

# First Quarter 2008

## Relevant Results

Santo Domingo, Dominican Republic  
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### Itabo reports Net Income of US\$4.3 million for the first quarter 2008

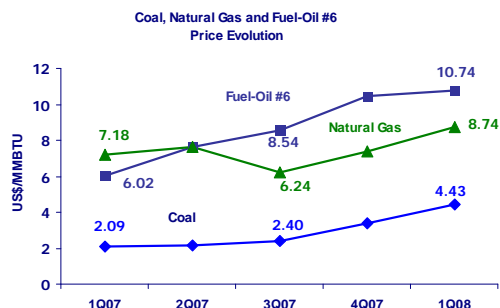
Santo Domingo, Dominican Republic, May 15, 2008 – Itabo announced today results for the first quarter 2008. All operating and financial information, except where otherwise specified, is expressed in US dollars in conformity with Generally Accepted Accounting Principles applicable in the United States (USGAAP).

Revenues increased 17.4% in the first quarter 2008 compared to the same period of 2007. Net Income decreased 41.1% to US\$4.3 million in the first quarter of 2008 as compared with the same period of 2007.

(Millions of US\$)	1Q08	1Q07	Var %
Revenues	54.0	46.0	17.4
Operating costs and expenses	46.4	34.5	34.5
Operating income (loss)	7.6	11.5	(33.9)
Operating income margin	14.1%	25.0%	
Net Income (loss)	4.3	7.3	(41.1)
Net Cash Provided by Operating Activities	13.0	12.7	2.4

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

- GDP grew 8.0% as of December, 2007.
- Inflation stood at 2.79% at the end of March.
- Exchange Rate as of March 31st, 2008 closed at RD\$33.51 per US dollar (Bid) and RD\$34.23 per US dollar (Ask).
- Average coal price was US\$4.43 per MMBtu for the quarter.
- Total electricity demand for the first quarter 2008 reached 2,651 GWh, a 9.3% increase over the first quarter 2007.



### Analysis of Consolidated<sup>2</sup> Financial Results (In USGAAP)

**Revenues** increased 17.4% to US\$54.0 million in the first quarter 2008 compared to the same period of 2007. The factors that led to these results were: (i) US\$12.2 million of higher sales to the distribution companies due to increment in the coal prices that are used to escalate PPA sales; (ii) lower spot sales for US\$4.4 million, due to lower generation since Itabo I was placed out of service for 45 days for a programmed maintenance; and, (iii) higher other revenues for US\$0.2 million, basically due to higher fuel sales to third parties (coal and petcoke).

### Highlights

- In February, the incorporation of the “Fundacion AES Dominicana” was finalized.
- On March 18, Itabo's Unit I programmed maintenance was successfully completed.
- In March 2008 Itabo, CDEE and the Distribution Companies entered into another offsetting transaction for approximately US\$9.1 million.
- The contract with AES Kilroot for the sale of 2 Turbo Gas Units was signed for US\$9.7 million.
- In April 2008, the Sector Agreement was renewed between the Dominican Government and most of the generators and distributors for one-year period.
- On May 1<sup>st</sup>, Fitch Rating affirmed Itabo's foreign and local currency Issuer Default Ratings (IDRs) and outstanding debt ratings at “B-”; outlook “positive”.

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

<sup>2</sup> The accompanying consolidated financial results include the accounts of Itabo, and its subsidiary Itabo Finance, S. A. Intercompany balances and transactions have been eliminated in these consolidated financial statements.

Revenues consist of the following:

(Millions of US\$)	1Q08	1Q07	Var%
Electricity sales	53.4	45.6	17.1
Other revenues	0.6	0.4	50.0
<b>Total Revenues</b>	<b>54.0</b>	<b>46.0</b>	<b>17.4</b>

**Operating Costs and Expenses** increased 34.5%, in the first quarter 2008, to US\$46.4 million compared to the same period of 2007. This variance was principally a net result of: (i) US\$11.2 million of higher electricity purchase, mainly through a back up contract with “Empresa de Generación Hidroeléctrica Dominicana” (EGEHID), since Itabo I was placed out of service for 45 days for a programmed maintenance; (ii) US\$2.5 million of higher operating and maintenance expenses due to Itabo I programmed maintenance; and, (iii) lower fuel cost by US\$1.8 million due to lower generation.

Operating costs and expenses consist of the following:

(Millions of US\$)	1Q08	1Q07	Var%
Cost of electricity sales	33.9	24.5	38.4
Operating and maintenance expenses	5.0	2.5	100.0
Selling, general and administrative expenses	2.8	3.0	(6.7)
Depreciation	4.6	4.4	4.5
Amortization of contracts	0.1	0.1	-
<b>Total Operating Cost and Expenses</b>	<b>46.4</b>	<b>34.5</b>	<b>34.5</b>

Total **Other Expenses** was US\$2.5 million in the first quarter 2008 compared to US\$2.1 million in the same period of 2007. This variation was mainly caused by: (i) lower interest income on short term investments by US\$0.9 million; (ii) lower financial interest expenses by US\$0.2 million and US\$0.2 million of lower deferred financing cost due to maturity of the local bonds in August 2007; (iii) higher net commercial interest income by US\$0.3 million; and, (iv) lower exchange gain by US\$0.2 million due to in March 2008 the exchange rate has depreciated going from US\$32.48/US\$ to US\$34.23/US\$ affecting the net asset exposure causing lower exchange gain.

Other (Expenses) consists of the following:

(Millions of US\$)	1Q08	1Q07	Var%
Interest income (expenses)- financial- net	(3.5)	(2.8)	25.0
Interest income (expenses)- commercial- net	1.1	0.8	37.5
Amortization of deferred financing cost	(0.1)	(0.3)	(66.7)
Other income- net	-	-	-
Exchange gain	-	0.2	n/a
<b>Total Other (Expenses)</b>	<b>(2.5)</b>	<b>(2.1)</b>	<b>19.0</b>

For the first quarter of 2008, the **Net Income** decreased to US\$4.3 million from US\$7.3 million recorded in the same period of 2007. This variance was mainly the net result of: (i) an increase of operating cost and expenses by US\$11.9 million due to the increment of electricity purchases and operating and maintenance expenses as a consequence of Itabo I programmed maintenance; (ii) higher revenues by US\$8 million; (iii) lower income tax expenses by US\$1.3 million; and, (iv) higher other expenses by US\$0.4 million basically due to lower financial interest income.

**Net Cash Provided by Operating Activities** was US\$13.0 million for the first quarter 2008 compared to a Net Cash Provided by Operating Activities of US\$12.7 million in the same period of 2007. This variation was mainly a net result of the following causes: (i) accounts receivable increased US\$21.0 million basically to higher sales to Distribution Companies; (ii) lower fuel inventory by US\$11.0 million; (iii) higher other accrued liabilities by US\$7.4 million; (iv) higher accounts payable by US\$6.0 million; (v) lower Net Income by US\$3.0 million; and, (vi) US\$0.1 million of higher negative reconciling adjustments, reconciling net income to net cash provided by operations.

- Itabo I was placed out of service for 45 days due to a programmed maintenance. This caused higher spare parts purchases and higher electricity purchases during the first quarter 2008.

- For March 2008, average financial interest rate for short term investment was 1.83%.

- Itabo's local bonds matured on August 2007, this caused a reduction over financial interest expenses.

- Higher revenues in connection with the increment in the PPA's price due to higher coal prices (around 46%)

**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 net cash provided of US\$10.6 million for the first quarter 2008. During this period, there were additions to property, plant and equipment by US\$2.4 million, corresponding to spare parts.

## Financial Debt Summary

- On April 4th, Itabo's international bonds coupon was paid by US\$6.8 million.
- In May 2008, Fitch Ratings affirmed the "B-" rating and its outlook "positive" of Senior Unsecured Notes due to 2013.

Rating Agency		Rating	Outlook
Fitch Ratings	Senior Notes 2013	B-	Positive
Standard & Poor's	Senior Notes 2013	B	Stable

## Liquidity

### Collections

During the first quarter 2008 the collection rate was 98% against 142% in the same period of 2007. In the first quarter 2008 the DR Distribution Companies received financial support from the Dominican government, and as a result they were able to settle most of the current balance with Itabo.

In March, Itabo, CDEEE, EDE Sur, EDE Norte and EDE Este entered into an offsetting transaction by means of which Itabo compensated US\$9.1 million of accounts payable to CDEEE with accounts receivable from EDE Este, EDE Norte and EDE Sur.

## Regulation and Sector Developments

- In April 2008, the Electric Sector General Agreement was renewed. The Dominican Government committed to stay current with its electricity bills in 2008 and cover the potential deficit of the Distribution Companies during one-year period up to an aggregate amount of RD\$21,000 million (equivalent to US\$650 million). The Electric Sector Agreement also includes a clause that establishes that by August, 2008 the Government will provide mechanisms to settle the frozen debt.

## Operational Results

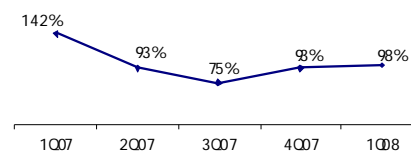
For the first quarter 2008 the Net Generation was 336 GWh, a decrease of 24.2% respect to the same period of the previous year mainly as a result of Itabo I programmed maintenance, which was successfully completed. The Energy Sold decreased 9.6% (1Q08-441GWh Vs 1Q07-488GWh) respect to the same period of the previous year mainly due to the reduction on sales in spot market.

The Plant Availability decrease 22.5% (1Q08-69% Vs 1Q07-89%) due to the programmed maintenance. The EFOR decrease 16.7% (1Q08-5% Vs 1Q07-6%) as a consequence of the implementation of corrective and preventive maintenance programs. The Itabo's firm capacity has increased 24.5% as a consequence of its historical plant availability improvement.

Financial Debt	Mar-08	Dec-07
<b>(expressed in millions of US\$)</b>		
Local Currency	0	0
Foreign Currency	125	125
<b>Total Debt</b>	<b>125</b>	<b>125</b>
Short Term	0%	0%
Long Term	100%	100%
Fixed Rate	100%	100%
Variable Rate	0%	0%
Financing Cost (*)	11.2%	11.2%
Average Life (years)	6	6

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

### Collection Rate



As of March 31, 2008	
Installed capacity (MW)	433
Power Generation Units	7
Effective capacity (MW)	433
Contracted capacity (MW) <sup>(1)</sup>	302

<sup>(1)</sup> Capacity contracted through long-term PPAs.

The following table presents selected operational information for each of the periods indicated:

		1Q08	1Q07*	Var.
Gross generation	GWh	371	482	-23.0%
Internal consumption	GWh	(35)	(39)	-10.3%
<b>Net Generation</b>	<b>GWh</b>	<b>336</b>	<b>443</b>	<b>-24.2%</b>
Total Energy Sold	GWh	441	488	-9.6%
Firm Capacity	MW	249	200	24.5%
Heat Rate	Btu/KWh	10,912	11,497	-5.1%
Plant Availability	%	69	89	-22.5%
EFOR	%	5	6	-16.7%

\* Revised data

## Operational Developments

- During the first quarter 2008 two coal vessels were received containing 65,365 MT.
- On February 2nd, Itabo I was placed out of service for 45 days in order to conduct a programmed maintenance. On March 18, Itabo's Unit I maintenance was successfully completed.
- Itabo entered into a two-month Power Purchase Contract for 30 GWh each month with Empresa de Generación Hidroeléctrica Dominicana (EGEHID) in order to comply with its contracted requirements during the maintenance of Unit I.
- The contract with AES Kilroot for the sale of 2 Turbo Gas Units was signed by US\$9.7 million. The units will be dismantled during the second semester of 2008.

## Safety Indicators

- During the first quarter of 2008, Itabo had no lost time accidents (LTAs).
- In the first quarter 2008, five hundred and seventy Contractors were trained in safety induction, as part of the accident prevention strategy before planned outage of Itabo I and continued the training programs to the employees.
- According to the safety program, training sessions took place at Itabo: Safety Walks, Safety meetings, Contractors Inspections.

## Environmental Matters

During the first quarter Environmental Ministry renewed the environmental permit for Itabo. Air Quality, Air Emissions from stack and environmental noise studies were performed in Itabo's power plant site. Besides, CO2 emissions reduction task force was formed in the plant to study potential technologies that can lead us to a 10% reduction of actual emissions.

## Corporate Social Responsibility

The AES Dominicana Foundation was established in July 2007 and incorporated in February 2008. This entity has national scope with special attention in the communities where our businesses are located, focusing its efforts on the cultural, educational, sports and health areas.

Since the AES Dominicana Foundation was instituted, it has assisted the communities surrounding the power plants, supplying medical equipments and materials to its hospitals, sport practices and schools, as well fire equipment. The foundation has collaborated with educational programs and has joined with CURE International for surgical interventions to poor children with congenital deformities.

- In the first quarter 2008, the Net Generation was 336 GWh, representing a decrease of 24.2% compared to the same period of 2007; basically due to the Itabo I programmed maintenance.

- Environmental accidents did not occur during the planned outage of Itabo I and during the first quarter 2008.

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

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS  
 FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007  
 (Expressed in thousands of US\$)

	1Q08	1Q07
<b>REVENUES</b>		
Electricity sales	53,398	45,570
Other revenues	573	441
<b>Total revenues</b>	<b>53,971</b>	<b>46,011</b>
<b>OPERATING COSTS AND EXPENSES</b>		
Cost of electricity sales	33,855	24,512
Operating, maintenance and general expenses	4,962	2,477
Selling, general and administrative expenses	2,774	3,040
Depreciation	4,684	4,354
Amortization of contracts	118	118
<b>Total operating costs and expenses</b>	<b>46,393</b>	<b>34,501</b>
<b>Operating income</b>	<b>7,578</b>	<b>11,510</b>
Interest income	1,743	2,440
Interest expense	(4,131)	(4,404)
Amortization of deferred financing costs	(128)	(274)
Other income - net	3	-
Exchange gain	42	197
<b>Total Other (expenses)</b>	<b>(2,471)</b>	<b>(2,041)</b>
<b>Income before taxes</b>	<b>5,107</b>	<b>9,469</b>
Income tax expense	(807)	(2,158)
<b>Net income</b>	<b>4,300</b>	<b>7,311</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 CONSOLIDATED BALANCE SHEETS**  
**AS OF MARCH 31, 2008 AND DECEMBER 31, 2007**  
**(Expressed in thousands of US\$)**

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	14,866	4,368
Restricted cash and cash equivalents	292	291
Accounts receivable	5,567	5,609
Accounts receivable – related parties, net	102,836	102,228
Other receivable	3,159	834
Fuel inventory	8,295	13,782
Materials and supplies inventory - current	10,863	9,061
Prepaid taxes	39,467	39,362
Prepaid expenses and other assets	31	744
Deferred tax asset	3,673	4,437
Total current assets	<u>189,049</u>	<u>180,716</u>
Property, plant and equipment		
Property, plant and equipment	340,687	335,930
Accumulated depreciation and amortization	(91,843)	(90,403)
Construction in progress	2,629	3,402
Land	6,170	6,170
Net property, plant and equipment	<u>257,643</u>	<u>255,099</u>
Long term assets		
Debt service reserves	6,797	6,797
Materials and supplies inventory - long term	3,632	6,640
Deferred financing costs	2,854	2,981
Intangible - contracts	3,922	4,040
Other assets	1,687	3,358
Total long term assets	<u>18,892</u>	<u>23,816</u>
<b>Total assets</b>	<b><u>465,584</u></b>	<b><u>459,631</u></b>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable	US\$ 9,883	US\$ 12,998
Accounts payable - related parties	13,203	13,065
Accrued liabilities	11,988	7,309
Total current liabilities	<u>35,074</u>	<u>33,372</u>
Notes payable - long term	125,000	125,000
Deferred income tax liability	14,495	14,492
Other long - term liabilities	50	110
Total long term liabilities	<u>139,545</u>	<u>139,602</u>
Stockholders' equity		
Common stock (56,355,556 shares authorized and outstanding)	355,556	355,556
Additional paid-in-capital	105	97
Accumulated losses	(64,696)	(68,996)
Total stockholders' equity	<u>290,965</u>	<u>286,657</u>
<b>Total liabilities and stockholders' equity</b>	<b><u>465,584</u></b>	<b><u>459,631</u></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 CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
**(Expressed in thousands of US\$)**

	1Q08	1Q07
<b>Cash flows from operating activities</b>		
Net income	4,300	7,311
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,684	4,354
Amortization of contracts	118	118
Amortization of deferred financing costs	128	274
Income tax expense	807	2,158
Long term compensation	19	10
Remeasurement gain	(42)	(197)
Other non-cash items	23	(159)
Changes in assets and liabilities:		
Accounts receivable - trade	45	215
Accounts receivable – related companies	(617)	14,919
Other receivable	(2,325)	(72)
Other receivable – related parties	-	3,000
Fuel inventory	5,487	(5,554)
Materials and supplies	(3,517)	(2,484)
Prepaid expense and other assets	2,130	525
Accounts payable	(3,031)	6,937
Accounts payable - related parties	147	(15,845)
Accrued liabilities and other	4,604	(2,763)
Sub-total for changes in assets and liabilities	2,923	(1,122)
Net cash provided by operating activities	<u>12,960</u>	<u>12,747</u>
<b>Cash flows from investing activities:</b>		
Additions to property, plant and equipment	(2,419)	(705)
Change in restricted cash and cash equivalents	(1)	(11)
Net cash used in investing activities	<u>(2,420)</u>	<u>(716)</u>
<b>Cash flows from financing activities:</b>		
Notes payable - net	-	(10,000)
Net cash used in financing activities	<u>-</u>	<u>(10,000)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(42)	(89)
<b>NET INCREASE IN CASH</b>	<u>10,498</u>	<u>1,942</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>4,368</u>	<u>82,273</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u><u>14,866</u></u>	<u><u>84,215</u></u>

*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 2007 revenues of \$13.6 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 12 regulated utilities amass annual sales of over 78,000 GWh and our 121 generation facilities have the capacity to generate approximately 43,000 MW. Our global workforce of 28,000 people is committed to operational excellence and meeting the world's growing power. 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

<b>Btu:</b>	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.
<b>CDEEE:</b>	Corporación Dominicana de Empresas Eléctricas Estatales.
<b>Coordinating Body:</b>	“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.
<b>DPP:</b>	Dominican Power Partners.
<b>EAF:</b>	Equivalent Availability Factor
<b>Effective Capacity:</b>	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.
<b>EFOR:</b>	Equivalent Forced Outage Rate
<b>Firm Capacity:</b>	The amount of capacity assigned by the Coordinating Body to each power generation unit for being available to cover the demand in peak hours.
<b>FX:</b>	Foreign exchange, a banking term for changing money from one currency into another.
<b>GDP:</b>	The gross domestic product (GDP) is one of the measures of national income and output for a given country's economy. GDP is defined as the total market value of all final goods and services produced within the country in a given period of time (usually a calendar year).
<b>Installed capacity:</b>	The amount of MW a turbine is designed to produce upon installment (name-plate capacity).
<b>Platts:</b>	Is a provider of energy information around the world that has been in business in various forms for more than a century and is now a division of The McGraw-Hill Companies. Products include Platts Energy Economist, industry news and price benchmarks for the oil, natural gas, electricity, nuclear power, coal, petrochemical and metals markets.
<b>PPA:</b>	Power Purchase Agreement.
<b>SENI:</b>	Sistema Eléctrico Nacional Interconectado or the National Interconnected Electrical System.