Financial Statements

Dominican Power Partners

As of December 31, 2020 and 2019 and for the three years then ended
with Independent Auditor's Report

CONTENT

Ernst & Young, S. R. L.
RNC No. 1-31-20492-9
Torre Empresarial Reyna II
Suite 900, piso 9
Pedro Henríquez Ureña No. 138
Santo Domingo, República Dominicana.

Tel: (809) 472-3973
Fax: (809) 381-4047

Independent Auditor's Report

To the Shareholders of
Dominican Power Partners

Opinion

We have audited the financial statements of Dominican Power Partners (the Company), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of income, statements of changes in stockholders´ equity and statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019 and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Accounts Receivables Trade:

Accounts receivable trade as of December 31, 2020 amounted to $71 million and is detailed in Note 6 to the financial statements and represents 9% of the Company's total assets as of December 31, 2020. The accounts receivables trade is mainly concentrated in Corporación Dominicana de Empresas Eléctricas Estatales, which represents 61% of total accounts receivable invoiced as of December 31, 2020. The assessment of the recoverability of these accounts receivable includes, to a certain extent, a level of judgment from the Administration.

How We Addressed the Matter in Our Audit:

- We sent and obtained the confirmation of balances from the distribution companies, which were reconciled with the Company's accounting records.

- We analyzed the contracts and agreements reached with the distribution companies.

- We evaluated the integrity of the data and the assumptions used by the Administration to calculate the impairment estimate for doubtful accounts.

- We evaluated the adequacy of the disclosures in the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Rubén Tejeda.

Ernst & Young

Santo Domingo, Dominican Republic
April 25, 2021

Dominican Power Partners
Statements of Financial Position
As of December 31, 2020 and 2019
(Expressed in thousands of dollars of the United States of America)

Notes			2020		2019
	ASSETS				
	Current Assets				
4	Cash and cash equivalents	$	16,934	$	11,258
	Short term investments		92		95
	Accounts receivables:				
5	Related parties		92,985		128,602
6	Trade, net		71,457		137,345
	Inventories, net		2,406		4,311
9	Other non-financial assets		291		926
	Total current assets		184,165		282,537
	Non-current assets				
7	Property, plant and equipment, net		278,181		284,773
8	Intangible assets, net		834		1,789
11	Right-of-use-assets, net		628		171
9	Other financial assets		598		510
	Total non-current assets		280,241		287,243
	TOTAL ASSETS	**$**	**464,406**	**$**	**569,780**

Dominican Power Partners
Statements of Financial Position (continued)
As of December 31, 2020 and 2019
(Expressed in thousands of dollars of the United States of America)

Notes	LIABILITIES AND STOCKHOLDERS' EQUITY	2020	2019
	Current liabilities		
	Accounts payable:		
12	Suppliers and other liabilities	$ 20,027	$ 16,876
5	Related parties	9,941	76,504
13	Line of credit	—	5,000
11	Lease liabilities	452	177
19	Income tax payable	2,716	6,471
	Total current liabilities	33,136	105,028
	Non-current liabilities		
13	Bonds payable, net	306,374	305,901
19	Deferred income tax, net	31,641	31,320
11	Lease liabilities	367	—
	Other non-financial liabilities	73	36
	Total non-current liabilities	338,455	337,257
	Total liabilities	371,591	442,285
	STOCKHOLDERS' EQUITY		
	Authorized capital	15,000	15,000
	Contributed capital	104,976	104,976
	Additional paid-in-capital	1,072	1,029
	Accumulated deficit	(38,847)	(4,892)
	Restricted retained earnings	10,614	11,382
	Total stockholders' equity	92,815	127,495
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 464,406**	**$ 569,780**

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

Dominican Power Partners
Statements of Income
For the years ended December 31, 2020, 2019 and 2018
(Expressed in thousands of dollars of the United States of America)

Notes		**2020**	**2019**	**2018**
	Revenue			
	Electricity sales - contracts	$ 247,108	$ 262,586	$ 205,959
5	Electricity sales- intercompany and spot market	15,741	32,175	107,352
	Total revenues	262,849	294,761	313,311
	Operating costs and expenses			
5	Cost of revenues - electricity purchases	(36,674)	(35,263)	(37,546)
5	Cost of revenues - fuel and fuel related costs	(74,764)	(100,861)	(104,074)
16	Operating, general and maintenance expense	(42,372)	(42,924)	(40,792)
	Total operating costs and expenses	(153,810)	(179,048)	(182,412)
	Operating income	109,039	115,713	130,899
	Other expenses (income)			
17	Interest expense, net	(16,592)	(12,424)	(16,335)
13	Debt discount amortization	(99)	(95)	(71)
18	Other expense, net	(516)	(1,163)	(1,234)
	Exchange gain (loss), net	3,456	1,448	(402)
	Income before income tax expense	95,288	103,479	112,857
19	Income tax expense	(32,880)	(35,497)	(38,030)
	Net income	**$ 62,408**	**$ 67,982**	**$ 74,827**
15	Net income per share	**$ 4.16**	**$ 4.53**	**$ 4.99**

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

Dominican Power Partners

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2020, 2019 and 2018

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

	Notes	Number of shares	Authorized capital	Contributed capital	Additional paid-in-capital	Accumulated deficit	Restricted retained earnings	Total stockholders' equity
Balance as of January 1, 2018		15,000,100	$ 15,000	$ 104,976	$ 963	$ (61,328)	$ 13,478	$ 73,089
Revaluation effect	3	—	—	—	—	1,298	(1,298)	—
Net income		—	—	—	—	74,827	—	74,827
Dividends declared	5	—	—	—	—	(59,669)	—	(59,669)
Share based compensation		—	—	—	33	—	—	33
Balance as of December 31, 2018		15,000,100	15,000	104,976	996	(44,872)	12,180	88,280
Revaluation effect	3	—	—	—	—	798	(798)	—
Net income		—	—	—	—	67,982	—	67,982
Dividends paid	5	—	—	—	—	(28,800)	—	(28,800)
Share based compensation		—	—	—	33	—	—	33
Balance as of December 31, 2019		15,000,100	15,000	104,976	1,029	(4,892)	11,382	127,495
Revaluation effect	3	—	—	—	—	768	(768)	—
Net income		—	—	—	—	62,408	—	62,408
Dividends paid	5	—	—	—	—	(97,131)	—	(97,131)
Share based compensation		—	—	—	43	—	—	43
Balance as of December 31, 2020		**15,000,100**	**$ 15,000**	**$ 104,976**	**$ 1,072**	**$ (38,847)**	**$ 10,614**	**$ 92,815**

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

Dominican Power Partners

Statements of Cash Flows

For the years ended December 31, 2020, 2019 and 2018

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

Notes		2020	2019	2018
	Cash flows from operating activities			
	Net income	$ 62,408	$ 67,982	$ 74,827
	Adjustments to reconcile net income to net cash provided by operating activities:			
7	Depreciation	19,567	20,436	21,244
8	Amortization of intangible assets	542	481	96
11	Right-of-use asset amortization	327	320	—
6	Allowance for doubtful accounts	24	18	4
19	Income tax expense	32,880	35,497	38,030
	Share based compensation	91	64	63
	Exchange (gain) loss, net	(3,456)	(1,448)	402
7, 18	Loss on retirement of property, plant and equipment	554	1,184	1,364
13	Amortization of deferred financing costs	379	367	325
13	Debt discount amortization	99	95	71
	Interest expense (income), net	16,213	12,057	16,010
	Changes in operating assets and liabilities:			
	Decrease (increase) in accounts receivable trade, net	58,070	(36,017)	(47,745)
	Decrease (increase) in accounts receivable related parties	35,617	20,696	(103,182)
	Decrease (increase) in inventories	1,905	(1,865)	(380)
	Decrease (increase) in non-financial assets	910	(690)	1,431
	Increase in accounts payable suppliers and other liabilities	3,985	16,291	3,267
	(Decrease) increase in accounts payable related parties	(67,271)	(6,151)	48,827
	Increase (decrease) in other non-financial liabilities	37	(4)	(3)
	Income tax paid	(34,688)	(44,730)	(16,959)
	Interest received	7,794	4,181	2,581
	Interest paid	(19,185)	(20,326)	(20,021)
	Net cash provided by operating activities	**116,802**	**68,438**	**20,252**
	Carried forward.....	**$ 116,802**	**$ 68,438**	**$ 20,252**

Dominican Power Partners
Statements of Cash Flows (continued)
For the years ended December 31, 2020, 2019 and 2018
(Expressed in thousands of dollars of the United States of America

Notes		2020	2019	2018
	Brought forward.....	**$ 116,802**	**$ 68,438**	**$ 20,252**
	Cash flows from investing activities			
7	Acquisition of property, plant and equipment	(8,497)	(2,780)	(7,022)
	Advance payments for the acquisition of property, plant and equipment	(360)	(510)	(197)
8	Acquisition of intangible assets	(38)	(993)	(697)
	Loan paid to related party	—	(4,210)	—
	Loan received from related party	—	4,210	—
	Net cash used in investing activities	**(8,895)**	**(4,283)**	**(7,916)**
	Cash flows from financing activities			
	Dividends paid	(97,131)	(88,469)	—
	Payment of line of credit	(70,000)	(30,000)	—
	Proceeds from line of credit	65,000	35,000	—
	Payment of lease liabilities	(100)	(312)	—
	Net cash used in financing activities	**(102,231)**	**(83,781)**	**—**
	Net increase (decrease) in cash and cash equivalents	5,676	(19,626)	12,336
	Cash and cash equivalents at the beginning of the year	11,258	30,884	18,548
	Cash and cash equivalents at the end of the year	**$ 16,934**	**$ 11,258**	**$ 30,884**
	Supplementary disclosure			
	Property, plant and equipment purchases not paid at year end	$ 7,558	$ 3,036	$ 1,756
	Acquisition of intangible assets not paid at year end	$ 5	$ —	$ 1,060

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

1. Organization and Nature of Operations

Dominican Power Partners ("the Company" or "DPP") is an indirectly owned subsidiary of The AES Corporation ("the Parent Company" or "AES"). The Company was organized under the laws of the Cayman Islands and was incorporated on November 14, 1995. 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 10 megawatts ("MW") 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 2020, 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, 2020, the Company has a total of 14 contracts with non-regulated users (2019: 18) with a total of 52 MW in 2020 (2019: 53 MW) of contracted capacity.

The administrative offices of the Company are located at Rafael Augusto Sanchez Street No.86, corporate building Robles Corporate Center, 5th floor, Ensanche Piantini, Santo Domingo, Dominican Republic.

2. Basis of Preparation

The financial statements of Dominican Power Partners have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements were authorized by the Controller for issuance on April 25, 2021.

Basis for measurement

The financial statements have been prepared based on historical cost, except for certain items that have been valued as indicated in the accounting policies detailed in Note 3.

Functional currency

The functional and reporting currency of the Company is the dollar of the United States of America, which is the currency used in the Company's activities and significant contracts. 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 statements of financial position dates; the effect of changes in exchange rates is recognized in the statements of income. As of December 31, 2020, the exchange rate for the U.S. dollar was RD$58.33 (2019: RD$52.96) and the annual average exchange rate was RD$56.52 (2019: RD$51.29).

Estimates and significant accounting assumptions

The preparation of the financial statements in accordance with IFRS requires the administration to make judgments, estimates and assumptions that affect the reported amounts in assets, liabilities, revenues and expenses. Actual results might differ from these estimates.

Estimates and assumptions are reviewed periodically. The results of the revisions of accounting estimates are recognized in the period in which they have been reviewed and any other future periods that they affect.

The relevant estimates that are particularly susceptible to significant changes are related to the estimation of the useful lives of the assets, the determination of contingent liabilities, the fair value of financial instruments, the valuation of deferred income taxes and the provision for inventory obsolescence.

3. Summary of Accounting Policies

The accounting policies described below have been consistently applied in the years presented in these financial statements by the Company.

Financial instruments

Initial recognition and measurement

Financial instruments are initially recognized when the Company becomes a contractual party of the instrument, with the exception of accounts receivable that are initially recognized when they originate.

A financial instrument, with the exception of accounts receivable that do not contain a significant financing component, is initially measured at its fair value plus transaction costs that are directly attributable to its acquisition or issue. Account receivables that do not contain a significant financing component are initially measured at the transaction price.

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other income and fair value through profit or loss. The Company does not choose to irrevocably designate the measurement of financial assets at fair value through profit or loss or other income.

Classification and measurement

Financial assets (including loans and accounts receivable) are not reclassified after initial recognition unless the Company changes the business model to manage financial assets, in which case all affected financial assets are reclassified on the first day of the first presentation period after the change in the business model, which is revised annually.

The Company measures financial assets at amortized cost if both of the following conditions are met:

- It is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, exchange gains or losses and impairment are recognized in profit or loss. Any gain or loss at the time of derecognizing assets is recognized in profit or loss.

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

A financial asset is measured at fair value through Other Comprehensive Income ("OCI") if the following conditions are met:

- It is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments recognized at fair value through OCI are subsequently measured at fair value. Interest income, calculated using the effective interest method, exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. When the assets are derecognized, the gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Investments in equity instruments recognized at fair value through OCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss, unless the dividend represents a recovery of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and they are not reclassified to profit or loss.

All financial assets that are not measured at amortized cost or fair through OCI, as described above, are measured at fair value through profit or loss. This measurement category includes all derivative financial instruments.

Evaluation of the business model

The Company performs an annual evaluation of its operations to determine how it manages its financial assets, designates its business model and the groups of financial assets to achieve a specific business objective, which will not depend on the intentions of management for an individual instrument.

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

3. Summary of Accounting Policies (continued)

Financial instruments (continued)

Evaluation of the business model (continued)

The Company´s business model is to recover the contractual cash flows at maturity in order to comply with the administration's objectives. In situations of credit or liquidity risks, the Company may consider the sale of financial assets; however, the frequency, value and timing of sales of financial assets in prior periods are evaluated to determine whether they represent a change in the way financial assets are managed.

Impairment of financial assets

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

For the determination and valuation of the expected credit losses, the Company adopted the simplified approach and the presumption of "default" after 90 days, for all customers with the exception of accounts receivable from government customers for which the default was defined as of 365 days.

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

The Company uses historical information and analyzed variables that affect and help to predict the behavior of the recoverability of financial assets, none of which showed an adequate correlation. However, the Company periodically performs qualitative risk analyzes to identify changes in the estimated losses. As of December 31, 2020 and 2019, the Company maintains allowance of doubtful accounts as disclosed in Note 6.

3. Summary of Accounting Policies (continued)

Financial asset derecognition

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Cash and cash equivalents

The Company considers as cash and cash equivalents its petty cash, bank deposits and time deposits with initial maturity dates that are less than 3 months. Part of the cash and cash equivalents includes certificates of deposit used as collateral for employees financing, on which there is no restriction and are granted according to the established benefit policy.

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.

Inventory

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

3. Summary of Accounting Policies (continued)

Property, plant and equipment

Property, plant, and equipment is initially stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. When assets are sold or written off, the corresponding cost and accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is reflected in the statements of income. When property, plant and equipment have different useful lives, they are accounted for separately.

Depreciation

Depreciation is calculated according to the useful lives of the respective assets using the straight-line method. The depreciation rates used are based on the estimated useful lives of the assets and are detailed below:

	Useful lives
Buildings	30 to 65 years
Generation equipment	8 to 40 years
Office equipment and others	4 to 7 years
Vehicles	4 to 8 years

Replacement parts, including rotatable replacement parts, are presented as generation assets. If these parts are considered components, they are depreciated over their useful life when they are put into service.

An item of property, plant and equipment is derecognized upon disposal or when the Company considers that no further economic benefits will be received from the asset in the future. Any loss or gain resulting from the disposal of an asset, calculated as the difference between its net carrying amount and the proceeds of the sale, is recognized in the statements of income of the period in which the transaction occurs.

Major and minor maintenance

Disbursements for major maintenance represent the reconditioning of the plant or other assets. These expenses are capitalized and amortized based on the useful life of each asset. Minor maintenance expenses are charged directly to operating, general and maintenance expense in the statements of income.

3. Summary of Accounting Policies (continued)

Construction in progress

Construction in progress payments, engineering costs, insurance, salaries, interest and other costs directly relating to construction in progress are capitalized during the construction period. Construction in progress balances are stated at cost and transferred to electricity generation assets when an asset group is ready for its intended use.

Intangible Assets

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

The estimated useful lives for licenses and software is 3 years.

Computer Applications Contracts hosted in the cloud

Computer application contracts hosted in the cloud are agreements in which the Company does not have ownership, but accesses and uses them as needed through the internet or a dedicated line.

The Company assesses in the first instance whether a contract of this type contains a lease in accordance with the scope of IFRS 16 - Leases. If it is determined not, it goes on to analyze whether the contracts will provide resources over which the Company can exercise control (for example, an intangible asset).

When it is determined that control of the resources implicit in the contracts will not be obtained, the Company records the contracts for computer applications hosted in the cloud as a "Service Contract" and evaluates whether the implementation costs can be capitalized under other accounting standards.

The Company records the periodic fee agreed with the provider as operating, general and maintenance expenses, capitalizes a portion of the implementation costs associated with the contracts for computer applications hosted in the cloud (considered as service contracts), which are incurred to integrate its systems existing internal use or to make improvements to them; which are not eligible for capitalization as an intangible asset, any cost not associated with the implementation is recorded as operating, general and maintenance expenses as they are accrued; for example, training costs.

3. Summary of Accounting Policies (continued)

Computer Applications Contracts hosted in the cloud (continued)

The implementation costs are presented as "Other non-financial asset - prepaid assets" in the statement of financial position and once the implementation phase is completed, they are amortized to operating, general and maintenance expenses during the life of the contract.

Impairment of non-financial assets

The Company reviews the carrying amounts of its non-financial assets at the end of each year in order to identify impairments or when facts or circumstances indicate that the amounts recorded may not be recoverable.

If such indication exists and the carrying amount exceeds the recoverable amount, the Company values the assets or cash generating units at their recoverable amount, defined as the greater of their fair value less selling costs and their value in use. The adjustments generated by this concept are recorded in the results of the year in which they are determined.

The Company evaluates at the end of each year if there is any indication of the impairment loss of the value for a non-financial asset. If there is such an indication, the Company re-estimates the recoverable value of the asset and, if applicable, reverses the loss by increasing the asset to its new recoverable amount, which will not exceed the net book value of the asset before recognizing the loss for deterioration, recognizing the credit in the statements of income of the period.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

3. Summary of Accounting Policies (continued)

Leases (continued)

Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Useful lives
Land	1 year
Building	5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflect the exercise of a purchase option, amortization is calculated using the estimated useful lives of the assets. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, of the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low value assets

The Company applied the short-term lease recognition exemption to its short-term leases of machinery and equipment, if those leases have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases and leases of low value assets are recognized as expenses on a straight-line basis over the lease term.

3. Summary of Accounting Policies (continued)

Deferred financing costs

Financing costs related to long-term debt are deferred and amortized using the effective interest method, over the term of such financings. The total net balance of deferred financing costs is presented as a direct reduction from the face amount of the related debt. The Company recorded amortization expense of $379, $367 and $325, net of capitalization, for the years ended December 31, 2020, 2019 and 2018, respectively.

The Company capitalizes as part of the cost of the assets those financing costs directly attributable to the acquisition, construction, production or installation of an asset that requires a period of time to be ready for its intended use. Financing costs that do not meet the criteria for capitalization are recorded in the statements of income of the year in which they are incurred.

Financial liabilities

Recognition and measurement

Financial liabilities (including loans and accounts payable) are initially recognized at fair value plus costs directly attributable to the transaction. In case of maintaining a financial liability for trading, it would be measured at fair value with changes in profit and loss.

After initial recognition, financial liabilities are measured at amortized cost; any difference between the financial liability (net of transaction costs) and the value of the deferred financing cost is recognized in the statements of income over the period of the loans using the effective interest method. The Company recognizes gains or losses in the statements of income of the period when the financial liability is written off.

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

Derecognition of financial liabilities

Financial liabilities are derecognized by the Company when the obligation under the liability is discharged, canceled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of income.

3. Summary of Accounting Policies (continued)

Provisions

A provision is recognized when the Company has a present obligation, legal or constructive, as the result of a past event, and it is probable that the Company will require cash resources to settle the obligation and the amount of the obligation can be measured reliably. The amount of the provisions recorded are assessed periodically and the necessary adjustments are recorded in the results of the year.

Net income per share

Net income per share measures the performance of an entity over the reported period and it is calculated by dividing net income by the amount of the weighted average shares outstanding during the year. The issued and outstanding shares is 150,000,100 for the years 2020, 2019 and 2018.

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.

The Company's 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.

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

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

3. Summary of Accounting Policies (continued)

Revenue recognition (continued)

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

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

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

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.

Interest income

Interest income corresponds to interest earned on bank and time deposits, calculated at the applicable effective interest rate, commercial interest income that is determined by customer contracts and other agreements.

3. Summary of Accounting Policies (continued)

Income tax expense

Income tax expense for the year includes both current tax and deferred tax. The income tax expense is recognized in the statements of income of the current year or in equity, as appropriate. The current income tax expense refers to the estimated tax payable on the taxable profit of the year, using the income tax rate enacted at the date of the statement of financial position. The deferred income tax is calculated based on the liability method, considering the temporary differences between the carrying amount of the assets and liabilities reported for financial purposes, and the amounts used for tax purposes.

The amount of deferred income tax is based on the form of realization of the assets and payment of liabilities, considering the tax rate that is expected to be applied in the period in which it is estimated that the asset will be realized or that the liability will be paid. Deferred income tax assets are recognized to the extent that it is probable that sufficient taxable benefits will be available in the future, against which temporary differences may be used.

Commitments and contingencies

All losses from contingent liabilities arising from claims, litigation, agreements, penalties and others, are recognized when it is probable that the liability will have to be incurred and the amounts of expenses could be reasonably estimated. Legal costs related to contingencies are recognized as an expense when incurred.

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.

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 practicable to estimate due to the related party nature.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

3. Summary of Accounting Policies (continued)

Restricted retained earnings

In 2009, with the first time adoption of IFRS, the Company applied the fair value or revaluation as deemed cost to certain buildings and electric generation assets. As of December 31, 2020, the amount for this concept is $10,614 (2019: $11,382), net of effects of depreciation expense, asset disposals and deferred income tax transferred to retained earnings in 2020 by $768 (2019: $798).

New and amended standards and interpretations

The Company didn´t have any impact associated with the new and amended standards and interpretations.

Standards issued but not yet effective

The Company does not believes any impact associated with the new and amended standards and interpretations issued but not yet effective, will be material to the financial statements of the Company.

4. Cash and cash equivalents

As of December 31, 2020 and 2019, cash and cash equivalents are composed of the following:

		2020		2019
Cash in US dollars	$	14,845	$	7,434
Cash in Dominican Pesos		2,015		3,744
Cash equivalents:				
Term deposits in Dominican Pesos, average annual rate of 4.2% as of December 31, 2020 (2019: 6.8%)		75		80
Total	**$**	**16,934**	**$**	**11,258**

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

5. Balances and transactions with related parties

Natural gas purchase and sale agreements

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

As of December 31, 2020, the costs associated with these contracts are presented in the statements of income as part of cost of revenues - fuel and fuel-related costs in the amount of $74.8 million, (2019: $98.8 million and 2018: $104.1 million).

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 income amounted to $13.7 million for the year ended December 31, 2020 (2019: $31.1 million and 2018: $107.5 million).

During 2020 the Company purchased energy from Andres in the spot market totaling $0.1 million (2019:$0.01 million); during 2018, the Company did not sell or purchase energy in spot market.

During the year ended December 31, 2020, the Company purchased energy and frequency regulation from its related company Empresa Generadora de Electricidad Itabo, S.A. of $0.6 million (2019: $0.4 million and 2018: $0.6 million).

Others

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 the year ended December 31, 2020 for this contract, the Company has recognized in operating, general and maintenance expense in the statements of income, insurance cost of $5.3 million (2019: $3.6 million and 2018 $3.0 million).

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 - electricity purchases.

5. Balances and transactions with affiliates and related parties (continued)

Others (continued)

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 13). The Company agreed to pay a guarantee charge equivalent to 0.15% of the total bonds issued on the last day of the corresponding calendar year. For the year ended December 31, 2020, the Company recorded guarantee charges of $0.4 million (2019: $0.4 million and 2018: $0.4 million), which are included in the statements of income under operating, general and maintenance expense 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 income under operating, general and maintenance expense totaling $1.9 million for the year ended December 31, 2019 (2018: $3.3 million). On July 1, 2019, this agreement was assigned 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 million and a balance payable due of $1.0 million at December 31, 2019. For the year ended December 31, 2020, the total expenses totaled $2.5 million and a balance payable due of $0.1 million.

On June 1, 2017, the Company entered into a service agreement with Fluence Energy, LLC, a related company owned by The AES Corporation, through which Fluence shall temporarily provide technical services that are detailed in said contract, to work on a project developed by the Company. The term of this agreement is one year and will be renewed annually unless terminated by any of the parties. The total expense related to this contract is $0.1 million for years ended December 31, 2020, 2019 and 2018 and is included in the statements of income as operating, general and maintenance expense.

5. Balances and transactions with affiliates and related parties (continued)

Lease

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 (note 11).

Dividends

The Company declared dividends for $59.7 million during 2018, which were paid in 2019. The Company declared dividends in 2020 for $97.1 million (2019: $28.8 million), which were totally paid. The distribution of dividends is based on fiscal accounting.

Global service agreement

The Company signed a Corporate Global Services agreement on January 1, 2020 with AES Big Sky, LLC, a related company owned by AES subsidiaries through which Big Sky is responsible for providing assistance in technology services, human resources, operations and commercial necessary to ensure DPP competitiveness in the Dominican energy market, the services will be provided by AES Big Sky directly or through AES Big Sky affiliates or subcontractors. The contract is valid for 5 years and will be automatically renewed for successive periods of one (1) year, unless one of the Parties notifies at least ninety (90) days before the expiration of the period current at that time. DPP will have to pay for this contract the real cost assumed by AES Big Sky plus taxes. Fees incurred related to this contract are presented in the statements of income under operating, maintenance and general expenses, included in consultancies and legal fees totaling $0.6 million for the year ended December 31, 2020, and a balance receivable of $ 0.4 million for credit notes received at the end of 2020.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

5. Balances and transactions with affiliates and related parties (continued)

As a result of the operations and contracts mentioned above and other less significant transactions carried out with affiliates, related party accounts receivable and payable as of December 31, 2020 and 2019 are as follows:

	2020	2019
Accounts receivable:		
AES Andres DR, S. A.	$ 91,831	$ 127,965
AES Big Sky, L.L.C.	441	—
Others	273	176
Parque Eólico Beata, S.R.L.	250	250
AES Argentina Generación, S. A.	179	179
Empresa Generadora de Electricidad Itabo, S. A.	11	32
Total accounts receivables related parties	**$ 92,985**	**$ 128,602**

	2020	2019
Accounts payable:		
AES Andres DR, S. A.	$ 9,030	$ 74,484
Empresas Generadora de Electricidad Itabo, S. A.	430	254
AES Engineering, LLC	235	235
AES Andres B.V.	98	390
AES Latin América S. de R.L.	79	1,030
New Caribbean Investment, S. R. L.	49	48
Others	17	13
AES Corporation, Inc.	3	47
Total accounts payable related parties	**$ 9,941**	**$ 76,504**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

5. Balances and transactions with affiliates and related parties (continued)

The transactions with related parties during 2020 , 2019 and 2018, are summarized below:

	Transaction	Revenues			Costs and Expenses		
Affiliate	**type**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
AES Andres DR, S. A.	Purchase of LNG, energy and capacity	$ 13,669	$ 31,088	$ 107,540	$ (74,802)	$ (98,756)	$ (104,278)
Empresa Generadora de Electricidad Itabo, S. A.	Energy, firm capacity and frequency regulation	51	—	—	(622)	(416)	(614)
AES Solutions, LLC.	Other services	—	—	—	—	(1,935)	(3,343)
AES Global Insurance Corporation	Other services	—	—	—	(5,254)	(3,576)	(3,348)
AES Andres B.V	Other services	—	—	—	(390)	(390)	(390)
AES Latin América S. de R.L.	Other services	—	—	—	(2,486)	(3,083)	—
AES Big Sky, LLC	Other services	—	—	—	(613)	—	—
Fluence Energy, LLC	Other services	—	—	—	(120)	(120)	(120)
Others	Other services	—	—	—	—	—	(69)
Total		**$ 13,720**	**$ 31,088**	**$ 107,540**	**$ (84,287)**	**$ (108,276)**	**$ (112,162)**

Remuneration of key personnel:

The compensation of the Company's executives during the years ended December 31, 2020, 2019 and 2018, amounted to $768 (2019: $630 and 2018: $618). These amounts include fixed monthly compensation, variable bonuses according to performance, long-term compensation and other compensation.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

6. Accounts receivable - trade, net

The accounts receivable trade, net balances as of December 31, 2020 and 2019, consist of the following:

		2020		2019
Corporación Dominicana de Empresas Eléctricas Estatales (CDEEE)	$	43,902	$	112,793
Others receivables		27,601		24,574
Allowance for doubtful accounts		(46)		(22)
Total	**$**	**71,457**	**$**	**137,345**
Allowance for doubtful accounts				
Beginning balance	$	(22)	$	(4)
Increase		(24)		(18)
Total allowance for doubtful accounts	**$**	**(46)**	**$**	**(22)**

Accounts receivable generate interest according to regulations in the electric sector and according to the terms established in the energy sale contracts. Other receivables includes unbilled revenue.

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

		2020		2019
Current	$	50,819	$	41,968
31 to 60 days		2,727		18,634
61 to 90 days		12,181		17,718
91 days and more, net of allowance for doubtful accounts		5,730		59,025
Total	**$**	**71,457**	**$**	**137,345**

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 the Banco de Reservas ("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.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

7. Property, plant and equipment, net

Property, plant and equipment, net, is detailed as follows:

As of December 31, 2020

	Land	Buildings	Generation plant	Office equipment and others	Vehicles	Spare parts	Construction in progress	Total
Cost:								
Beginning balance	$ 9,256	$ 5,503	$ 424,941	$ 1,791	$ 467	$ 7,583	$ 3,346	$452,887
Additions	—	—	—	55	—	34	13,440	13,529
Reductions	—	(507)	(4,401)	(46)	—	—	—	(4,954)
Reclassifications	—	1,959	7,540	678	40	2,958	(13,175)	—
Ending balance	9,256	6,954	428,080	2,479	507	10,575	3,611	461,462
Accumulated depreciation:								
Beginning balance	—	2,256	159,470	1,348	387	4,653	—	168,114
Additions	—	199	19,121	213	34	—	—	19,567
Reductions	—	(291)	(4,063)	(46)	—	—	—	(4,400)
Reclassifications	—	—	(3,631)	—	—	3,631		—
Ending balance	—	2,164	170,897	1,515	421	8,284	—	183,281
Net balance	**$ 9,256**	**$ 4,790**	**$ 257,183**	**$ 964**	**$ 86**	**$ 2,291**	**$ 3,611**	**$278,181**

As of December 31, 2019

	Land	Buildings	Generation plant	Office equipment and others	Vehicles	Spare parts	Construction in progress	Total
Cost:								
Beginning balance	$ 9,256	$ 4,530	$ 426,198	$ 1,553	$ 467	$ 9,686	$ 2,570	$ 454,260
Additions	—	—	32	31	—	835	3,359	4,257
Reductions	—	(359)	(5,126)	(3)	—	(142)	—	(5,630)
Reclassifications	—	1,332	3,837	210	—	(2,796)	(2,583)	—
Ending balance	9,256	5,503	424,941	1,791	467	7,583	3,346	452,887
Accumulated depreciation:								
Beginning balance	—	2,505	141,744	1,213	355	6,307	—	152,124
Additions	—	110	20,156	138	32	—	—	20,436
Reductions	—	(359)	(4,004)	(3)	—	(80)	—	(4,446)
Reclassifications	—	—	1,574	—	—	(1,574)		—
Ending balance	—	2,256	159,470	1,348	387	4,653	—	168,114
Net balance	**$ 9,256**	**$ 3,247**	**$ 265,471**	**$ 443**	**$ 80**	**$ 2,930**	**$ 3,346**	**$ 284,773**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

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

As of December 31, 2018

	Land	Buildings	Generation plant	Office equipment and others	Vehicles	Spare parts	Construction in progress	Total
Cost:								
Beginning balance	$ 8,527	$ 4,388	$ 427,202	$ 1,358	$ 421	$ 8,026	$ 1,115	$ 451,037
Additions	—	—	8	25	—	1,778	6,389	8,200
Reductions	—	—	(4,973)	(4)	—	—	—	(4,977)
Reclassifications	729	142	3,961	174	46	(118)	(4,934)	—
Ending balance	9,256	4,530	426,198	1,553	467	9,686	2,570	454,260
Accumulated depreciation:								
Beginning balance	—	2,421	124,128	1,089	321	6,534	—	134,493
Additions	—	84	20,998	128	34	—	—	21,244
Reductions	—	—	(3,609)	(4)	—	—	—	(3,613)
Reclassifications	—	—	227	—	—	(227)	—	—
Ending balance	—	2,505	141,744	1,213	355	6,307	—	152,124
Net balance	**$ 9,256**	**$ 2,025**	**$ 284,454**	**$ 340**	**$ 112**	**$ 3,379**	**$ 2,570**	**$ 302,136**

The costs of interest capitalized during the year ended December 31, 2020 amounted to $0.2 million (2019: $0.2 million and 2018: $0.1 million). The interest rate used to determine the amount of finance costs that were eligible to capitalize as of December 31, 2020 was 0.5% (2019: 0.0% and 2018: 0.6%), which is the average annual financing rate.

As of December 31, 2020, the Company had construction in progress for $3.6 million (2019: $3.3 million and 2018: $2.6 million). The main construction in progress correspond to the major maintenance, water treatment plant and various projects of the operation.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

8. Intangible assets, net

The following table summarizes the balances comprising of intangible assets in the accompanying statements of financial position as of the end of the years indicated:

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

	2019		
	Cost	**Accumulated amortization**	**Carrying amount**
Licenses and internal use software	**$ 3,138**	**$ (1,349)**	**$ 1,789**

	2018		
	Cost	**Accumulated amortization**	**Carrying amount**
Licenses and internal use software	**$ 2,762**	**$ (868)**	**$ 1,894**

The movement of intangible assets is as follows:

	Licenses and internal use software
Balance as of January 1, 2018	$ 233
Additions	1,757
Amortization	(96)
Balance as of December 31, 2018	**1,894**
Additions	376
Amortization	(481)
Balance as of December 31, 2019	**1,789**
Additions	43
Reclassification	(456)
Amortization	(542)
Balance as of December 31, 2020	**$ 834**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

8. Intangible assets, net (continued)

The following table summarizes the estimated amortization expense for 2021 through 2024:

2021	$	499
2022		191
2023		72
2024		72
Total	**$**	**834**

9. Other non-financial assets

Other non-financial assets balances as of December 31, 2020 and 2019, consist of the following:

		2020		**2019**
Current:				
Prepaid insurance	$	14	$	8
Other prepayments		70		838
Prepayments to vendors		93		80
Prepaid assets		114		—
Total current other non-financial assets	**$**	**291**	**$**	**926**
Non-current:				
Advance payments for the acquisition of property, plant and equipment	$	360	$	510
Prepaid assets		238		—
Total non-current other non-financial assets	**$**	**598**	**$**	**510**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

10. Other financial assets and financial liabilities

10.1 Fair Value

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

	Book Value		Fair Value	
	2020	2019	2020	2019
Line of credit	$ —	$ 5,000	$ —	$ 5,000
Local bonds	$ 260,000	$ 260,000	$ 283,713	$ 258,335
International bonds	$ 50,000	$ 50,000	$ 52,501	$ 51,339

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

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

- For bonds payable that are arranged at fixed interest rates and expose the Company to fair value interest rate risk, Management estimates the fair value of the Company's borrowings by discounting their future cash flows at market rates and is classified at Level 2 in the hierarchy of fair value.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

11. Leases

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019 and recognized a right-of-use asset and a lease liability measured at the present value of lease payments to be made over the lease term related to this lease (see note 3).

As a result of the implementation, the Company identified lease contracts for various items (land and buildings) used in its operations.

Land:

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

Buildings:

- The Company had a lease contract for its corporate office with a term until June 1, 2021. The Company had the option to apply an early termination clause providing a notice six months in advance. In April 2020, the Company decided to apply the early termination clause. The lease expense under this contract was $217 in 2018, which are presented as part of operating, general and maintenance expense in the statement of income.
- In March 2020, the Company began a new lease for corporate office and parking with a term until September 30, 2024.

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

	Land	Building	Total
As of January 1, 2019	$ 316	$ 175	$ 491
Amortization expense	(181)	(139)	(320)
As of December 31, 2019	135	36	171
Additions	184	600	784
Amortization expense	(184)	(143)	(327)
As of December 31, 2020	**$ 135**	**$ 493**	**$ 628**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

11. Leases (continued)

Below are the carrying amounts of lease liabilities current and non-current:

		2020		2019
As of January 1	$	177	$	488
Additions		749		—
Accretion of interest		19		6
Rent concession payments		(26)		—
Payments		(100)		(317)
As of December 31	**$**	**819**	**$**	**177**
Current	**$**	**(452)**	**$**	**(177)**
Non-current	**$**	**(367)**	**$**	**—**

The maturity analysis of lease liabilities is disclosed in Note 20.

The following are the amounts recognized in 2020 and 2019 statements of income:

		2020		2019
Amortization expense of right-of-uses assets (including in operating, general and maintenance expense)	$	327	$	320
Interest expense on lease liabilities (including in interest expense, net)		19		6
Expense relating to leases of low-value assets (including in operating, general and maintenance expense)		74		43
Total amount recognized in statements of income	**$**	**420**	**$**	**369**

12. Accounts payable suppliers and other liabilities

As of December 31, 2020 and 2019, the following summarizes the suppliers and other liabilities balances:

		2020		2019
Suppliers	$	17,236	$	14,313
Accrued interest		1,901		1,902
Other accrued liabilities		890		661
Total	**$**	**20,027**	**$**	**16,876**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

12. Accounts payable suppliers and other liabilities (continued)

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

13. Financial debt, net

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 in December 2019 and keep an amount of $5 million pending to pay, which are presented in the statement of financial position as a current liability under the account line of credit. During 2019, the Company requested $25 million from the line of credit and repaid it during the year. In 2020, the Company requested $65 million with an interest of LIBOR plus a spread and repaid $70 million. As of December 31, 2020, all of the $55 million line of credit was available, and no amount was outstanding.

International bonds - bonds payable, net

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 7.950%. Interest is payable semiannually from November 2016 and the Company paid issuance costs of $2.1 million.

As of December 31, 2020 and 2019, the Company has balances related to the international bonds totaling $48.7 million and $48.5 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:

	2020	2019
International Bonds	$ 50,000	$ 50,000
Unamortized discount	(650)	(740)
Deferred financing cost, net	(693)	(789)
Total bonds payable, net	**$ 48,657**	**$ 48,471**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

13. Financial debt, net (continued)

International bonds - bonds payable, net (continued)

The unamortized discount as of December 31, 2020 and 2019 consists of:

		2020		2019
Unamortized discount at the beginning of the year	$	740	$	836
Amortization of discount during the year		(90)		(96)
Total unamortized discount at the end of the year	**$**	**650**	**$**	**740**

The deferred financing cost, net as of December 31, 2020 and 2019 consists of:

		2020		2019
Deferred financing costs at the beginning of the year	$	789	$	892
Amortization of deferred financing costs during the year		(96)		(103)
Total deferred financing costs, net at the end of the year	**$**	**693**	**$**	**789**

As a consequence of the aforementioned issuance of financing agreements, the Company must comply with certain obligations and limitations in order to carry out certain transactions, including the incurrence of additional debt or to make dividend payments. 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.

As of December 31, 2020, the Company is in compliance with all of its commitments and restrictions in relation to such financing arrangements.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

13. Financial debt, net (continued)

Local bonds - bonds payable, net

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

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

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

As of December 31, 2020, the balance of the these local bonds payable totals $257.7 million (2019: $257.4 million), net of deferred financing costs, as detailed below:

		2020		**2019**
Local Bonds	$	260,000	$	260,000
Deferred financing cost, net		(2,283)		(2,570)
Total bonds payable, net	**$**	**257,717**	**$**	**257,430**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

13. Financial debt, net (continued)

Local bonds - bonds payable, net (continued)

The deferred financing cost, net as of December 31, 2020 and 2019 consists of:

	2020	2019
Deferred financing costs at the beginning of the year	$ 2,570	$ 2,838
Capitalized financing cost	(4)	(4)
Amortization of deferred financing costs during the year	(283)	(264)
Total deferred financing cost, net at the end of the year	**$ 2,283**	**$ 2,570**

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, 2020, the Company is in compliance with all of its commitments and restrictions in relation to such financing arrangements.

The changes in liabilities of financing activities are detailed as follows:

	Balance as of January 1, 2020	Cash flows-received	Cash flows-payments	Amortization of deferred financing costs	Early extinguishment of debt	Other adjustments	Balance as of December 31, 2020
Line of credit	$ 5,000	$ 65,000	$ (70,000)	$ —	$ —	$ —	$ —
Local bonds payable, net	257,432	—	—	281	—	6	257,719
International bonds payable, net	48,469	—	—	186	—	—	48,655
Lease liabilities	177	—	(100)	—	—	742	819
Total	**$ 311,078**	**$ 65,000**	**$ (70,100)**	**$ 467**	**$ —**	**$ 748**	**$ 307,193**

	Balance as of January 1, 2018	Cash flows-received	Cash flows-payments	Amortization of deferred financing costs	Early extinguishment of debt	Other adjustments	Balance as of December 31, 2019
Line of credit	$ —	$ 35,000	$ (30,000)	$ —	$ —	$ —	$ 5,000
Local bonds payable, net	257,162	—	—	268	—	2	257,432
International bonds payable, net	48,272	—	—	197	—	—	48,469
Lease liabilities	—	—	(317)	—	—	494	177
Total	**$ 305,434**	**$ 35,000**	**$ (30,317)**	**$ 465**	**$ —**	**$ 496**	**$ 311,078**

14. Commitments and contingencies

Commitments

As of December 31, 2020, the main commitments of the Company are the following:

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. For the year ended December 31, 2020, the revenues associated with this contract consist of energy and capacity sales that are presented in the statements of income as electricity-sales of $208.6 million (2019: $196.1 million and 2018: $205.7 million).

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, 2020 the Company has a total of 14 contracts (2019: 18 and 2018: 1) with Non-regulated Users with a total of 52 MW, 53 MW and 0.8 MW of contracted capacity each years.

Maintenance Agreement

In the year 2018, the Company 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, 2020, the Company has received spare parts totaling $6.7 million (2019: $2.6 million) related to this contract and the accounts payable amounted $8.8 million.

Guarantees

Since November 5, 2019, the Company became the unconditional and irrevocable guarantor in conjunction with its related party AES Andres DR. S.A. and AES Andres B.V., of a loan agreement of their related party Parque Eólico Beata S.R.L. in the amount up to $50 million. As of December 31, 2020, the Company was not requested to execute this guarantee.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

14. Commitments and contingencies (continued)

Guarantees (continued)

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 issued by their related party AES Andres B.V. in the amount up to $45 million. As of December 31, 2020, the Company was not requested to execute this guarantee.

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, 2020, the Company was not requested to execute this guarantee.

15. Net Income per Share

The net income per share was calculated as follows:

	2020	2019	2018
Net income	$ 62,408	$ 67,982	$ 74,829
Total weighted average shares	15,000,100	15,000,100	15,000,100
Net income per share	**$ 4.16**	**$ 4.53**	**$ 4.99**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

16. Operating, general and maintenance expense

The operating, general and maintenance expense for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Depreciation and amortization	$ 20,109	$ 20,917	$ 21,340
Maintenance expenses	5,972	5,927	3,787
Salaries, wages and benefits	3,063	2,480	2,761
Insurance	5,299	3,619	3,397
Tax on assets	1,989	2,239	2,428
Contracted services	3,262	5,214	3,757
Consultants and legal fees	725	802	702
Managements fees	511	510	540
Amortization of right-of-use assets	327	320	—
Property rental	—	—	217
Expenses related to leases of low value and short- term contracts	74	43	—
Others	1,041	853	1,863
Total	**$ 42,372**	**$ 42,924**	**$ 40,792**

17. Interest expense, net

The interest expense, net for the years ended December 31, 2020, 2019 and 2018 is as follows:

	2020	2019	2018
Interest income - commercial	$ 6,902	$ 8,242	$ 3,924
Interest income - financial	230	521	492
Subtotal	7,132	8,763	4,416
Amortization of deferred financing costs	(379)	(367)	(325)
Interest expense - commercial	(2,407)	(318)	(76)
Interest expense - financial	(20,938)	(20,502)	(20,350)
Subtotal	**(23,345)**	**(20,820)**	**(20,426)**
Total interest expense, net	**$ (16,592)**	**$ (12,424)**	**$ (16,335)**

Accounts receivable and accounts payable within 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. The average interest rate applied to spot market accounts receivable and payables in US dollars as of December 31, 2020 was 4.82% (2019: 5.77% and 2018: 6.08%) and in Dominican pesos as of December 31, 2020 was 9.85% (2019: 12.44% and 2018: 12.06%).

(Expressed in thousands of dollars of the United States of America, except for the stock information)

18. Other expense, net

Other expense, net for the years ended December 31, 2020, 2019 and 2018 is comprised as follow:

		2020		2019		2018
Loss on retirement of property, plant and equipment	$	(554)	$	(1,184)	$	(1,364)
Others		38		21		130
Total	**$**	**(516)**	**$**	**(1,163)**	**$**	**(1,234)**

19. Income tax

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

Current income tax

The current income tax is calculated based on Law 11-92, Tax Code of the Dominican Republic, its regulations and its modifications. The tax used to determine the income tax at December 31, 2020, 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 income in operating, general and maintenance expense.

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.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

19. 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, 2020, DPP Branch had a loss carryforward of $3,030 million (2019: $6,354 million and 2018: $9,684 million), that expires in 2021.

As of December 31, 2020 and 2019, the following summarizes the income tax payable:

		2020		2019
Income tax advances	$	29,419	$	20,525
Tax on assets		(1,989)		(2,239)
Current income tax expense		(30,146)		(24,757)
Income tax payable	**$**	**(2,716)**	**$**	**(6,471)**

As of December 31, 2020 and 2019, deferred income tax liability, net was composed of the following items:

		2020		2019
Assets:				
Loss carryforward	$	818	$	1,715
Other temporary differences		90		65
Total deferred tax asset		**908**		**1,780**
Liabilities:				
Accelerated tax depreciation, asset revaluation and inflationary effects		(31,739)		(27,037)
Financial instruments		(810)		(6,063)
Total deferred tax liability		**(32,549)**		**(33,100)**
Total non-current deferred income tax liability	**$**	**(31,641)**	**$**	**(31,320)**

(Expressed in thousands of dollars of the United States of America, except for the stock information)

19. Income tax (continued)

The reconciliation between the statutory tax rate with the effective tax rate of the Company as a percentage of profit before tax for the year ended December 31, 2020 and 2019, detailed below:

	2020	2019
Statutory income tax rate	27 %	27 %
Permanent differences		
Retention of remittance to Main Office	11 %	3 %
Result from change in foreign currency	(2) %	(3) %
Loss carryforward	(1) %	(1) %
Other temporary differences	(1) %	7 %
Effective income tax rate	**34 %**	**33 %**

The income tax returns of the Company are subject to review by the tax authorities for the past three years including the year ended December 31, 2020, according to the current tax regulations.

The income tax expense for the years ended December 31, 2020, 2019 and 2018 is comprised as follows:

	2020	2019	2018
Current	$ 30,146	$ 24,757	$ 28,080
Deferred	2,734	10,740	9,950
Total income tax expense	**$ 32,880**	**$ 35,497**	**$ 38,030**

In 2009, with the first time adoption of IFRS, the Company's applied the fair value or revaluation as deemed cost to certain buildings and electric generation assets and the adjustment was $37.8 million corresponding to the increase in the fair value of these assets recorded against restricted retained earnings. As established by IAS 12, it is required to record a deferred income tax liability on property, plant and equipment carried at fair value. The deferred tax calculation for the period ended as of December 31, 2020 amounts to $3.6 million (2019: $3.9 million) and its impact is included in the component accelerated tax depreciation, asset revaluation and inflationary effects of deferred tax liabilities.

The application of the deferred income tax liability is made through the annual depreciation expense recorded in excess of the revalued assets, which is recorded in the statement of income.

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

20. Risk and capital management

The Company's main financial liabilities include bonds payable, lease liability, income tax payable, interests and accounts payable. The main objective of these financial liabilities is to finance the Group's operations and offer guarantees to back its operations. The Company has cash, cash equivalents and accounts receivable that are the direct result of its operations. The Company is exposed to market risk, fuel price risk, exchange rate risk, credit risk and liquidity risk.

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

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

Market risk

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

The pandemic COVID-19 has severely affected global economic activity, including electricity and energy consumption, causing significant volatility and negative pressure on financial markets. For the year ended December 31, 2020, the pandemic COVID-19 has had an impact on the demand for electric power and, as a result, on the Company's financial results and operations. The magnitude and duration of the pandemic COVID-19 is unknown at this time and may have material and adverse effects on our results of operations, financial condition and cash flows in future periods. In response to the pandemic COVID-19, Company's Management implemented changes that was determined in the best interest of our employees, as well as the communities in which we operate. This includes employees working from home to the extent possible, while additional security measures are in place for employees continuing critical work on site. Likewise, the Company carried out the formalities timely in order to minimize the impact, considering that it is a conjunctural situation that, according to the most current estimates and the position treasury to date, does not compromise the financial situation and operations of the Company.

20. Risk and capital management (continued)

Fuel price risk

In the Dominican Republic there are no sources of fuel for generation, therefore the country is a net importer that covers 85% of the generation with fossil fuels. The fuel used by DPP´s generating units is natural gas, which it obtains through contract with AES Andres (related party). The high prices of fuel can increase generation costs, thus affecting financial condition and operating results. Price fluctuations are transferred to the sales price of energy through the PPA, given that this contract includes indexation mechanisms that adjust the price based on increases or decreases in fuel prices.

Interest rate risk

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 7.950%, therefore, the Company is not exposed to the risk of fair value interest rates.

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 trances related to this program of local bonds bearing a fixed annual interest of 6.25, 6% and 5.90%, therefore, the Company is not exposed to the risk of fair value interest rates.

Credit risk

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

Contract revenues from CDEEE represented approximately 79% of the total revenues for the year ended December 31, 2020 (2019: 67% and 2018: 66%), and the accounts receivable balance from CDEEE represented approximately 24% of the total current assets as of December 31, 2020 (2019: 40%). Consequently, DPP's accounts receivable are exposed to potential credit loss from this entity.

20. Risk and capital management (continued)

Credit risk (continued)

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

Financial instruments and cash deposits: the credit risk of balances with banks and financial institutions is managed by the treasury department in conformity with the Company's policy. Investments of fund surpluses are only conducted with authorized parties and within the credit limits assigned to each entity. Top management reviews these limits annually, and these may be updated during the year, subject to approval by the Finance Committee. These limits are established to minimize the concentration of risk and to mitigate potential financial losses from a counterpart's non-compliance. The maximum exposure of the credit risk components of the statement of financial position as of December 31, 2020 and 2019 is the carrying amount.

Liquidity risk

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

To mitigate the risk of liquidity and credit concentration, the Company may make sales of accounts receivable due or near maturity. These sales are mainly made on the government portfolio at par value or with premium, with the purpose of covering the commitments generated by the operations and reducing the use of cash provided by financing activities. During the year ended December 31, 2020, the Company sold accounts receivable amounting to $45.4 million and, during 2019, the Company did not sell accounts receivable and 2018 $71.4 million.

The Company monitors liquidity risk by planning cash flows and constant follow-up on the accounts receivable to ensure compliance with the commitments.

As of December 31, 2020, DPP had a balance of cash and cash equivalents in the amount of $16.9 million (2019:$11.3 million). This balance includes cash and certificates of deposit with maturities of less than three months.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

20. Risk and capital management (continued)

The table below summarizes the maturity profile of the financial liabilities based on contractual undiscounted payments as of December 31, 2020 and 2019:

	Less than 3 months	*From 3 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*Total*
As of December 31, 2020					
Accounts payable - suppliers and other liabilities	$ 19,737	$ 290	$ —	$ —	$ 20,027
Accounts payable - related parties	—	9,941	—	—	9,941
Bonds payable	—	—	—	310,000	310,000
Lease liabilities	—	452	367	—	819
	$ 19,737	**$ 10,683**	**$ 367**	**310,000**	**$ 340,787**

	Less than 3 months	*From 3 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*Total*
As of December 31, 2019					
Accounts payable - suppliers and other liabilities	$ 16,700	$ 176	$ —	$ —	$ 16,876
Accounts payable - related parties	—	76,504	—	—	76,504
Line of credit	—	5,000	—	—	5,000
Bonds payable	—	—	—	310,000	310,000
Lease liabilities	177	—	—	—	177
	$ 16,877	**$ 81,680**	**$ —**	**310,000**	**$ 408,557**

Exchange risk

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

The main balance denominated in Dominican pesos corresponds to accounts receivable from the spot market. For the year ended December 31, 2020, approximately 97% (2019: 96% and 2018: 100%) of the Company's revenues were denominated in dollars.

(Expressed in thousands of dollars of the United States of America, except for the stock information)

20. Risk and capital management (continued)

Exchange risk (continued)

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

	Exchange rate variation	Effect on income before income tax expense	Effect on total stockholders' equity
As of and for the year ended December 31, 2020	**+5%**	**$ 1,460**	**$ 1,460**
	-5%	**$ (1,389)**	**$ (1,389)**
As of and for the year ended December 31, 2019	+5%	$ 2,778	$ 2,778
	-5%	$ (1,538)	$ (1,538)

Capital management

The main objective of the Company's capital management is to ensure that it maintains a solid credit rating and capital indicators to support the business and maximize value to the shareholders. The Company manages its capital structure and makes adjustments in light of the changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the payment of dividends to shareholders, capital returns to shareholders or issue new shares. No changes were made to the objectives, policies, and procedures during the year ended December 31, 2020.

21. Subsequent events

Subsequent events were evaluated by Management until April 25, 2021, date on which the financial statements were authorized by Management for issuance.

Account receivable
In January, February and April 2021, the Company entered into a sale and credit assignment agreement, in which the Company received $7.6 million for 100% of the accounts receivable and interest that the Company has with the distribution company CDEEE. This transaction was a sale without recourse for the Company.

21. Subsequent events (continued)

International bonds
On April 19, 2021, the Company commenced an offer to purchase for cash any and all of the $50.0 million outstanding international bonds pursuant to the terms of, and subject to the conditions set forth in, an offer to purchase dated as of April 19, 2021 and related documents. The Tender Offer is conditional upon our receiving the financing necessary for the payment of the purchase price offered thereby and accrued interest to tendering holders of the international bonds, plus fees and expenses, and other general conditions set forth in the Tender Offer Documents. The Company expects to finance the Tender Offer with the proceeds from the issuance of the Notes and may waive any of these conditions at its sole discretion. The Company cannot assure you that the Tender Offer will be consummated.