

AES CORP  
Form 8-K  
January 19, 2006

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20349

## FORM 8-K

### CURRENT REPORT

#### PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (date of earliest event reported): **January 19, 2006**

### THE AES CORPORATION

(Exact name of registrant as specified in its charter)

**DELAWARE**  
(State of Incorporation)

**001-12291**  
(Commission File No.)

**54-1163725**  
(IRS Employer Identification No.)

**4300 Wilson Boulevard, Suite 1100**  
**Arlington, Virginia 22203**  
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code:  
**(703) 522-1315**

**NOT APPLICABLE**  
(Former Name or Former Address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

- o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  
  - o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  
  - o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02. Results of Operations and Financial Condition**

On January 19, 2006, The AES Corporation issued a press release setting forth its quarter financial results for the second and third quarter of 2005. A copy of the release is furnished as Exhibit 99.1 to this report.

## THE AES CORPORATION

## CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

| (\$ in millions, except per share amounts)   | Quarter Ended<br>June 30,<br>2004 |              | Quarter Ended<br>September 30,<br>2004 (Restated) |                 | Nine Months Ended<br>September 30,<br>2004 |               |
|--|-----------------------------------|--------------|---|-----------------|--|---------------|
|  | 2005                              | (Restated)   | 2005  | 2004 (Restated) | 2005                                       | (Restated)    |
| Revenues   | \$ 2,668                          | \$ 2,262     | \$ 2,782  | \$ 2,422        | \$ 8,113                                   | \$ 6,940      |
| Cost of sales  | (2,142)                           | (1,606)      | (1,883)   | (1,686)         | (5,864)                                    | (4,864)       |
| <b>GROSS MARGIN</b>  | <b>526</b>                        | <b>656</b>   | <b>899</b>  | <b>736</b>      | <b>2,249</b>                               | <b>2,076</b>  |
| General and administrative expenses  | (45)                              | (42)         | (49)  | (40)            | (143)                                      | (130)         |
| <b>OPERATING INCOME</b>  | <b>481</b>                        | <b>614</b>   | <b>850</b>  | <b>696</b>      | <b>2,106</b>                               | <b>1,946</b>  |
| Interest expense   | (475)                             | (470)        | (450)   | (478)           | (1,392)                                    | (1,449)       |
| Interest income  | 93                                | 70           | 97  | 52              | 280  | 191           |
| Other nonoperating income (expense), net   | 67                                | 1            | (11)  | (11)            | 41   | (24)          |
| Foreign currency transaction losses  | (1)                               | (47)         | (22)  | (22)            | (54)                                       | (103)         |
| Loss on sale of investments  |                                   |              |   | (4)             |  | (5)           |
| Equity in earnings of affiliates   | 21                                | 23           | 20  | 18              | 66   | 57            |
| <b>INCOME BEFORE INCOME TAXES<br/>AND MINORITY INTEREST</b>  | <b>186</b>                        | <b>191</b>   | <b>484</b>  | <b>251</b>      | <b>1,047</b>                               | <b>613</b>    |
| Income tax expense   | (82)                              | (17)         | (143)   | (128)           | (372)                                      | (220)         |
| Minority interest expense, net   | (19)                              | (71)         | (97)  | (37)            | (222)                                      | (162)         |
| <b>INCOME FROM CONTINUING<br/>OPERATIONS</b>   | <b>85</b>                         | <b>103</b>   | <b>244</b>  | <b>86</b>       | <b>453</b>                                 | <b>231</b>    |
| Loss from operations of discontinued<br>components (net of income tax benefit of \$0,<br>\$6, \$0, \$4, \$0 and \$8, respectively) |                                   | (29)         |   | 7               |  | (48)          |
| <b>INCOME BEFORE CUMULATIVE<br/>EFFECT OF ACCOUNTING CHANGE</b>  | <b>85</b>                         | <b>74</b>    | <b>244</b>  | <b>93</b>       | <b>453</b>                                 | <b>183</b>    |
| Cumulative effect of accounting change   |                                   |              |   |                 |  |               |
| <b>NET INCOME</b>  | <b>\$ 85</b>                      | <b>\$ 74</b> | <b>\$ 244</b>                                     | <b>\$ 93</b>    | <b>\$ 453</b>                              | <b>\$ 183</b> |
| <b>DILUTED EARNINGS PER SHARE</b>  |                                   |              |   |                 |  |               |
| Income from continuing operations  | \$ 0.13                           | \$ 0.16      | \$ 0.37   | \$ 0.13         | \$ 0.68                                    | \$ 0.36       |
| Discontinued operations  |                                   | (0.05)       |   | 0.01            |  | (0.08)        |
| Cumulative effect of accounting change   |                                   |              |   |                 |  |               |
| Total  | \$ 0.13                           | \$ 0.11      | \$ 0.37   | \$ 0.14         | \$ 0.68                                    | \$ 0.28       |
| Diluted weighted average shares outstanding<br>(in millions)   | 663                               | 645          | 677   | 653             | 664  | 645           |

Note: 2004 periods and nine months ended September 30, 2004 are restated.

## THE AES CORPORATION

## SEGMENT INFORMATION (unaudited)

| (\$ in millions)  | Quarter Ended<br>June 30,<br>2004 |            | Quarter Ended<br>September 30,<br>2004 |            | Nine Months Ended<br>September 30,<br>2004 |            |
|---|-----------------------------------|------------|--|------------|--|------------|
|   | 2005                              | (Restated) | 2005                                   | (Restated) | 2005                                       | (Restated) |
| <b>BUSINESS SEGMENTS</b>                                    |                                   |            |  |            |  |            |
| <b>REVENUES</b>   |                                   |            |  |            |  |            |
| Regulated Utilities   | \$ 1,395                          | \$ 1,146   | \$ 1,406                               | \$ 1,251   | \$ 4,200                                   | \$ 3,542   |
| Contract Generation   | 988                               | 868        | 1,046                                  | 906        | 3,019                                      | 2,642      |
| Competitive Supply  | 285                               | 248        | 330                                    | 265        | 894  | 756        |
| Total revenues  | \$ 2,668                          | \$ 2,262   | \$ 2,782                               | \$ 2,422   | \$ 8,113                                   | \$ 6,940   |
| <b>GROSS MARGIN</b>   |                                   |            |  |            |  |            |
| Regulated Utilities   | \$ 114                            | \$ 278     | \$ 340                                 | \$ 301     | \$ 821                                     | \$ 841     |
| Contract Generation   | 353                               | 325        | 453                                    | 371        | 1,198                                      | 1,054      |
| Competitive Supply  | 59                                | 53         | 106                                    | 64         | 230  | 181        |
| Total gross margin  | \$ 526                            | \$ 656     | \$ 899                                 | \$ 736     | \$ 2,249                                   | \$ 2,076   |
| <b>INCOME BEFORE INCOME TAXES AND<br/>MINORITY INTEREST</b> |                                   |            |  |            |  |            |
| Regulated Utilities   | \$ 87                             | \$ 116     | \$ 195                                 | \$ 168     | \$ 511                                     | \$ 412     |
| Contract Generation   | 212                               | 199        | 348                                    | 197        | 813  | 580        |
| Competitive Supply  | 49                                | 39         | 86                                     | 44         | 187  | 140        |
| Corporate   | (162)                             | (163)      | (145)                                  | (158)      | (464)                                      | (519)      |
| Total income before income taxes and minority interest      | \$ 186                            | \$ 191     | \$ 484                                 | \$ 251     | \$ 1,047                                   | \$ 613     |
| <b>GEOGRAPHIC SEGMENTS</b>                                  |                                   |            |  |            |  |            |
| <b>REVENUES</b>   |                                   |            |  |            |  |            |
| Latin America   | \$ 1,554                          | \$ 1,217   | \$ 1,625                               | \$ 1,327   | \$ 4,693                                   | \$ 3,730   |
| North America   | 673                               | 630        | 737                                    | 680        | 2,049                                      | 1,936      |
| Europe/Middle East/Africa (EMEA)                            | 374                               | 356        | 360                                    | 365        | 1,158                                      | 1,084      |
| Asia  | 67                                | 59         | 60                                     | 50         | 213  | 190        |
| Corporate   |                                   |            |  |            |  |            |
| Total revenues  | \$ 2,668                          | \$ 2,262   | \$ 2,782                               | \$ 2,422   | \$ 8,113                                   | \$ 6,940   |
| <b>INCOME BEFORE INCOME TAXES AND<br/>MINORITY INTEREST</b> |                                   |            |  |            |  |            |
| Latin America   | \$ 130                            | \$ 106     | \$ 352                                 | \$ 159     | \$ 745                                     | \$ 385     |
| North America   | 108                               | 133        | 189                                    | 153        | 424  | 409        |
| Europe/Middle East/Africa (EMEA)                            | 91                                | 95         | 69                                     | 81         | 277  | 273        |
| Asia  | 19                                | 20         | 19                                     | 16         | 65   | 65         |
| Corporate   | (162)                             | (163)      | (145)                                  | (158)      | (464)                                      | (519)      |
| Total income before income taxes and minority interest      | \$ 186                            | \$ 191     | \$ 484                                 | \$ 251     | \$ 1,047                                   | \$ 613     |

Note 1: 2004 periods and nine months ended September 30, 2004 are restated.

Note 2: Business and geographic segments have been changed. See June 30, 2005 10-Q for more details.



## THE AES CORPORATION

## CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

| (\$ in millions)   | June 30,<br>2005 | September 30,<br>2005 | December 31,<br>2004 (Restated) |
|--|------------------|-----------------------|---------------------------------|
| <b>ASSETS</b>  |                  |                       |                                 |
| <b>CURRENT ASSETS</b>  |                  |                       |                                 |
| Cash and cash equivalents  | \$ 1,381         | \$ 1,164              | \$ 1,281                        |
| Restricted cash  | 408              | 373                   | 395                             |
| Short term investments   | 104              | 271                   | 268                             |
| Accounts receivable, net of reserves of \$340, \$320 and \$303, respectively | 1,650            | 1,770                 | 1,575                           |
| Inventory  | 437              | 479                   | 418                             |
| Receivable from affiliates   | 5                | 5                     | 8                               |
| Deferred income taxes - current  | 348              | 350                   | 218                             |
| Prepaid expenses   | 111              | 148                   | 87                              |
| Other current assets   | 892              | 846                   | 736                             |
| <b>Total current assets</b>  | <b>5,336</b>     | <b>5,406</b>          | <b>4,986</b>                    |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>   |                  |                       |                                 |
| Land   | 850              | 880                   | 788                             |
| Electric generation and distribution assets                                  | 22,367           | 22,665                | 21,729                          |
| Accumulated depreciation and amortization                                    | (5,783)          | (6,041)               | (5,259)                         |
| Construction in progress   | 1,118            | 1,262                 | 919                             |
| <b>Property, plant and equipment, net</b>                                    | <b>18,552</b>    | <b>18,766</b>         | <b>18,177</b>                   |
| <b>OTHER ASSETS</b>  |                  |                       |                                 |
| Deferred financing costs, net  | 315              | 318                   | 343                             |
| Investment in and advances to affiliates                                     | 695              | 707                   | 655                             |
| Debt service reserves and other deposits                                     | 634              | 653                   | 737                             |
| Goodwill, net  | 1,454            | 1,449                 | 1,419                           |
| Deferred income taxes - noncurrent   | 759              | 761                   | 774                             |
| Other assets   | 1,635            | 1,588                 | 1,832                           |
| <b>Total other assets</b>  | <b>5,492</b>     | <b>5,476</b>          | <b>5,760</b>                    |
| <b>TOTAL ASSETS</b>  | <b>\$ 29,380</b> | <b>\$ 29,648</b>      | <b>\$ 28,923</b>                |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>                                   |                  |                       |                                 |
| <b>CURRENT LIABILITIES</b>   |                  |                       |                                 |
| Accounts payable   | \$ 1,094         | \$ 1,063              | \$ 1,142                        |
| Accrued interest   | 354              | 498                   | 335                             |
| Accrued and other liabilities  | 2,005            | 2,136                 | 1,656                           |
| Recourse debt-current portion  | 145              | 1                     | 142                             |
| Non-recourse debt-current portion  | 1,771            | 1,606                 | 1,619                           |
| <b>Total current liabilities</b>   | <b>5,369</b>     | <b>5,304</b>          | <b>4,894</b>                    |
| <b>LONG-TERM LIABILITIES</b>   |                  |                       |                                 |
| Non-recourse debt  | 11,441           | 11,454                | 11,817                          |
| Recourse debt  | 4,888            | 4,885                 | 5,010                           |
| Deferred income taxes  | 772              | 770                   | 685                             |
| Pension liabilities  | 933              | 929                   | 891                             |
| Other long-term liabilities  | 3,319            | 3,368                 | 3,375                           |
| <b>Total long-term liabilities</b>   | <b>21,353</b>    | <b>21,406</b>         | <b>21,778</b>                   |

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|  |           |           |           |
|--|-----------|-----------|-----------|
| <b>Minority Interest</b>                         | 1,430     | 1,517     | 1,279     |
| <b>STOCKHOLDERS EQUITY</b>                       |           |           |           |
| Common stock                                     | 7         | 7         | 7         |
| Additional paid-in capital                       | 6,473     | 6,484     | 6,423     |
| Accumulated deficit                              | (1,606)   | (1,362)   | (1,815)   |
| Accumulated other comprehensive loss             | (3,646)   | (3,708)   | (3,643)   |
| Total stockholders equity                        | 1,228     | 1,421     | 972       |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b> | \$ 29,380 | \$ 29,648 | \$ 28,923 |

Note: December 31, 2004 period has been restated.



## THE AES CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (2) (unaudited)

| (\$ in millions)  | Six Months<br>Ended June 30, |                 | Nine Months Ended<br>September 30, |                 |
|---|------------------------------|-----------------|------------------------------------|-----------------|
|   | 2005                         | 2004 (Restated) | 2005                               | 2004 (Restated) |
| <b>OPERATING ACTIVITIES</b>   |                              |                 |                                    |                 |
| Net cash provided by operating activities                           | \$ 847                       | \$ 613          | \$ 1,466                           | \$ 1,117        |
| <b>INVESTING ACTIVITIES</b>   |                              |                 |                                    |                 |
| Property additions  | (531)                        | (377)           | (801)                              | (597)           |
| Acquisitions, net of cash acquired                                  | (85)                         |                 | (85)                               |                 |
| Proceeds from the sale of assets                                    | 6                            | 36              | 21                                 | 64              |
| Proceeds from sale of emission allowances                           | 29                           |                 | 30                                 |                 |
| Sale of short-term investments                                      | 802                          | 727             | 1,101                              | 911             |
| Purchase of short-term investments                                  | (611)                        | (759)           | (1,053)                            | (970)           |
| (Increase) decrease in restricted cash                              | (7)                          | 19              | 17                                 | (19)            |
| Decrease (increase) in debt service reserves and other assets       | 73                           | (28)            | 88                                 | (13)            |
| Other investing   | (10)                         | 7               | (15)                               | 1               |
| Net cash used in investing activities                               | (334)                        | (375)           | (697)                              | (623)           |
| <b>FINANCING ACTIVITIES</b>   |                              |                 |                                    |                 |
| Issuance of recourse debt   | 6                            | 491             | 6                                  | 491             |
| Issuance of non-recourse debt and other coupon bearing securities   | 951                          | 1,234           | 1,509                              | 1,489           |
| Repayments of recourse debt   | (115)                        | (809)           | (258)                              | (809)           |
| Repayments of non-recourse debt and other coupon bearing securities | (1,248)                      | (1,542)         | (2,064)                            | (1,756)         |
| Payments for deferred financing costs                               | (10)                         | (65)            | (10)                               | (81)            |
| Distributions to minority interests                                 | (47)                         | (54)            | (126)                              | (82)            |
| Contributions from minority interests                               | 9                            | 2               | 9                                  | 3               |
| Issuance of common stock  | 16                           | 4               | 20                                 | 7               |
| Other financing   | (2)                          | (2)             | (4)                                | (3)             |
| Net cash used in financing activities                               | (440)                        | (741)           | (918)                              | (741)           |
| Effect of exchange rate changes on cash                             | 27                           | (28)            | 32                                 | (12)            |
| Total increase (decrease) in cash and cash equivalents              | 100                          | (531)           | (117)                              | (259)           |
| Cash and cash equivalents, beginning                                | 1,281                        | 1,663           | 1,281                              | 1,663           |
| Cash and cash equivalents, ending                                   | \$ 1,381                     | \$ 1,132        | \$ 1,164                           | \$ 1,404        |

Note 1: June 30, 2004 and September 30, 2004 have been restated.

Note 2: The Company includes components of the cash flows for its discontinued operations within the Consolidated Statements of Cash Flows ( Cash Flow Statement ) in operating, investing and financing activities. A separate line entitled Decrease in cash and cash equivalents of discontinued operations and businesses held for sale was previously presented on the face of the Cash Flow Statement in order to reconcile to the Company's cash balance on the face of the Consolidated Balance Sheets, which excludes cash from discontinued operations. As part of the restatement, the Company has changed its presentation to include the net change in cash balances for discontinued operations as a component of

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net cash from operating activities. The result of this reclassification increased net cash from operating activities by \$4 million, \$66 million and \$85 million for the years ended December 31, 2004, 2003 and 2002, respectively. Net cash from operating activities increased \$3 million and \$8 million for the six months ended June 30, 2004 and nine months ended September 30, 2004, respectively.

**Item 9.01. Financial Statements and Exhibits**

(d) Exhibits

| <b>Exhibit No.</b> | <b>Description</b>                   |
|--------------------|--------------------------------------|
| 99.1               | Press Release dated January 19, 2006 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf of the undersigned hereunto duly authorized.

THE AES CORPORATION

Date: January 19, 2006

By: /s/ Cathy M. Freeman  
Name: Cathy M. Freeman  
Title: Vice President and Corporate Controller

EXHIBIT INDEX

| <b>No.</b> |                                      | <b>Description</b> |
|------------|--------------------------------------|--------------------|
| 99.1       | Press Release dated January 19, 2006 |                    |

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