds to 1% of the taxable assets. For electricity companies, taxable assets correspond to the total fixed assets, net of accumulated depreciation. This tax may be used as a credit against the income tax as follows: if the income tax is greater than the tax on assets, there is no obligation to pay the latter; otherwise, the difference between the income tax paid and the tax on assets must be paid. The Company records the tax on assets expense in the statements of comprehensive income in operating, maintenance and general expenses.

Dividends

Dividends are subject to a 10% withholding tax. This tax is established to the branches and permanent establishments when they remit profits to their Head Office or Main Offices.

(Amounts expressed in thousands of US dollars)

11. Income tax (continued)

Loss carryforward

According to Article I of Law No. 557-05, which modifies letter K or Article No. 287 of the Tax Code, applicable as of January 1, 2006, losses incurred by corporations in their economic activities may be compensated during the following fiscal periods, without exceeding five (5) years. However, only 20% may be compensated per year. In the fourth year this 20% may not exceed 80% of the net taxable income, and in the fifth year it must not exceed 70%. The portion not used each year cannot be used in the following periods. As of December 31, 2019 and 2018, DPP Branch had a loss carryforward of $6,354 and $9,684, respectively, that expire in 2021.

The income tax payable balance as of December 31, 2019 and 2018 consists of:

		2019		2018
Income tax payable at beginning of year	**$**	**(24,629)**	$	(11,500)
Income tax payments		**44,730**		16,959
Current income tax expense		**(24,757)**		(28,080)
Tax on assets		**(2,239)**		(2,428)
Exchange effect		**868**		420
Total income tax payable	**$**	**(6,027)**	$	(24,629)

Deferred income tax as of December 31, 2019 and 2018 is comprised as follows:

		2019		2018
Assets:				
Loss carryforward	**$**	**1,716**	$	2,615
Provisions and other temporary differences		**102**		141
Total deferred income tax asset		**1,818**		2,756
Liabilities:				
Accelerated tax depreciation		**(14,203)**		(11,794)
Other deductible temporary differences		**(6,113)**		(2,057)
Total deferred tax liability		**(20,316)**		(13,851)
Net non-current deferred income tax liability	**$**	**(18,498)**	$	(11,095)

In compliance with the current transfer pricing regulations, the Company reviewed the transactions with related parties and concluded that the operations carried out during the years ended December 31, 2019 and 2018 have no significant impact on the provision of income tax.

(Amounts expressed in thousands of US dollars)

11. Income tax (continued)

The income tax expense is comprised as follows for the years ended December 31, 2019 and 2018:

		2019		2018
Current	**$**	**24,757**	$	28,080
Deferred		**8,054**		5,866
Total income tax expense	**$**	**32,811**	$	33,946

For the years ended December 31, 2019 and 2018, the Company's effective income tax rate for financial reporting purposes was 28.0% for both periods. The primary differences between the statutory income tax rates and the effective income tax rates relate to: (1) the net income tax impact of dividends and remittances from branch offices to the reporting entity, and (2) the amortization for income tax of non-monetary assets indexation. Other less significant differences also existed in both years.

In accordance with ASC 740, "Income Taxes", tax positions are recognized in financial statements if that position is more likely than not to be sustained by the taxing authority. Any interest and penalties related to income tax exposures would be recognized within interest expense and other income (expense), respectively, in the statements of comprehensive income. The Company has not recorded any liabilities for uncertain tax positions as of December 31, 2019 and 2018.

12. Cost of revenues - electricity purchases

The cost of revenues for electricity purchases for the years ended December 31, 2019 and 2018, consists of the following:

		2019		2018
Electricity purchases	**$**	**23,016**	$	25,886
Transmission charges		**12,246**		11,660
Total	**$**	**35,262**	$	37,546

(Amounts expressed in thousands of US dollars)

13. Operating, maintenance and general expenses

The operating, maintenance and general expenses for the years ended December 31, 2019 and 2018, consist of the following:

		2019		2018
Maintenance expenses	**$**	**5,927**	$	3,787
Salaries, wages and benefits		**2,480**		2,761
Tax on assets		**2,239**		2,428
Contract services		**5,214**		3,757
Other expenses		**888**		1,858
Insurance		**3,619**		3,397
Advisory and legal services		**802**		702
Property rental		**—**		217
Amortization of right-of-use assets		**319**		—
Management fees		**510**		540
Total	**$**	**21,998**	$	19,447

14. Interest expense – net

Net interest expense for the years ended December 31, 2019 and 2018, consists of the following:

		2019		2018
Interest income - commercial	**$**	**8,242**	$	3,924
Interest income - financial		**521**		492
Subtotal		**8,763**		4,416
Amortization of deferred financing costs		**(367)**		(325)
Interest expense - commercial		**(318)**		(76)
Interest expense - financial		**(20,493)**		(20,350)
Subtotal		**(20,811)**		(20,426)
Total	**$**	**(12,415)**	$	(16,335)

Commercial interest is determined in accordance with the Dominican electricity sector regulation and the terms established in the power purchase agreements. Accounts receivable and accounts payable with the electricity sector spot market, denominated in Dominican Pesos, are subject to the local active interest rate for domestic currency plus a penalty of eighteen percent (18%) as established in Article 355 of the General Law of Electricity Sector.

14. Interest expense – net (continued)

The average interest rate applied to spot market accounts receivable and payables in US dollars in 2019 and 2018, was 6.08% and 5.77%, respectively, and in Dominican pesos was 12.06% and 11.15%, respectively.

15. Commitments and contingencies

Commitments

As of December 31, 2019, the main commitments of the Company are the following:

a. Energy sales contract with CDEEE

On June 18, 2014, the Company signed a sales contract agreement for the supply of energy and capacity to CDEEE. This contract began on August 1, 2016 and will end on December 31, 2022. After the completion of the construction of the combined cycle, the Company is committed to provide to the customer 270MW of capacity. The revenues associated with this contract consist of energy and capacity sales that are presented in the statements of comprehensive income as electricity-sales of $196.1 million and $205.7 for the years ended December 31, 2019 and 2018, respectively.

b. Energy sales contract with Non-regulated Users

The Company entered into some contracts for the sale of energy with new large customers in the market of large entities, which are allowed to generate their own electricity or contract directly with generators, or the non regulated market (normally known as "Non-regulated Users"). As of December 31, 2019 and 2018, the Company has a total of 18 and 1 contracts with Non-regulated Users with a total of 53MW and 0.8 MW of contracted capacity.

c. Maintenance Agreement

In the year 2018, Dominican Power Partners and Siemens Power Generation Services Company LTD signed a maintenance agreement for the periods between 2018 to 2031. The total amount to be paid for this contract amounts to $57.6 million during its term. As of December 31, 2019, the Company has received spare parts totaling $2.6 million related to this contract, which are still payable.

15. Commitments and contingencies (continued)

Commitments (continued)

d. Guarantee

Since November 5, 2019, the Company became the unconditional and irrevocable guarantor in conjunction with its related party AES Andres DR. S.A. and AES Andres B.V., of a loan agreement of their related party Parque Eólico Beata S.R.L. in the amount up to $50 million. As of December 31, 2019, the amount borrowed of loan was $5 million.

Since September 26, 2016, the Company became the unconditional and irrevocable guarantor in conjunction with its related party AES Andres DR. S.A. , of a bond their related party AES Andres B.V. in the amount up to $45 million. As of December 31, 2019, the amount borrowed of loan was $45 million.

Since May 11, 2016, the Company became the unconditional and irrevocable guarantor (the due and punctual payment of the principal and interest) of the international bonds issued by AES Andres B.V. in the amount of $220.1 million, with maturity date of May 2026. As of December 31, 2018, the Company was not requested to execute this guarantee.

e. The Company maintains a pre-approved credit facility with Scotiabank for an amount of up to $37.5 million. As of December 31, 2019, $32.5 million was available under the credit facility.

16. Fair value of financial instruments

The Company established a process to determine fair value of its financial instruments. The determination of fair value takes into consideration the market quoted price; however, in many cases there are no quoted market prices for various financial instruments of the Company. In cases where a market quote is not available, the fair values are based on estimates using the present value or other valuation techniques. These techniques are significantly affected by the assumptions used, including the discount rate and the future cash flows.

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

16. Fair value of financial instruments (continued)

(a) Financial Instruments with Book Value Approximate to Fair Value

Due to their short term nature, the book value of certain financial assets, including cash, and cash equivalents, unrestricted cash (short term investment in time deposit), accounts receivable and certain financial liabilities, including accounts payable and accrued liabilities are considered to be equal to their fair value given their short maturity nature. The fair value of affiliate receivables and payables is not practicable to estimate due to the related party nature.

The Company follows FASB ASC No. 820 provision of fair value measurements. This standard provides a consistent definition of fair value and establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States and requires more extensive disclosures about fair value measurements. Prior to the rules, the definition of fair value and guidance to apply these definitions under US GAAP was limited.

Additionally, the guidance was dispersed among the many accounting pronouncements that require fair value measurements.

This standard defines fair value as the price that would be received to sell an asset or paid to transfer to a liability ("exit price") in the principal or most advantageous market for an asset or liability in an orderly transaction between participants market at the measurement date. Additionally, the rule established a hierarchical framework that prioritizes and directs the level of observable market price used to measure investments at fair value. The observables are affected by a number of factors, including the type of investment and the specific characteristics to the investment. Investments with readily available quoted prices or for which fair value can be measured based on actively quoted prices generally will have a higher level of observable market price and a lower level of criteria to measure fair value.

To increase consistency and enhance disclosure of fair value, the fair value measurement accounting guidance creates a fair value hierarchy to prioritize the inputs used to measure fair value into three categories. An asset or liability's level within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement, where Level 1 is the highest and Level 3 is the lowest. The three levels are defined as follows:

Level 1 – unadjusted quoted prices in active markets accessible by the reporting entity for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – pricing inputs other than quoted market prices included in Level 1 which are based on observable market data that are directly or indirectly observable for substantially the full term of the asset or liability.

(Amounts expressed in thousands of US dollars)

16. Fair value of financial instruments (continued)

These include quoted market prices for similar assets or liabilities, quoted market prices for identical or similar assets in markets that are not active, adjusted quoted market prices, inputs from observable data such as interest rate and yield curves, volatilities or default rates observable at commonly quoted intervals or inputs derived from observable market data by correlation or other means. The fair value of most over-the-counter derivatives derived from internal valuation models using market inputs and most investments in marketable debt securities qualify as Level 2.

Level 3 – pricing inputs that are unobservable, or less observable, from objective sources. Unobservable inputs are only used to the extent observable inputs are not available. These inputs maintain the concept of an exit price from the perspective of a market participant and should reflect assumptions of other market participants. An entity should consider all market participant assumptions that are available without unreasonable cost and effort. These are given

the lowest priority and are generally used internally developed methodologies to generate management's best estimate of the fair value when no observable market data is available.

Any transfers between all levels within the fair value hierarchy levels are recognized at the end of the reporting period. There were no transfers during 2019.

International bonds

The estimated fair value of international bonds as of December 31, 2019 and 2018, is based on information available as of the date of the balance sheets. For bonds payable with a fixed rate, the Company established a process to determine fair value. The assumptions used by the Company to calculate the fair value of bonds payable fall under Level 2 of the hierarchy.

The fair value estimated for corporate bonds as of December 31, 2019 and 2018 is as follow:

	Book Value		Fair Value	
	2019	**2018**	**2019**	**2018**
International bonds	**$ 50,000**	$ 50,000	**$ 51,339**	$ 50,331

(Amounts expressed in thousands of US dollars)

16. Fair value of financial instruments (continued)

Local bonds

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

The fair value estimated for corporate bonds debt as of December 31, 2019 and 2018 is as follows:

	Book Value		Fair Value	
	2019	**2018**	**2019**	**2018**
Local bonds	**$ 260,000**	$ 260,000	**$ 258,335**	$ 258,653

17. Subsequent events

On March 25, 2020, the Company obtained a disbursement of the line of credit with Scotiabank bank for an amount of $37.5 million with maturity on September 25, 2020. The interest rate of this line of credit is LIBOR plus 2.75%.

COVID-19:

Last March 11, 2020 the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The quick evolution of the events, nationally and internationally, represents an unprecedented health crisis that will have macroeconomic and business effects. To face the economic and social impacts of COVID-19, among other measures the government of Dominican Republic has declared a state of emergency, through the authorization of the Resolution number 62-20 of March 19, 2020, granted by the National Congress. Contained in Decree 134-20. Sanitary and economic measures have been taken to mitigate and control the spread of the Coronavirus COVID-19 disease pandemic in the country.

17. Subsequent events (continued)

COVID-19 (continued)

Among the fiscal economic measures that would impact the Company's management in the Dominican Republic are:

Tax:
An extension is granted for the presentation and payment of the of the Income Tax of Legal Entities (IR-2) with a closing date of December 31, postponing the deadline from April 29, 2020 to May 29 2020; Taxpayers who submit a total to pay may pay income tax with four equal and consecutive installments, which will not be subject to interest monthly. Therefore, the filing and payment deadline is moved one month, and the corresponding payment of the tax is split into 4 installments that will be automatically generated as the ITBIS and will be consecutive. The ITBIS payment date has been moved to 10 days, but it is not affected the Company since it does not generate ITBIS for the generation of electricity, the ITBIS we pay is for withholdings at the time of payment.

Energy Market:

Through Resolution SIE-016-2020, distribution companies, isolated systems and owners of electrical networks that serve to regulated users are instructed to not suspend electricity supply for lack of payment during a period of declaration of a state of emergency in the national territory. This could have an impact on the cash flow of the distribution companies and therefore in the collections of the generation sector.

The Company believes that these events do not represent an adjustment to the annual accounts of the year ended December 31, 2019; should there be an impact on operations, it would be reflected in its future results and cash flows.

Given the complexity of the situation and its quick evolution, it is not practical at this time to conduct a reliable, quantified estimate of its potential impact on the Company, which will be recorded prospectively in the 2020 annual accounts.

The Company is conducting the necessary measures to face this situation and minimize its impact, considering that it is a temporary situation that, based on more updated estimates and treasury's position on that date, do not compromise the application of the going concern principle.

Additionally, since December 31, 2019 and until the reporting date, no additional relevant events have occurred that would require disclosures or adjustments to the financial statements.

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