

# Second Quarter 2007

## Relevant Results

Santo Domingo, Dominican Republic  
August 15, 2007



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### Itabo reports a Net Income of US\$4.4 million in the second quarter 2007

Santo Domingo, Dominican Republic, August 15, 2007 – Itabo announced today results for the second quarter 2007. All operating and financial information, except where otherwise specified, is expressed in US dollars in conformity with generally accepted accounting principles applicable in the United States.

Operating income for the second quarter 2007 decreased 1.4% compared to the same period of 2006 and accrued results as of June 2007 increased 10.1% to US\$18.6 million. The Net Income decreased 48.8% to US\$4.4 million compared with the second quarter of 2006 and the accrued results as of June 2007 decreased 34.3% to US\$11.7 million.

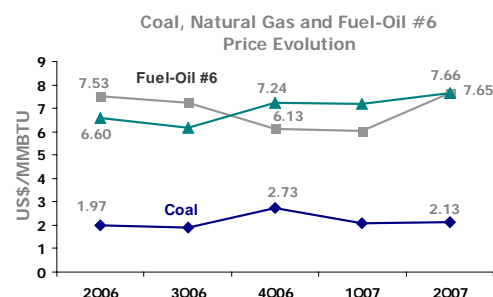
| 1Q07  | 2Q07   | 2Q06  | (Millions of US\$)             | 6M07  | 6M06  |
|-------|--------|-------|--------------------------------|-------|-------|
| 46.0  | 49.2   | 49.8  | Revenues                       | 95.2  | 90.6  |
| 34.5  | 42.1   | 42.6  | Operating costs and expenses   | 76.6  | 73.7  |
| 11.5  | 7.1    | 7.2   | Operating income               | 18.6  | 16.9  |
| 25.0% | 14.4%  | 14.5% | Operating income margin        | 19.5% | 18.7% |
| 7.3   | 4.4    | 8.6   | Net Income                     | 11.7  | 17.8  |
|       |        |       | Net Cash Provided by (used in) |       |       |
| 12.7  | (13.4) | 9.8   | Operating Activities           | (0.7) | 17.3  |

### Highlights

- In April 2007, Itabo paid the first interest coupon of the Senior Notes for an aggregate amount of US\$6.8 million.
- In May 2007, the Shareholders approved a dividend distribution of retained earnings as of December 06, of approximately RD\$1.5 billion equivalent approximately to US\$46 million.
- In May 2007, Itabo received a new proposal from the Electricity Sector Contracts Renegotiation Committee in relation to the renegotiation of its PPAs.
- In May 2007, the Dominican President enacted new Regulatory Law in LNG field and Renewable Energy Act.
- In June 2007, Itabo and EDEEste entered into another offsetting transaction for approximately US\$1.3 million.
- On July 22, Itabo's Unit II maintenance was successfully completed.
- In July 2007, the Dominican Congress approved the modification of Electricity General Law.
- In July 2007, the Congress approved several fiscal laws, which include the Income Tax Rate Reduction (Law 172-07), Tax Collection Efficiency (Law 173-07) and Fiscal Amnesty (Law 183-07).

### External Factors<sup>1</sup>

- GDP grew 9.1% in the first quarter 2007.
- Inflation for the first semester stood at 4.4%.
- Exchange Rate as of June 30<sup>th</sup>, 2007 closed at RD\$33.33 per US dollar for purchase and RD\$33.07 per US dollar for sale.
- Total electricity demand for the second quarter 2007 reached 2,697 GWh, a decrease of 1.3% compared to the same period of the previous year.
- Average coal prices were US\$2.13 per MMBtu for the quarter.



<sup>1</sup> Source: Dominican Central Bank and FOB, 6300 kcal/kg Puerto Bolivar, Platts International Coal Report.

## Analysis of Financial Results (In USGAAP)

Second quarter 2007 **Revenues** decrease 1.2% to US\$49.2 million compared to US\$49.8 million in the same period of 2006. This variance was principally a net result of: (i) lower connection right true up adjustment by US\$3.2 million since in 2006 it included 2004 and 2005 recalculation; (ii) higher spot sales by US\$1.2 million due to lower contracted demand in April; (iii) sales to Falconbridge by US\$0.9 million basically due to a maintenance in their generation units since April 2007; and (iv) US\$0.5 million of higher sales to distribution companies, basically due to higher contracted prices derived from the increment of 14.8% in the coal's indexation factor (2007- US\$/Ton 55.19 vs 2006- US\$/Ton 48.05).

For the first six months of 2007, **Revenues** totaled US\$95.2 million, an increase of 5.1% compared to the same period of 2006. This increase was mainly caused by the net effect of: (i) higher demand from distribution companies (19 GWh) by US\$4.0 million, including higher contracted prices due to the increment of 14.8% in the coal's indexation factor; (ii) higher spot sales by US\$3.6 million due to a higher generation; and, (iii) a lower connection right true up adjustment by US\$3.2 million since in 2006 it was booked for the first time and included 2004 and 2005 adjustment

### Revenues consist of the following:

| 2Q07        | 2Q06        | Var%         | (Millions of US\$)    | 6M07        | 6M06        | Var%       |
|-------------|-------------|--------------|-----------------------|-------------|-------------|------------|
| 48.9        | 49.5        | (1.2)        | Electricity sales     | 94.5        | 90.1        | 4.9        |
| 0.3         | 0.3         | 0.0          | Other revenues        | 0.7         | 0.5         | 40.0       |
| <b>49.2</b> | <b>49.8</b> | <b>(1.2)</b> | <b>Total Revenues</b> | <b>95.2</b> | <b>90.6</b> | <b>5.1</b> |

**Operating Costs and Expenses** decreased 1.2%, in the second quarter 2007, to US\$42.1 million compared to the same period of 2006. This variance was principally a net result of: (i) lower selling, general and administrative expenses by US\$1.7 million; (ii) higher fuel consumption by approximately US\$1.9 million related to a higher coal cost (2.9%) and higher petcoke cost (69.6%); (iii) higher depreciation expense by US\$1.2 million due to the Port Project capitalization since October 2006 and due to the reclassification to fixed assets of the turbines that were previously classified as held for sale; (iv) lower operating and maintenance expense by US\$1.0 million; and (v) lower electricity purchases by US\$0.9 million.

During the first six months of 2007, **Operating Costs and Expenses** increased 3.9% to US\$76.6 million compared to same period of 2006. This variation was mainly caused by the net effect of: (i) higher coal consumption by US\$6.0 million driven by an increase in Itabo's generation and higher coal and petcoke unitary cost (coal-3.4% and petcoke- 80.4%); (ii) lower energy purchase by US\$2.8 million due to higher generation (2007-825GWh vs 2006-789GWh); (iii) higher depreciation expense by US\$2.4 million due to the Port Project capitalization since October 2006 and due to the reclassification to fixed assets of the turbines that were classified as held for sale; (iv) lower operating and maintenance expenses by US\$1.4 million; and, (v) lower selling, general and administrative expenses by US\$1.3 million.

### Operating costs and expenses consist of the following:

| 2Q07        | 2Q06        | Var%         | (Millions of US\$)                           | 6M07        | 6M06        | Var%       |
|-------------|-------------|--------------|--|-------------|-------------|------------|
| 32.1        | 31.1        | 3.2          | Cost of electricity sales                    | 56.6        | 53.4        | 6.0        |
| 3.0         | 4.0         | (25.0)       | Operating and maintenance expenses           | 5.5         | 6.9         | (20.3)     |
| 2.5         | 4.2         | (40.5)       | Selling, general and administrative expenses | 5.5         | 6.8         | (19.1)     |
| 4.4         | 3.2         | 37.5         | Depreciation                                 | 8.8         | 6.4         | 37.5       |
| 0.1         | 0.1         | 0.0          | Amortization of contracts                    | 0.2         | 0.2         | 0.0        |
| <b>42.1</b> | <b>42.6</b> | <b>(1.2)</b> | <b>Total Operating Cost and Expenses</b>     | <b>76.6</b> | <b>73.7</b> | <b>3.9</b> |

**Total Other Expenses** was US\$1.9 million in the second quarter 2007 compared to an income of US\$1.8 million in the same period of 2006. This variation was mainly caused by: (i) higher interest expenses by US\$4.2 million as a result of the Senior Notes, the local bonds and the capitalization during 2006 of all financial interests incurred during the construction of the Unloading Dock Project; (ii) higher interest income by US\$0.4 million as the result of time deposits and debt reserve deposit; and (iii) US\$0.4 million of higher foreign currency gain due to FX rate depreciation during the quarter going from RD\$32.31/US\$ in March'07 to RD\$33.07/US\$ in June' 07, affecting the net exposure causing an FX gain.

For the first six months of 2007, **Net Expenses** increased to US\$4.0 million, as compared to the Net Income recorded in the same period of 2006 of US\$3.1 million. This variance was mainly attributed to: (i) an increase of US\$8.3 million of interest expense as a result of the Senior Notes, the local bonds and the capitalization of all financial interests of the Unloading Dock Project in 2006; (ii) US\$1.3 million of higher foreign currency gain due to in Jun'07 FX rate depreciation going from RD\$33.44/US\$ in Dec'06 to RD\$33.07/US\$ in June' 07, affecting the net assets exposure causing an FX gain; (iii) higher interest income by US\$1.0 million as a result of time deposits and debt reserve deposit; and (iv) lower other income by US\$0.7 million since last year was booked the sale of two generation units (Itabo Los Mina and Timbeque).

**Other Income (Expenses) consists of the following:**

| 2Q07         | 2Q06       | Var%       | (Millions of US\$)                      | 6M07         | 6M06       | Var%       |
|--------------|------------|------------|---|--------------|------------|------------|
| 2.3          | 1.9        | 21.1       | Interest income                         | 4.7          | 3.7        | 27.0       |
| (4.4)        | (0.2)      | n/a        | Interest expense                        | (8.8)        | (0.5)      | n/a        |
| (0.1)        | 0.0        | n/a        | Amortization of deferred financing cost | (0.4)        | 0.0        | n/a        |
| 0.0          | 0.2        | (100.0)    | Other income- net                       | 0.0          | 0.7        | (100.0)    |
| 0.3          | (0.1)      | n/a        | Exchange gain (loss)                    | 0.5          | (0.8)      | n/a        |
| <b>(1.9)</b> | <b>1.8</b> | <b>n/a</b> | <b>Total Other (Expenses) Income</b>    | <b>(4.0)</b> | <b>3.1</b> | <b>n/a</b> |

**Net Income** decreased 48.8% to US\$4.4 million in the second quarter 2007, from a Net Income recorded in the same period of 2006 of US\$8.6 million. This variance was mainly the net result of: (i) an increase of other expenses by US\$3.7 million; (ii) lower operating, maintenance and general expenses by US\$0.5 million, basically due to a decrease of electricity purchases partially offset by higher depreciation expenses and higher fuel expenses; and (iii) lower revenues by US\$0.6 million.

For the first six months of 2007, **Net Income** decreased to US\$11.7 million, as compared to the result Net income recorded in the same period of 2006 of US\$17.8 million. This variance was mainly attributed to: (i) an increase in other expenses by US\$7.1 million driven by higher interest expenses in connection with international and local bonds, partially offset by an increment in foreign exchange gain; and (ii) an increase of US\$1.7 million in the operating income as a result of higher generation, higher contracted electricity sales, higher spot sales in relation with a higher generation, lower electricity purchases and lower maintenance expenses during the first six months of 2007.

**Net Cash Used in Operating Activities** was US\$13.4 million for the second quarter 2007 compared to a Net Cash Provided by Operating Activities of US\$9.8 million in the same period of 2006. This variation was mainly a net result of the following causes: (i) increment of prepaid taxes by US\$14.1 million due to tax withheld and paid in connection with the dividends payment; (ii) lower net income by US\$4.2 million; and, (iii) US\$4.9 million higher negative reconciling adjustments, reconciling net income to net cash used in operations.

For the first six months of 2007, the Net Cash Used in Operating Activities was US\$0.7 million against a Net Cash Provided by operating activities of US\$17.3 million in the same period of 2006. This variation was primarily the net result of: (i) accounts receivables decreased US\$16.4 million; (ii) US\$16.2 million higher negative reconciling adjustments, reconciling net income to net cash used in operations; (iii) an increment of prepaid

taxes by US\$12.1 due to tax withheld and paid in connection with the dividends payment; and, (iv) a decrease in net income by US\$6.1 million.

**Free Cash Flow** (a non-GAAP financial measure defined as net cash from operating activities less capital expenditures defined in the accompanying financial statement as Additions to Property, Plant and Equipment) was a net cash used of US\$14.0 million for the second quarter 2007. During this period, there were additions to property, plant and equipment by US\$0.6 million, corresponding to new facilities in dock area.

For the first six months of 2007, the Free Cash Flow was a net cash used of US\$2.0 million. In addition to the net cash used in operating activities of US\$0.7 million, there were additions to property, plant and equipment by US\$1.3 million, corresponding mostly to new facilities in Unloading Dock Project, improvements in the new administration office and new vehicles.

## Financial Debt Summary

- In April 2007, Itabo paid the first interest coupon of the Senior Notes for an aggregate amount of US\$6.8 million.
- On August 7, 2007 was paid the local bonds by an aggregate amount of RD\$350 million (equivalent to US\$ 10.7 million)

| Financial Debt                         | Jun-07     | Dec-06     |
|--|------------|------------|
| <i>(expressed in millions of US\$)</i> |            |            |
| Local Currency                         | 11         | 11         |
| Foreign Currency                       | 125        | 135        |
| <b>Total Debt</b>                      | <b>136</b> | <b>146</b> |
| Financing Cost (*)                     | 11.5%      | 11.5%      |
| Average Life (years)                   | 6          | 5          |

| Debt Profile            | Jun-07 | Dec-06 |
|-------------------------|--------|--------|
| Local Currency (RD\$)   | 8%     | 7%     |
| Foreign Currency (US\$) | 92%    | 93%    |
| Fixed Rate              | 100%   | 93%    |
| Variable Rate           | 0%     | 7%     |
| Short Term              | 8%     | 7%     |
| Long Term               | 92%    | 93%    |

| Rating Agency     |                   | Rating | Outlook  |
|-------------------|-------------------|--------|----------|
| Fitch Ratings     | Senior Notes 2013 | B-     | Positive |
| Standard & Poor's | Senior Notes 2013 | B      | Stable   |
| Feller Rate       | Local Bonds 2007  | A      | Stable   |

(\*) (1)After tax rates. (2) In 2007, the Notes effective rate includes the interest income accrued by the interest debt reserve.

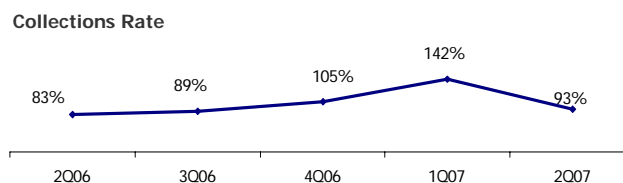
## Dividends

On May 16<sup>th</sup>, 2007, Itabo paid dividends for an amount of RD\$1.5 billion (approximately US\$46 million) to its shareholders.

## Liquidity

### Collections

In June 2007, Itabo and EdeEste entered into another offsetting transaction for approximately US\$1.3 million. In the second quarter 2007, collections rate stood at 93%.



For the first six-months of 2007, the collections rate was 116% compared with 102% registered in the same period of 2006. During this period, the total amount offset was \$18.1 million.

## Regulation and Sector Developments

- In April 2007, the Electric Sector General Agreement was renewed. The Dominican Republic Government committed to stay current with its electricity bills in 2007 and cover the potential deficit of the distributors during one- year period up to an aggregate amount of US\$400.0 million.
- In May 2007, the Renewable Energy Law was enacted with some incentives and guidelines for the industry. Also, a presidential decree was enacted that promotes the Natural Gas.
- In July, the DR Congress approved the new Electricity Law that will help the sector to reach financial sustainability by: i. Criminalization of electrical fraud, ii. Set new limits to no-regulated users in order to protect Distros market, iii. Allow service cutoff after only one bill due, iv. Classify as a national security breach the intentional damage or interruption of national electricity grid.

## Operational Results

For the second quarter 2007 the **Net Generation** was 383 GWh, a decrease of 8.4% respect to the same period of the previous year. This reduction was the result of the planned shutdown of Itabo II which began on June 21<sup>st</sup> and ended on July 22<sup>nd</sup>, and the de-rating caused by high water content in the coal yard due to the raining season.

For the six months of 2007 the **Net Generation** was 831 GWh an increase of 4.4% against the same period 2006, basically due to the increase of plant availability factor (2007-85% Vs 2006-78%) and the reduction of the EFOR (2007-7% Vs 2006-18%) as a consequence of the implementation of corrective and preventive maintenance programs.

The following tables present selected operational information for each of the periods indicated:

| As of June 30, 2007                     |     |
|---|-----|
| Installed capacity (MW)                 | 433 |
| Power Generation Units                  | 7   |
| Effective capacity (MW)                 | 433 |
| Contracted capacity (MW) <sup>(1)</sup> | 302 |

| 1Q07       | 2Q07       | 2Q06       |                       | 6M07           | 6M06       | Var.        |        |
|------------|------------|------------|-----------------------|----------------|------------|-------------|--------|
| 487        | 421        | 457        | Gross generation      | GWh 908        | 871        | 4.2%        |        |
| (39)       | (38)       | (39)       | Internal consumption  | GWh (77)       | (75)       | 2.7%        |        |
| <b>448</b> | <b>383</b> | <b>418</b> | <b>Net Generation</b> | <b>GWh 831</b> | <b>796</b> | <b>4.4%</b> |        |
| 441        | 494        | 463        | Total Energy Sold     | GWh 935        | 861        | 8.6%        |        |
| 209        | 222        | 204        | Firm Capacity         | MW 216         | 201        | 7.0%        |        |
| 11,309     | 11,220     | 11,072     | Heat Rate             | Btu/KWh 11,265 | 10,932     | 3.0%        |        |
| 89         | 81         | 81         | Plant Availability    | %              | 85         | 78          | 8.7%   |
| 6          | 8          | 12         | EFOR                  | %              | 7          | 18          | -61.4% |

## Operational Developments

- During first six month 2007, four shipments were received with 218 thousand metric tons of solid fuel.
- In July 2007, the last petcoke shipment for 2007 was received with 55 thousand metric tons.
- On July 22, Itabo's Unit II maintenance was successfully completed; concluding it some days in advance to what it was originally scheduled.

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### **Safety Indicators**

During the second quarter of 2007, Itabo continued training its employees in: Protection Personal Equipment, Safety in Huracaine, Contractor Safety. During this period, Itabo had no lost time accidents (LTAs).

During the first semester 2007, six hundred seven Contractors have been trained in safety induction, as part of the accident prevention strategy before Itabo II shutdown.

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### **Environmental Matters**

During the second quarter of 2007, three temperature monitoring buoys were installed to monitoring the water temperature of the thermal discharge in order to comply with the local water quality standard NA-AG-001-03.

Environmental accidents have not occurred during the planned outage of Itabo II, .

**EMPRESA GENERADORA DE ELECTRICIDAD ITABO, S. A.**  
(An indirectly subsidiary of The AES Corporation)  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Expressed in thousands of US\$)

| 1Q 07          | 2Q 07          | 2Q 06         |  | 6M07           | 6M06          |
|----------------|----------------|---------------|--|----------------|---------------|
|                |                |               | <b>REVENUES</b>                              |                |               |
| 45,570         | 48,910         | 49,467        | Electricity sales                            | 94,480         | 90,077        |
| 441            | 318            | 298           | Other revenues                               | 759            | 503           |
| <b>46,011</b>  | <b>49,228</b>  | <b>49,765</b> | <b>Total revenues</b>                        | <b>95,239</b>  | <b>90,580</b> |
|                |                |               | <b>OPERATING COSTS AND EXPENSES</b>          |                |               |
| 24,512         | 32,111         | 31,083        | Cost of electricity sales                    | 56,623         | 53,412        |
| 2,477          | 3,082          | 3,995         | Operating, maintenance and general expenses  | 5,559          | 6,871         |
| 3,040          | 2,483          | 4,178         | Selling, general and administrative expenses | 5,523          | 6,796         |
| 4,354          | 4,363          | 3,200         | Depreciation                                 | 8,717          | 6,395         |
| 118            | 117            | 117           | Amortization of contracts                    | 235            | 235           |
| <b>34,501</b>  | <b>42,156</b>  | <b>42,573</b> | <b>Total operating costs and expenses</b>    | <b>76,657</b>  | <b>73,709</b> |
| <b>11,510</b>  | <b>7,072</b>   | <b>7,192</b>  | <b>Operating income</b>                      | <b>18,582</b>  | <b>16,871</b> |
| 2,440          | 2,294          | 1,944         | Interest income                              | 4,734          | 3,715         |
| (4,404)        | (4,392)        | (191)         | Interest expense                             | (8,796)        | (503)         |
| (274)          | (148)          | 0             | Amortization of deferred financing costs     | (422)          | -             |
| -              | 23             | 211           | Other income - net                           | 23             | 714           |
| 197            | 315            | (139)         | Exchange gain (loss)                         | 512            | (795)         |
| <b>(2,041)</b> | <b>(1,908)</b> | <b>1,825</b>  | <b>Total non operational</b>                 | <b>(3,949)</b> | <b>3,131</b>  |
| <b>9,469</b>   | <b>5,164</b>   | <b>9,017</b>  | <b>Income before taxes</b>                   | <b>14,633</b>  | <b>20,002</b> |
| (2,158)        | (766)          | (452)         | Income tax (expense) benefit                 | (2,924)        | (2,194)       |
| <b>7,311</b>   | <b>4,398</b>   | <b>8,565</b>  | <b>Net income</b>                            | <b>11,709</b>  | <b>17,808</b> |

*The company's Financial Results were prepared in Dollars in conformity with generally accepted accounting principles in the United States, as of any date of determination, or "GAAP."*

**EMPRESA GENERADORA DE ELECTRICIDAD ITABO, S. A.**  
**(An indirectly subsidiary of The AES Corporation)**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Expressed in thousands of US\$)**

|  | <u>June 30,</u><br><u>2007</u> | <u>December 31,</u><br><u>2006</u> |
|--|--------------------------------|------------------------------------|
| <b>ASSETS</b>  |                                |                                    |
| CURRENT ASSETS   |                                |                                    |
| Cash and cash equivalents                              | 37,829                         | 82,273                             |
| Restricted cash and cash equivalents                   | 302                            | 299                                |
| Accounts receivable                                    | 1,223                          | 852                                |
| Accounts receivable – related parties, net             | 90,090                         | 101,824                            |
| Other receivable                                       | 736                            | 549                                |
| Other receivable – related parties                     | -                              | 6,000                              |
| Fuel inventory   | 7,865                          | 5,199                              |
| Materials and supplies inventory - current             | 9,503                          | 6,157                              |
| Assets held for sale                                   | -                              | 18,071                             |
| Prepaid taxes  | 33                             | 1,946                              |
| Prepaid expenses and other assets                      | 2,158                          | 553                                |
| Deferred tax asset                                     | 39,305                         | 22,495                             |
| Total current assets                                   | <u>189,044</u>                 | <u>246,218</u>                     |
| Property, plant and equipment                          |                                |                                    |
| Property, plant and equipment                          | 336,257                        | 317,815                            |
| Accumulated depreciation and amortization              | (84,988)                       | (77,155)                           |
| Construction in progress                               | 1,424                          | 441                                |
| Land   | 6,439                          | 6,439                              |
| Net property, plant and equipment                      | <u>259,132</u>                 | <u>247,540</u>                     |
| Long term assets                                       |                                |                                    |
| Debt service reserves                                  | 6,797                          | 6,797                              |
| Materials and supplies inventory - long term           | 6,711                          | 5,152                              |
| Deferred financing costs                               | 3,243                          | 3,665                              |
| Intangible - contracts                                 | 4,275                          | 4,511                              |
| Other assets   | 56                             | 65                                 |
| Total long term assets                                 | <u>21,082</u>                  | <u>20,190</u>                      |
| <b>Total assets</b>                                    | <b><u>469,258</u></b>          | <b><u>513,948</u></b>              |
| <b>Liabilities and stockholders' equity</b>            |                                |                                    |
| Current liabilities                                    |                                |                                    |
| Notes payable and short-term portion of long term debt | 10,584                         | 13,800                             |
| Accounts payable                                       | 8,475                          | 8,796                              |
| Accounts payable - related parties                     | 6,634                          | 17,873                             |
| Accrued liabilities                                    | 4,672                          | 11,446                             |
| Deferred revenues - current                            | 636                            | 636                                |
| Total current liabilities                              | <u>31,001</u>                  | <u>52,551</u>                      |
| Notes payable - long term                              | 125,000                        | 131,667                            |
| Deferred revenue - long term                           | -                              | 318                                |
| Deferred income tax liability                          | 14,610                         | 10,251                             |
| Other long - term liabilities                          | 85                             | 50                                 |
| Total long term liabilities                            | <u>139,695</u>                 | <u>142,286</u>                     |
| COMMITMENTS AND CONTINGENCIES                          |                                |                                    |
| Stockholders' equity                                   |                                |                                    |
| Common stock   | 355,556                        | 355,556                            |
| Additional paid-in-capital                             | 102                            | 76                                 |
| Accumulated losses                                     | (57,096)                       | (36,521)                           |
| Total stockholders' equity                             | <u>298,562</u>                 | <u>319,111</u>                     |
| <b>Total liabilities and stockholders' equity</b>      | <b><u>469,258</u></b>          | <b><u>513,948</u></b>              |

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**EMPRESA GENERADORA DE ELECTRICIDAD ITABO, S. A.**  
(An indirectly subsidiary of The AES Corporation)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in thousands of US\$)

| 1Q 07   | 2Q 07    | 2Q 06   |   | 6M07     | 6M06    |
|---|----------|---------|---|----------|---------|
| <b>OPERATING ACTIVITIES:</b>                                |          |         |   |          |         |
| 7,311   | 4,398    | 8,565   | Net income  | 11,709   | 17,808  |
| Adjustments to reconcile net income to net cash provided by |          |         |   |          |         |
| Operating activities:                                       |          |         |   |          |         |
| 4,354   | 4,363    | 3,200   | Depreciation  | 8,717    | 6,395   |
| 118   | 117      | 117     | Amortization of contracts                                       | 235      | 235     |
| 274   | 148      | -       | Deferred financing costs amortization                           | 422      | -       |
| 2,158   | 766      | 452     | Income tax expense  | 2,924    | 2,194   |
| 10  | 51       | 16      | Long term compensation  | 61       | 22      |
| (197)   | (315)    | 139     | Remeasurement gain  | (512)    | 795     |
|   | (602)    | (712)   | Gain on asset disposal  | (602)    | (712)   |
| (159)   | 84       | (159)   | Other non-cash items  | (75)     | (318)   |
|   | -        | -       | Changes in assets and liabilities:                              |          |         |
| 215   | (586)    | (652)   | Accounts receivable   | (371)    | (1,167) |
| 14,919  | (2,531)  | 3,007   | Accounts receivable – related parties                           | 12,388   | 12,330  |
| (72)  | (115)    | 380     | Other receivable  | (187)    | 53      |
| 3,000   | 3,000    | (9,750) | Other receivable – related parties                              | 6,000    | (9,750) |
| (5,554)   | 2,888    | 1,968   | Fuel inventory  | (2,666)  | 1,992   |
| (2,484)   | (3,603)  | (266)   | Materials and supplies  | (6,087)  | (1,087) |
| -   | (12,990) | 1,094   | Prepaid taxes   | (12,990) | (884)   |
| 524   | (2,119)  | (1,863) | Prepaid expense and other assets                                | (1,595)  | (1,374) |
| 5,565   | (5,723)  | (658)   | Accounts payable  | (158)    | (2,263) |
| (14,472)  | 3,233    | 3,107   | Accounts payable - related parties                              | (11,239) | (7,057) |
| (2,763)   | (3,888)  | 1,773   | Accrued liabilities and other                                   | (6,651)  | 83      |
| 12,747  | (13,424) | 9,758   | Net cash provided by operating activities                       | (677)    | 17,295  |
| <b>INVESTING ACTIVITIES:</b>                                |          |         |   |          |         |
| (705)   | (596)    | (2,186) | Additions to property, plant and equipment                      | (1,301)  | (4,053) |
|   | 2        | 712     | Proceeds from sales of property, plant and equipment            | 2        | 712     |
| (11)  | 11       | -       | Change in restricted cash and cash equivalents                  | -        | (20)    |
| (716)   | (583)    | (1,474) | Net cash (used in) investing activities                         | (1,299)  | (3,361) |
| <b>FINANCING ACTIVITIES:</b>                                |          |         |   |          |         |
| (10,000)  | (52)     | (916)   | Notes payable - net   | (10,052) | (5,356) |
| -   | (32,284) | -       | Dividends payment   | (32,284) | -       |
| (10,000)  | (32,336) | (916)   | Net cash (used in) financing activities                         | (42,336) | (5,356) |
| (89)  | (43)     | 25      | EFFECT OF EXCHANGE RATE CHANGES ON CASH                         | (132)    | 96      |
|   | 0        | 0       |   |          |         |
| 1,942   | (46,386) | 7,393   | <b>NET INCREASE (DECREASE) IN CASH</b>                          | (44,444) | 8,674   |
| 82,273  | 84,215   | 10,652  | <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b> | 82,273   | 9,371   |
| 84,215  | 37,829   | 18,045  | <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>       | 37,829   | 18,045  |

*The company's Financial Results were prepared in Dollars in conformity with generally accepted accounting principles in the United States, as of any date of determination, or "GAAP."*

*The results presented in this report have not been audited and were prepared in Dollars in conformity with generally accepted accounting principles in the United States, as of any date of determination, or "GAAP."*

*Itabo is controlled and managed by subsidiaries of AES. Itabo owns the lowest-cost thermal power generation units in the Dominican Republic and is the second largest thermal power generator in the country based on effective capacity and installed capacity. Itabo operates power generation units that in the aggregate have 433 MW of effective and installed capacity, which represent approximately 14% of the current total installed capacity in the Dominican Republic. Itabo also has the only loading dock with the capacity to service Panamax vessels and to unload to 60,000 tons of solid fuels in bulk.*

*AES is one of the world's largest global power companies, with 2006 revenues of \$12.3 billion. With operations in 28 countries on five continents, AES's generation and distribution facilities have the capacity to serve 100 million people worldwide. Our 13 utilities amass annual sales of over 73,000 GWh and our 121 generation facilities have the capacity to generate approximately 40,000 megawatts. Our global workforce of 32,000 people is committed to operational excellence and meeting the world's growing power needs. To learn more about AES, please visit [www.aes.com](http://www.aes.com) or contact AES media relations at [media@aes.com](mailto:media@aes.com).*

*Please address any questions or comments related to this report to Investor Relations, email address: [inversoraesdom@aes.com](mailto:inversoraesdom@aes.com)*

*This report may contain forward-looking statements speculative in nature based on the information, operational plans and forecasts currently available about future trends and facts. As such, they are subject to risks and uncertainties. A wide variety of factors may cause future real facts to differ significantly from the issues presented or anticipated in this report, including, among others, changes in general economic, political, government and business conditions. In the event of materializing any of these risks or uncertainties, or if underlying assumptions prove to be mistaken, future real facts may vary significantly. Itabo is not bound to update or correct the information contained in this report.*

## Glossary of key terms

- Btu:** British thermal units of measurement. It is a unit of heat in the English European System. Its equivalence in the International System (IS) is the Calorie. The prices of Natural Gas are usually expressed in US\$/MMBtu. 1 Btu is equivalent to 252 calories.
- CDEEE:** Corporación Dominicana de Empresas Eléctricas Estatales.
- Coordinating Body:** "OC" or Organismo Coordinador. Whose function is to plan and coordinate the economic operations of the power providers with those of the transmission, distribution and commercialization system that form the SENI.
- EAF:** Equivalent Availability Factor
- Effective Capacity:** The currently available capacity, as of any date of determination, for generation of a unit or the amount of MW that a power generation unit can reliably generate.
- EFOR:** Equivalent Forced Outage Rate
- Firm Capacity:** The amount of capacity assigned by the Coordinating Body to each power generation unit for being available to cover the demand in peak hours.
- FX:** Foreign exchange, a banking term for changing money from one currency into another.
- Installed capacity:** The amount of MW a turbine is designed to produce upon installment (name-plate capacity).
- PPA:** Power Purchase Agreement.
- SENI:** Sistema Eléctrico Nacional Interconectado or the National Interconnected Electrical System.