

AES CORPORATION
Form 8-K
October 28, 2004

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) : **October 28, 2004**

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)

Item 2.02. Results of Operations and Financial Condition

On October 28, 2004, the AES Corporation issued a press release setting forth its third quarter financial results. A copy of the release is furnished as Exhibit 99.1 to this report.

Item 8.01: Other Events

AES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

| (\$ in millions, except per share amounts) | Quarter Ended September 30, | | Nine Months Ended September 30, | |
|---|--------------------------------|----------|------------------------------------|----------|
| | 2004 | 2003 | 2004 | 2003 |
| Revenues | \$ 2,423 | \$ 2,231 | \$ 6,943 | \$ 6,134 |
| Cost of sales | (1,692) | (1,555) | (4,884) | (4,345) |
| GROSS MARGIN | 731 | 676 | 2,059 | 1,789 |
| General and administrative expenses | (40) | (36) | (130) | (97) |
| Other operating expense, net | (10) | (5) | (5) | (29) |
| Asset impairment expense | | (75) | | (106) |
| OPERATING INCOME | 681 | 560 | 1,924 | 1,557 |
| Interest expense | (470) | (500) | (1,423) | (1,518) |
| Interest income | 52 | 82 | 191 | 207 |
| Other nonoperating (expense) income, net | (2) | 12 | (20) | 112 |
| Foreign currency transaction (losses) gains | (16) | (35) | (79) | 154 |
| Loss on sale of investments | | | (1) | |
| Equity in earnings of affiliates | 18 | 12 | 57 | 57 |
| INCOME BEFORE INCOME TAXES AND MINORITY INTEREST | 263 | 131 | 649 | 569 |
| Income tax expense | (78) | (33) | (201) | (160) |
| Minority interest expense, net | (52) | (36) | (174) | (77) |
| INCOME FROM CONTINUING OPERATIONS | 133 | 62 | 274 | 332 |
| Income (loss) from operations of discontinued components (net of income tax benefit (expense) of \$4, \$(28), \$8, and \$0, respectively) | 7 | 14 | (48) | (290) |
| INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE | 140 | 76 | 226 | 42 |
| Cumulative effect of accounting change (net of income tax benefit of \$1) | | | | (2) |
| NET INCOME | \$ 140 | \$ 76 | \$ 226 | \$ 40 |

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DILUTED EARNINGS PER SHARE

| | | | | | | | | |
|---|----|------|----|------|----|--------|----|--------|
| Income from continuing operations | \$ | 0.20 | \$ | 0.10 | \$ | 0.42 | \$ | 0.56 |
| Discontinued operations | | 0.01 | | 0.02 | | (0.07) | | (0.49) |
| Cumulative effect of accounting change | | | | | | | | |
| Total | \$ | 0.21 | \$ | 0.12 | \$ | 0.35 | \$ | 0.07 |
| Diluted weighted average shares outstanding (in millions) | | 651 | | 624 | | 643 | | 588 |

AES CORPORATION

SEGMENT INFORMATION

| (\$ in millions) | Quarter Ended September 30, | | Nine Months Ended September 30, | |
|---|--------------------------------|----------|------------------------------------|----------|
| | 2004 | 2003 | 2004 | 2003 |
| BUSINESS SEGMENTS | | | | |
| REVENUES | | | | |
| Contract Generation | \$ 906 | \$ 817 | \$ 2,642 | \$ 2,268 |
| Competitive Supply | 265 | 230 | 756 | 655 |
| Large Utilities | 938 | 908 | 2,590 | 2,388 |
| Growth Distribution | 314 | 276 | 955 | 823 |
| Total revenues | \$ 2,423 | \$ 2,231 | \$ 6,943 | \$ 6,134 |
| GROSS MARGIN | | | | |
| Contract Generation | \$ 372 | \$ 327 | \$ 1,057 | \$ 903 |
| Competitive Supply | 64 | 59 | 181 | 173 |
| Large Utilities | 234 | 244 | 635 | 572 |
| Growth Distribution | 61 | 46 | 186 | 141 |
| Total gross margin | \$ 731 | \$ 676 | \$ 2,059 | \$ 1,789 |
| INCOME BEFORE INCOME TAXES AND MINORITY INTEREST | | | | |
| Contract Generation | \$ 211 | \$ 103* | \$ 609 | \$ 414 |
| Competitive Supply | 47 | 37 | 140 | 148 |
| Large Utilities | 119 | 127 | 329 | 291 |
| Growth Distribution | 47 | 12 | 86 | 107 |
| Corporate | (161) | (148) | (515) | (391) |
| Total income before income taxes and minority interest | \$ 263 | \$ 131 | \$ 649 | \$ 569 |
| GEOGRAPHIC SEGMENTS | | | | |
| REVENUES | | | | |
| North America | \$ 586 | \$ 581 | \$ 1,666 | \$ 1,634 |
| Caribbean | 401 | 387 | 1,198 | 1,107 |
| South America | 1,022 | 907 | 2,810 | 2,378 |
| Europe/Africa | 235 | 218 | 748 | 663 |
| Asia | 179 | 138 | 521 | 352 |
| Total revenues | \$ 2,423 | \$ 2,231 | \$ 6,943 | \$ 6,134 |
| INCOME BEFORE INCOME TAXES AND MINORITY INTEREST | | | | |
| North America | \$ 146 | \$ 134 | \$ 387 | \$ 353 |
| Caribbean | 37 | 82 | 150 | 159 |
| South America | 150 | 64 | 303 | 276 |
| Europe/Africa | 38 | (54)* | 143 | 31 |

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| | | | | |
|--|--------|--------|--------|--------|
| Asia | 53 | 53 | 181 | 141 |
| Corporate | (161) | (148) | (515) | (391) |
| Total income before income taxes and minority interest | \$ 263 | \$ 131 | \$ 649 | \$ 569 |

* Includes a \$76 million asset impairment charge.

AES CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

| (\$ in millions, except per share amounts) | September 30, 2004 | December 31, 2003 |
|---|-----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,582 | \$ 1,737 |
| Restricted cash | 357 | 288 |
| Short term investments | 139 | 189 |
| Accounts receivable, net of reserves of \$253 and \$291, respectively | 1,317 | 1,211 |
| Inventory | 388 | 376 |
| Receivable from affiliates | 2 | 3 |
| Deferred income taxes - current | 159 | 136 |
| Prepaid expenses | 115 | 64 |
| Other current assets | 801 | 677 |
| Current assets of held for sale and discontinued businesses | 250 | 205 |
| Total current assets | 5,110 | 4,886 |
| PROPERTY, PLANT AND EQUIPMENT | | |
| Land | 748 | 733 |
| Electric generation and distribution assets | 21,969 | 21,076 |
| Accumulated depreciation and amortization | (5,087) | (4,587) |
| Construction in progress | 827 | 1,278 |
| Property, plant and equipment, net | 18,457 | 18,500 |
| OTHER ASSETS | | |
| Deferred financing costs, net | 486 | 430 |
| Investment in and advances to affiliates | 683 | 648 |
| Debt service reserves and other deposits | 598 | 617 |
| Goodwill, net | 1,376 | 1,378 |
| Deferred income taxes - noncurrent | 778 | 781 |
| Long-term assets of held for sale and discontinued businesses | 683 | 750 |
| Other assets | 1,785 | 1,976 |
| Total other assets | 6,389 | 6,580 |
| TOTAL ASSETS | \$ 29,956 | \$ 29,966 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 1,027 | \$ 1,225 |
| Accrued interest | 447 | 561 |
| Accrued and other liabilities | 1,372 | 1,156 |
| Current liabilities of held for sale and discontinued businesses | 769 | 699 |
| Recourse debt-current portion | 77 | 77 |
| Non-recourse debt-current portion | 1,778 | 2,769 |
| Total current liabilities | 5,393 | 6,487 |
| LONG-TERM LIABILITIES | | |
| Recourse debt | 5,470 | 5,862 |
| Non-recourse debt | 11,262 | 10,930 |

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| | | |
|--|-----------|-----------|
| Deferred income taxes | 1,122 | 1,113 |
| Long-term liabilities of held for sale and discontinued businesses | 19 | 94 |
| Pension liabilities | 900 | 947 |
| Other long-term liabilities | 3,134 | 3,083 |
| Total long-term liabilities | 21,907 | 22,029 |
| Minority Interest , including discontinued businesses of \$0 and \$12, respectively | | |
| | 1,226 | 805 |
| STOCKHOLDERS EQUITY | | |
| Common stock | 6 | 6 |
| Additional paid-in capital | 5,497 | 5,737 |
| Accumulated deficit | (877) | (1,103) |
| Accumulated other comprehensive loss | (3,196) | (3,995) |
| Total stockholders equity | 1,430 | 645 |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | \$ 29,956 | \$ 29,966 |

AES CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| (\$ in millions) | Nine Months Ended September 30, | |
|---|------------------------------------|----------|
| | 2004 | 2003 |
| OPERATING ACTIVITIES | | |
| Net income | \$ 226 | \$ 40 |
| Adjustments: | | |
| Depreciation and amortization continuing and discontinued operations | 609 | 581 |
| Other non-cash charges | 543 | 165 |
| (Increase) decrease in working capital | (269) | 300 |
| Net cash provided by operating activities | 1,109 | 1,086 |
| INVESTING ACTIVITIES | | |
| Property additions and project development costs | (598) | (878) |
| Net proceeds from the sale of assets | 64 | 707 |
| Sale (purchase) of short-term investments | 42 | (25) |
| Affiliate advances and equity investments | 6 | |
| (Increase) in restricted cash | (19) | (322) |
| (Increase) decrease in debt service reserves and other assets | (13) | 108 |
| Other investing | (4) | (16) |
| Net cash used in investing activities | (522) | (426) |
| FINANCING ACTIVITIES | | |
| (Repayments) under the revolving credit facilities, net | | (228) |
| Issuance of non-recourse debt and other coupon bearing securities | 1,980 | 4,120 |
| Repayments of non-recourse debt and other coupon bearing securities | (2,565) | (4,200) |
| Payments for deferred financing costs | (81) | (106) |
| (Distributions to) contribution by minority interests, net | (79) | 7 |
| Proceeds from sale of common stock | 7 | 335 |
| Other financing | (3) | (2) |
| Net cash used in financing activities | (741) | (74) |
| Effect of exchange rate changes on cash | (9) | 34 |
| Total (decrease) increase in cash and cash equivalents | (163) | 620 |
| Decrease in cash and cash equivalents of discontinued operations and businesses held for sale | 8 | 62 |
| Cash and cash equivalents, beginning | 1,737 | 792 |
| Cash and cash equivalents, ending | \$ 1,582 | \$ 1,474 |

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 by the undersigned hereunto duly authorized.

THE AES CORPORATION

Date: October 28, 2004

By: /s/ Vincent W. Mathis
Name: Vincent W. Mathis
Title: Assistant General Counsel

EXHIBIT INDEX

| No. | | Description |
|------------|--------------------------------------|--------------------|
| 99.1 | Press Release dated October 28, 2004 | |